



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD  
1250 H Street, NW Washington, DC 20005

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 16, 2009

Thomas A. Fink, Acting Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 16, 2009, at 9:00 a.m., Eastern Time. Parts of the meeting were open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Alejandro M. Sanchez of Florida, member; Gordon J. Whiting of New York, member; Gregory T. Long, Executive Director; Thomas K. Emswiler, Secretary and General Counsel; Mark A. Hagerty, Chief Information Officer; Pamela-Jeanne Moran, Director, Participant Services; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; Thomas J. Trabucco, Director, External Affairs; and Renée Wilder, Director, Research and Strategic Planning.

1. Approval of the minutes of the October 19, 2009 Board member meeting.

Mr. Fink entertained a motion for approval of the minutes of the October 19, 2009 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting that was held on October 19, 2009, be approved.

2. Thrift Savings Plan activity report by the Executive Director.

- a. Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). The total fund balance was approximately \$233 billion in October. The balance decreased only marginally since September due to negative performance in the equity markets.

Ms. Wilder also noted a slight reduction in withdrawal and loan activity during the month of October and a slight increase in the number of Uniformed Services participants. She explained that the increase in the number of Uniformed Services participants was driven by the Ready Reserve participation rate, which is a number that fluctuates fairly significantly from month-to-month. The participation rate for active duty Uniformed Services members held steady from September to October.

The total number of participants has reached 4.2 million. Mr. Fink inquired about the difference between immediate agency contributions and automatic enrollment with respect to the impact that these features have on

participation rates. The FERS participation rate is calculated by dividing the total number of FERS participants making contributions by the sum of FERS participants making contributions and FERS employees receiving agency contributions but not contributing. Ms. Wilder and Mr. Long explained that immediate agency contributions have increased the denominator, which represents the total participant base, because all Federal employees now receive agency contributions immediately whereas they used to have to wait six to twelve months. With the implementation of immediate agency contributions, FERS employees who were not contributing on their own were immediately counted in the denominator.

Mr. Long further explained that automatic enrollment will increase the number of participants who, in addition to being included in the total participation base, will also be actively participating by making contributions on their own. Because immediate agency contributions have already been implemented and automatic enrollment will not be implemented until June 2010, the total participant base is increasing at a faster rate than the rate at which participants are counted as actively contributing their own money. Mr. Long therefore expects some temporary dislocation in the participation rates until automatic enrollment is fully implemented.

In the meantime, the Agency is directing communications toward participants who are not contributing their own money in order to encourage them to do so. Ms. Moran described a targeted mailing, referred to as the "three green light mailing," which the Agency plans to mail by the beginning of December. The mailing essentially informs noncontributing participants that they are losing the opportunity to receive agency matching contributions because they are not contributing their own money. Ms. Moran explained that the Agency will track the population of participants who receive the mailing to see how effective it is. Mr. Long anticipates that this mailing will increase the number of participants who contribute their own money.

Mr. Sanchez inquired about people's reactions to immediate agency contributions and automatic enrollment. Mr. Long responded that the reaction to immediate agency contributions has been outstanding. This is a tremendous benefit for newly hired federal employees. With respect to automatic enrollment, ETAC members represent that people are generally, though not universally, favorable. Automatic enrollment is a good step forward and represents the best thinking among defined contribution plan consultants.

Mr. Sanchez called attention to the stone engraving of the Board's Mission Statement that Mr. Long recently had mounted on the wall of the Board room. Mr. Long explained that he and the senior staff developed a strategic plan that clearly identifies the Agency's mission, which is to administer the TSP solely in the interests of participants and beneficiaries. Mr. Long had the Agency's mission carved in stone to remind all Agency employees and everyone who comes into the Board room that the Agency administers the TSP solely in the interest of participants and beneficiaries.

b. Quarterly Investment Performance Report

Ms. Ray reviewed the November 6, 2009 memorandum, entitled "October 2009 Performance Review" (attached). BGI's Small Mid Cap fund had some tracking error for the month and year-to-date due to the index provider's optimization process. Ms. Ray anticipates a reduction in the tracking error in December when the index provider finishes making changes to the index.

The International Fund had a tracking error of negative 114 points, and year-to-date, negative 308 basis points. This is a result of fair value adjustments. Ms. Ray noted that there was a big fair value adjustment on the last day of October when the Dow Jones Industrial Average fell 250 points.

The G Fund is yielding 3.13% for November. The 10 year T-note and 30 year T-bond rates went up from October to November.

The C and S Funds experienced the first decline in total returns since February, but most of that decline has already been made up in November. Month-to-date, the C Fund is up 5.7%, the S Fund is up 5.12%, and the I Fund is up 4.94%. For November, the L Income Fund is up more than 1%, the L 2010 Fund is up 1.4%, the L 2020 Fund is up 3.2%, the L 2030 Fund is up 3.8%, and the L 2040 Fund is up 4%.

Year-to-date, the C Fund is up 23.9%, the S Fund is up 28%, and the I Fund is up 30%. The F Fund has been up for eight months in a row.

Mr. Sanchez suggested that the total fund assets likely have also increased in November. Ms. Ray noted that the TSP has about \$2 billion in cash flow. Mr. Long observed that the TSP's assets decrease only marginally even when the equity markets have negative performance as they did in October.

Ms. Ray noted that the trading costs for the I Fund were relatively high in October; 13.4 basis points. However, the overall impact was low because only a small dollar amount was traded.

Ms. Ray also noted that participants continued to transfer money out of the G fund in October, and that the number of participants with L Fund balances has reached a record high of almost 632,000.

Mr. Sanchez observed that participants tend to transfer their money from the G Fund into the equity and F funds when there is an uptick in the market. He noted that the Agency tries to educate participants not to buy high and sell low. Mr. Long added that participants take shelter in the G Fund.



c. Legislative Report

Mr. Trabucco reported on Mr. Long's testimony before the House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia on November 3, 2009. The testimony addressed the Agency's progress on the implementation of the Thrift Savings Plan Enhancements Act provisions. Mr. Long informed the Subcommittee that the Agency has already implemented immediate agency contributions and has developed interim procedures to allow new widows and widowers to maintain spouse accounts.

Mr. Trabucco noted that Congress is very interested in the implementation plan for Roth contributions. He added that recent improvements to the record keeping system have laid the groundwork for implementing the Roth feature. He also anticipates a significant undertaking in the way of education efforts with respect to the Roth feature.

The possibility of offering a mutual fund window also garnered attention from the Subcommittee. Mr. Trabucco explained that there is no universal agreement among Board members, ETAC members, or the Congressional Subcommittee members on the desirability of a mutual fund window. Mr. Long noted that there have been requests for a "green fund" or a socially conscious fund. A mutual fund window could accommodate that request, but it would also raise complicated issues and potentially add expense. He explained that the Agency will not take action with respect to establishing a mutual fund window until ETAC and the Board reach a firm decision on its desirability.

3. Board Meeting Schedule.

The Board members agreed to change the date of the meeting scheduled for Tuesday, June 22, 2010 to Monday, June 21, 2010. The meeting will be telephonic. See attached 2010 Board Member Meeting Schedule.

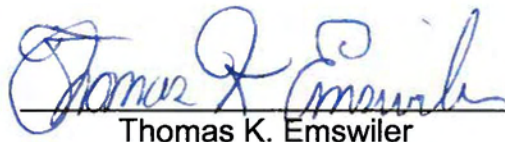
4. Closed Session.

On a vote taken by the Secretary before the meeting, the members closed the meeting at 9:26 a.m. for a discussion of confidential personnel issues and proprietary information.

At 10:30 a.m., upon completion of the executive session, the members reconvened the open portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Acting Chairman Fink adjourned the meeting at 10:30 a.m.

MOTION: That this meeting be adjourned.



---

Thomas K. Emswiler  
Secretary

**Attachments**

1. Thrift Savings Fund Statistics
2. October 2009 Performance Review – G, F, C, S, I, and L Fund
3. 2010 Board Member Meeting Schedule