



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 22, 2013

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board (Agency), convened a meeting of the Board members on July 22, 2013, at 8:30 a.m. Eastern Time. Parts of the meeting were open to the public at the Board's offices at 77 K Street, N.E. and parts were closed to the public. In attendance were Dana K. Bilyeu of Nevada, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William Jasien of Virginia, member; Gregory T. Long, Executive Director; James B. Petrick, Secretary and General Counsel; Susan C. Crowder, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; Kimberly A. Weaver, Director, External Affairs; Renee C. Wilder, Director, Office of Enterprise Planning; Mark Walther, Chief Technology Officer; Jay Ahuja, Chief Risk Officer, Office of Enterprise Risk Management; Sophie T. Dmuchowski, Acting Director, Office of Communications and Education; Gisile Goethe, Acting Director, Office of Resource Management; Robin Connor, Deputy Director, Office of Benefits; and Toni Bush-Neal, Executive Advisor to the Executive Director.

1. Approval of the minutes of the June 24, 2013 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the June 24, 2013 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 June 24, 2013 be approved.

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

Mr. Long gave opening remarks, including a brief summary of the agenda for the meeting.

a. Monthly Participant Activity Report

Ms. Wilder reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Ms. Wilder reported that participation rates declined slightly in June, including among uniformed service members. Although the reason for the decline was unclear, the Agency continues to closely track the participation rate. Ms. Wilder also reported that the Agency will add a question to the annual participant survey to help the Agency determine the impact of sequestration and furloughs on participant contribution rates and other participant activity.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "June 2013 Performance Review – G, F, C, S, I, and L Funds" (attached). The first page compares BlackRock Funds' performance against their underlying indices both for the month of June and year-to-date. Ms. Ray pointed out that the tracking error in June for the F, C, and S Funds was extremely small, while the I Fund had a tracking error of seventy-seven basis points due primarily to the fair value pricing on May 31, 2013.

For the month of June each fund was down slightly, although in July the C Fund is up five percent and the S Fund is up almost seven percent. Ms. Ray stated that the increased returns in July may have partly been the result of comments made by Mr. Ben Bernanke regarding quantitative easing.

Lastly, since June marked the end of a quarter, Ms. Ray reviewed the independent audit of BlackRock's proxy voting. The audit found no exceptions. In addition, Ms. Ray noted that it was necessary that the Board review, and if appropriate, reaffirm the investment policies.

Chairman Kennedy entertained a motion to reaffirm the investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Investment Fund, and the International Stock Index Investment Fund. The following motion was made, seconded, and adopted without objection:

MOTION: That the investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Investment Fund, and the International Stock Index Investment Fund be reaffirmed.

c. Legislative Report

Ms. Weaver reported that there is a legislative proposal that would allow participants to contribute any proceeds they received from a buyout to their TSP accounts. While the Agency has not taken a position on the bill, it has reviewed the proposal and communicated that the bill may differentiate the TSP from other 401(k) plans as well as have some effect on tax deferred contributions. Ms. Weaver stated that the Agency will continue to track the legislation.

d. Quarterly Vendor Financial Report

Mr. Ahuja reviewed the July 22, 2013 report entitled "Quarterly Vendor Financial Assessment" (attached). Mr. Ahuja explained that the report consists of evaluations of key vendors' financial health that helps the Agency to better assess whether these vendors are able to provide consistent services to maintain the Agency and TSP operations.

BlackRock Inc. provides investment management services for the Agency's C, F, S, and I Funds, and works with State Street to provide custodial services. BlackRock's credit score indicates that it is a low credit risk, and the firm's financial indicators remain strong despite annual revenues remaining relatively flat. At this time, the Agency does not have any concerns regarding the financial viability of BlackRock.

Equinix Inc. hosts data center services for the Agency, including the Agency's primary data center in Northern Virginia. Although Equinix recently sold one data center servicing the Agency to 365 Main, Equinix remains obligated to oversee services to the Agency at that data center. In the future, Equinix plans to convert to a REIT, although that plan is under review by the Internal Revenue Service and the Agency will continue to monitor that plan. Currently, Equinix's financial reports and credit score indicate that the company will continue to be able to perform its contractual obligations to the Agency.

MetLife Inc. provides annuity services to the Agency. Despite a shrinking bottom line due to low interest rates, the company's revenues remain strong. The company's strong revenues, adequate cash reserves, and credit score, indicate that the company will continue to be able to meet its contractual obligations to the Agency.

R.R. Donnelley & Sons Company provides bulk printing and mailing services to the Agency. Despite decreasing revenues, R.R. Donnelley is a low credit risk and has recently worked to expand its services. At this time, the Agency does not have any concerns regarding R.R. Donnelley & Sons.

Serco Group, PLC provides information technology services to the Agency, as well as mail and data processing and telephone support. Serco's revenue and bottom line growth has increased in recent years and the company has a credit score that indicates a low credit risk. Combined, these factors give no indication that Serco would be unable to meet its contractual obligations to the FRTIB.

SunGard is a privately held corporation that provides software licensing services to the Agency and also serves as a key subcontractor for Serco. SunGard reported net losses from 2009 through 2012, although the company has improved its financial results during that time. Based on the company's financial indicators, there is no indication at this time that SunGard will be unable to meet its contractual obligations to the Agency or to Serco.

Active Network Inc. provides call center services to the Agency. Despite increasing revenues, Active Network has recently experienced increased losses due to an increase in general and administrative costs. In the event that Active Network is unable to provide services to the Agency, the Agency is able to shift the call center services to other vendors.

3. Presentation by the TSP Investment Manager.

Mr. Long introduced BlackRock, which currently serves as the Investment Manager for the Agency's C, F, S, and I Funds. Mr. Long then explained that BlackRock was in attendance to present and explain the investment management services it provides to the Agency.

BlackRock presented their overall organizational structure as well as their financial products. Specifically, BlackRock explained the history, management, and processes of the firm's index equity and fixed income platforms and how each platform provides services for the Agency. BlackRock also explained the operations of the firm's trading and liquidity strategies group and how the group manages liquidity to provide services to the Agency.

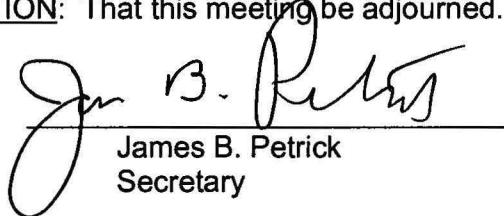
4. Closed Session.

On a vote taken by the Chairman, the members closed the meeting at 10:40 a.m. for executive session.

At 12:10 p.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 Chairman Kennedy adjourned the meeting at 12:10 p.m.

MOTION: That this meeting be adjourned.


James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. June 2013 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment