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Description of document: Meeting minutes for Federal Retirement Thrift Investment

Board (FRTIB) meetings, 2000-2001

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Title of documents: Minutes of the Meeting of the Board Members (various dates)

Date/date range of document: January 10, 2000 - December 10, 2001

Source of document: FOIA Request

FOIA Officer

Federal Retirement Thrift Investment Board

77 K Street N.E., Suite 1000 Washington, DC 20002

Fax: (202) 942–1676 (Attn: FOIA Officer: FOIA

Request)

Email: FOIAREQUEST@tsp.gov

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FEDERAL RETIREMENT THRIFT INVESTMENT BOARD 77 K Street, NE Washington, DC 20002 July 30, 2012

I am responding to your request, dated June 24, 2012, received by the Federal Retirement Thrift Investment Board (Agency) on July 06, 2012, in which you made a request for records under the Freedom of Information Act (FOIA), 5 U.S.C. § 552, as amended. Your request and our response are set forth below:

Request

A copy of the FRTIB meeting minutes for the meeting during calendar years 2000 and 2001.

Response

Enclosed is a disk containing a PDF version of all Board meetings from years 2000 and 2001.

If you have any questions, you may contact me at 202-942-1660 or Amanda.haas@tsp.gov.

Amanda P. Haas

FOIA Officer



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

January 10, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on January 10, 2000, at 10:00 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Jerome A. Stricker of Kentucky, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the December 13, 1999, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the December 13, 1999, Board member meeting. The following motion was made, seconded, and adopted:

MOTION: That the minutes of the Board member meeting held on December 13, 1999, be approved.

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

a. New system development.

Senior Board officials and American Management Systems (AMS) held a meeting on January 6, 2000, to determine whether AMS would be able to meet the planned May 1, 2000, implementation date for the Board's new record keeping system. advised that, due to recent delays it had experienced in preparing scripts for system testing, implementation should be deferred. After evaluating the AMS recommendation, the Board concurred that deferral was necessary and established a new implementation date of October 1, 2000. The choice of October 2000 was strongly influenced by the expected effective date of H.R. 208, pending legislation that, if enacted, would permit the TSP to accept transfers from certain other retirement savings plans and would eliminate the six- to twelve-month eligibility waiting period. The Board will issue a press release to this effect on January 11, 2000, and a letter to all Plan participants later in the week.

b. <u>TSP expenses</u>.

Mr. Mehle reported that the expense ratio in 1999 for each of the three investment funds was one basis point lower than those of 1998, <u>i.e.</u>, 5 basis points for the G Fund, 6 basis points for the C Fund, and 7 basis points for the F Fund.

c. <u>Legislation</u>.

(1) <u>Uniformed services participation in the Thrift</u> Savings Plan.

Neither the Administration nor the Department of Defense has yet been able to advise the Board whether the President's fiscal year 2001 budget will include legislation offsetting the cost of military participation in the TSP, as required by the Defense Authorization Act for Fiscal Year 2000 for military TSP participants. Mr. Mehle did receive a letter from the Under Secretary of Defense for Personnel and Readiness saying the Department supported the idea of reserve participation in the TSP as part of its "total force" concept, but the letter failed to address any of the Board's financial concerns about such participation. The letter also did not say whether the Department of Defense would be recommending cost-offsetting legislation to the President.

(2) Schedule.

Congress will return for the second session of the $106^{\rm th}$ Congress on January 24, 2000. The President will present his State of the Union address on January 27, 2000, and his fiscal year 2001 budget on February 7, 2000.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:35 a.m.

MOTION: That this meeting be adjourned.

Secretary 2/14/00

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

January 28, 2000

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS,

MARSHALL, STRICKER, AND FINK

FROM:

ROGER W. MEHLEN EXECUTIVE DIRECTOR

SUBJECT:

Fourth Quarter 1999 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the fourth quarter (October-December) and 1999 investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL RE	TRACKING ERROR(%)	
Barclays			Equity Index Fund
	Equity Index Fund	S&P 500 Index	vs. Index
Fourth Quarter 1999	14.88 21.07	14.88 21.04	.00 .03

As shown above, the Barclays Equity Index Fund fourth quarter total return tracked precisely the S&P 500 index. In 1999, the Barclays Equity Index Fund outperformed the S&P 500 index by 3 basis points.

F Fund

	TOTAL R	TRACKING ERROR(%)	
	Barclays U.S. Debt Lehman Brothers U.S.		U.S. Debt Index Fund
	Index Fund	Aggregate Bond Index	vs. Index
Fourth Quarter 1999	(.10%) (.83%)	(.12%) (.82%)	.02 (.01)

The Barclays U.S. Debt Index Fund fourth quarter total return outperformed the LBA index by 2 basis points. In 1999, the Barclays U.S. Debt Index Fund underperformed the LBA index by 1 basis point.

TRADING COSTS

C Fund

TRADE DATES		TH QUARTER ING COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 17 BASIS POINTS
10/07	12,460.67	0.9	(16.1)
10/15	145.89	0.0	(17.0)
10/22	16,018.32	1.4	(15.6)
10/29	(52,110.99)	(2.1)	(19.1)
11/15	(81,938.24)	(5.0)	(22.0)
11/30	8,087.69	1.5	(15.5)
12/28	243,958.40	5.7	(11.3)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. (The December 31 Equity Index Fund trade was replaced with a December 28 trade because Barclays did not want the settlement for the end-of-year trade to cross year-end because of Y2K concerns; the December 28 trade settled on December 31.) Five of the 12 trades during the fourth quarter were fully crossed within the Equity Index Fund (i.e., these entries involved zero trading costs) and are not shown above.

The October 29 sale and the November 15 purchase incurred negative trading costs. Negative trading costs occur in guaranteed program trades when the broker is able to execute the trade at prices below (for a purchase) or above (for a sale) the closing prices on the trade date. The stocks purchased or sold go into or out of the Equity Index Fund at the closing prices on the trade date, so that no tracking error relative to the S&P 500 index is created. The spread between the executed prices and the closing prices is split between the broker and Barclays. Barclays' share of the spread is allocated pro rata among the transacting clients, resulting in negative trading costs.

In 1999, \$4.4 billion (net of sales) was invested in the Equity Index Fund. Of the 18,601,302 units traded in the C Fund in 1999, 6,847,291 (36.8%) were traded cost-free. Those that were not traded cost-free incurred both positive and negative trading costs that, together with the cost-free trades, resulted in a net total cost for the 48 trades in 1999 of 0.0 basis points.

F Fund

TRADE <u>DATES</u>		TH QUARTER ING COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 15 BASIS POINTS
10/29	939.26	0.4	(14.6)
11/15	8,285.63	2.5	(12.5)
11/30	(1,936.41)	(0.6)	(15.6)
12/15	(15,379.20)	(1.4)	(16.4)

The U.S. Debt Index Fund usually has two trade dates each month, but in December 1999 the U.S. Debt Index Fund only traded once (on December 15) because of Barclays' Y2K-related concerns with an end-of-year trade. One of the five trades during the fourth quarter was fully crossed within the U.S. Debt Index Fund.

The November 30 and December 15 sales incurred negative trading costs. Negative trading costs occur in the U.S. Debt Index Fund primarily when Barclays executes trades in the bond market before 3 p.m., when Lehman Brothers prices the securities in the index. If Barclays sells securities at prices higher than the 3 p.m. prices, the result is negative trading costs.

In 1999, \$47.6 million was redeemed from the U.S. Debt Index Fund. Of the 22,187,602 units traded in the F Fund in 1999, 4,865,082 (21.9%) were traded cost-free. The total cost of the 23 trades in 1999 was 2.7 basis points.

PERFORMANCE

Attachments 1 and 2 show the C, F, and G Fund total net rates of return for the fourth quarter and 1999, respectively, computed in accordance with the Board's earnings allocation procedures. Attachments 3 and 4 compare fourth quarter and 1999 C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 5 provides the C, F, and G Fund total net rates of return and expense ratios for the four quarters and 1999.

C Fund

The fourth quarter total gross C Fund return of 14.88% tracked precisely the Barclays Equity Index Fund return of 14.88%. The 1999 gross C Fund return of 21.01% underperformed the Barclays Equity Index Fund return of 21.07% by 6 basis points. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why

the 1999 C Fund return was 6 basis points lower than the 1999 Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the fourth quarter was .01%. The 1999 C Fund expense ratio was .06%. The 1999 C Fund accrued investment management fee was \$2,445,391.66.

F Fund

With a total gross return of (.08%) in the fourth quarter, the F Fund outperformed the Barclays U.S. Debt Index Fund return of (.10%) by 2 basis points. The 1999 gross F Fund return of (.78%) outperformed the Barclays U.S. Debt Index Fund return of (.83%) by 5 basis points. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the 1999 F Fund return was 5 basis points higher than the 1999 U.S. Debt Index Fund return.

The fourth quarter F Fund expense ratio was .01%. The 1999 F Fund expense ratio was .07%. The 1999 F Fund accrued investment management fee was \$613,310.11.

G Fund

The nominal statutory G Fund interest rates (expressed on an annual basis) for the fourth quarter were as follows:

October 6.250% November 6.250% December 6.375%

The fourth quarter G Fund gross return was 1.60%, while the 1999 gross G Fund return was 6.04%. The fourth quarter G Fund expense ratio was .01%. The 1999 G Fund expense ratio was .05%. As reflected in Attachment 6, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged 1.11% in 1999.

Other Indexes

Attachment 7 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for the four quarters and 1999. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Smith Barney Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Smith Barney indexes, which exclude mortgage-backed securities.

1999 Thrift Savings Plan Monthly Investment Activity

Attachment 8 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

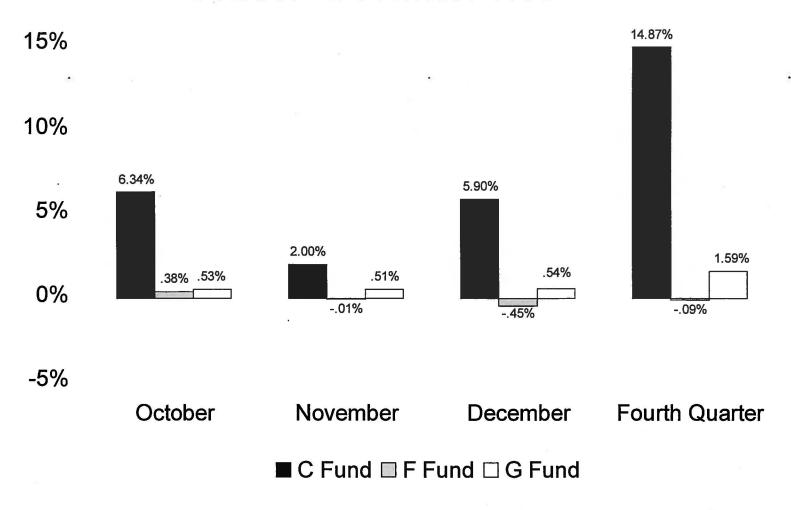
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund continues to outperform short-term Treasury securities, as reflected in Attachment 6. Given the G Fund's performance and for the reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term securities.

Attachments

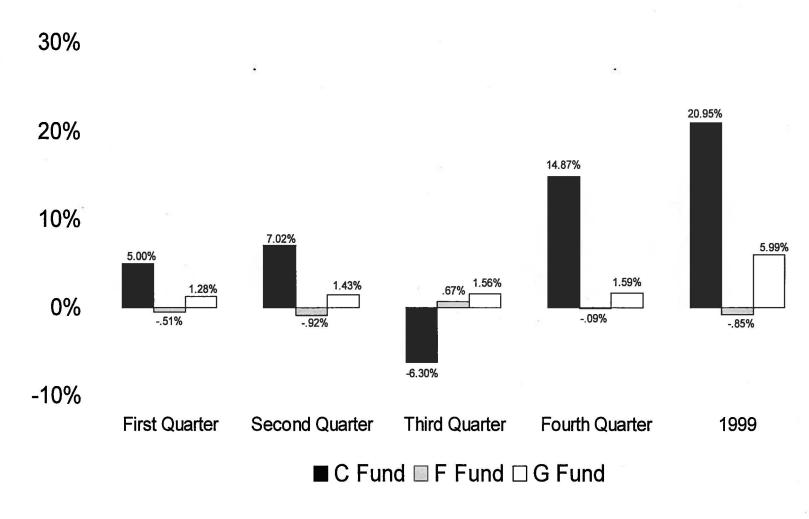
Investment Fund Total Returns*

October - December 1999



^{*}Net of Expenses

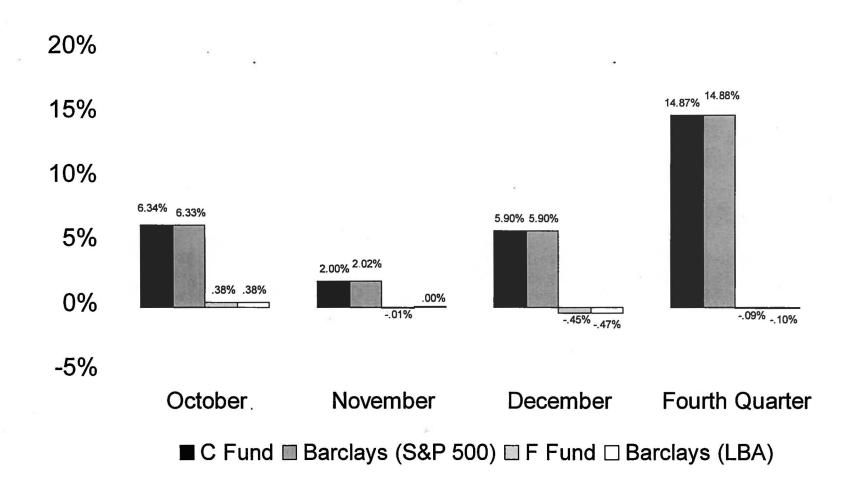
Investment Fund Total Returns*



*Net of Expenses

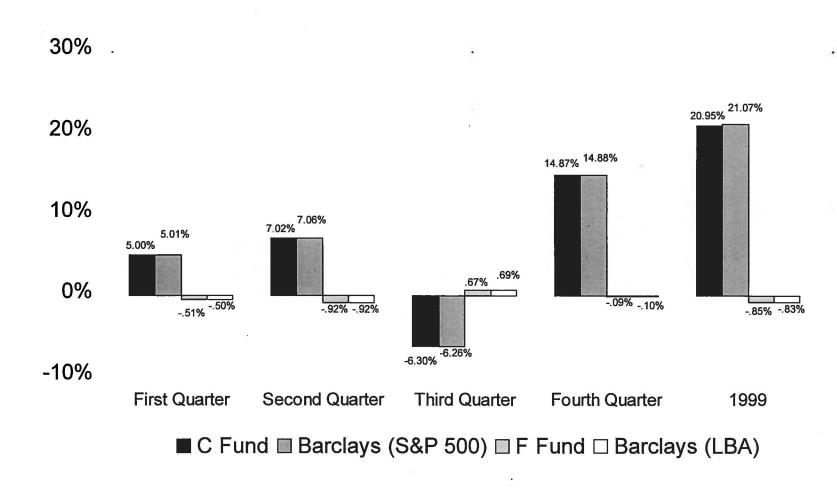
C and F Fund Total Returns* vs. Barclays

October - December 1999



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays 1999



^{*}Net of Expenses

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	9/30/99	10/31/99	11/30/99
G Fund	\$30,558	\$31,018	\$31,565
C Fund	50,671	53,981	55,222
F Fund	4,080	4,092	4,103

Returns for Twelve Months Ended

	9/30/99	10/31/99	11/30/99
G Fund	5.66%	5.78%	5.88%
C Fund	27.74%	25.56%	20.79%
F Fund	(.43%)	.47%	(.10%)

Number of Participants (000's)

	9/30/99	10/31/99	11/30/99
FERS Contributors	1,271	1,262	1,255
FERS Non- contributors	201	199	200
TOTAL	1,472	1,461	1,455
Participation Rate	86.3%	86.4%	86.3%
CSRS Active	640	636	632
Inactive	340	348	352
TOTAL ACCOUNTS	2,451	2,445	2,438

Loans

	9/30/99	10/31/99	11/30/99
Number of Loans Outstanding	592,336	600,753	605,996
Loans Outstanding (\$ millions)	2,970	2,995	3,009

	EXPENSE	RATIO Gross	Net*
1988 1989 1990 1991 1992 1993 1994 1995 1996		.678 .438 .268 .238 .208 .168 .138 .118	.34% .21% .11% .13% .12% .10% .09%
1998 1999	(JanNov.)	.088	.068

^{*}The net expense ratio is the gross expense ratio minus forfeitures, and is the administrative charge to TSP participants. For example, in 1998 the .06% expense ratio represented a charge to participants of \$0.60 for each \$1,000 of their TSP account balances.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 14, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on February 14, 2000, at 10:15 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Jerome A. Stricker of Kentucky, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the January 10, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the January 10, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on January 10, 2000, be approved.

2. <u>Labor Department audit briefing</u>.

William H. Bailey, Jr., Chief, Division of FERSA Compliance, attended the meeting as the representative of the Department of Labor. Also in attendance were representatives from the accounting firm of KPMG LLP, the Department's contract auditor, and Board staff. A list of attendees is attached.

Mr. Bailey provided the members with an overview of the Department's fiduciary compliance audit program for fiscal year 1999 and discussed some of the fiscal year 1999 audit findings. The Department of Labor gave an overall "satisfactory" assessment of the Thrift Savings Plan based on audits performed. ("Satisfactory" is the highest assessment by the Labor Department.) Diane Dudley, Partner, KPMG LLP, discussed the scope of the planned fiscal year 2000 audit program.

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

a. <u>Legislation</u>.

(1) Correction of retirement misclassification.

The Senate and the House of Representatives have passed different versions of a bill to correct retirement system misclassifications. The House returned the Senate bill to the Senate based upon a technicality and no conference has been scheduled. OPM and the Board prefer the Senate version.

(2) Rollovers to and immediate participation in the Thrift Savings Plan.

Congresswoman Morella's house-passed bill, H.R. 208, has been referred to the Senate Committee on Governmental Affairs. The President proposed legislation similar to H.R. 208 in his fiscal year 2001 budget. The President's proposal is more favorable to employees, in that it would provide for immediate employer contributions, not only immediate employee contributions. Given the general support the provisions of H.R. 208 enjoy, Mr. Mehle expects some form of the legislation to be enacted, with an effective date of October 1, 2000.

(3) <u>Uniformed services participation in the Thrift Savings Plan</u>.

The President's fiscal year 2001 budget did not include legislation offsetting the cost of military participation in the TSP, as was required by the Defense Authorization Act for Fiscal Year 2000 for military participation to become effective. Mr. Mehle expects, however, that Congress may consider TSP participation for the military in the National Defense Authorization Act for fiscal year 2001, and that this time it could also provide the funding for the program.

(4) Pension reform.

Many of the pension reform provisions that were in last year's tax bill that was vetoed by the President have been included by the Senate in a bankruptcy reform bill. The bankruptcy reform bill is controversial, however, and its fate is therefore uncertain.

b. New system development.

The Board has communicated with TSP participants its decision to defer implementation of the new record keeping system to October 2000 in order to permit adequate system testing. The Board has received very little comment from participants regarding this change. The status of the project will be covered in detail at the March Board member meeting in New Orleans.

4. Review of investment policy.

By memorandum dated January 28, 2000, Mr. Mehle provided the members with a report on the performance of the G, F, and C Funds during the fourth quarter of 1999. After Mr. Mehle briefed the members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund, as well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index Investment Fund (established at its meeting on May 29, 1987), and the Fixed Income Index Investment Fund (established at its meetings on June 22 and July 27, 1987; and May 21, 1990); and

WHEREAS THE Board members are satisfied with the investment performance and investment policies of these Funds: NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund are affirmed without change.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:30 a.m.

MOTION: That this meeting be adjourned.

Secretary

3/13/00

Attachment

Note: A verbatim transcript of this meeting was

made by BETA reporting services.



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

January 28, 2000

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS,

MARSHALL, STRICKER, AND FINK

FROM:

ROGER W. MELLEN EXECUTIVE DIRECTOR

SUBJECT:

Fourth Quarter 1999 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the fourth quarter (October-December) and 1999 investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL RE	TRACKING ERROR (%)	
Barclays			Equity Index Fund
	Equity Index Fund	S&P 500 Index	vs. Index
Fourth Quarter 1999	14.88 21.07	14.88 21.04	.00 .03

As shown above, the Barclays Equity Index Fund fourth quarter total return tracked precisely the S&P 500 index. In 1999, the Barclays Equity Index Fund outperformed the S&P 500 index by 3 basis points.

F Fund

	TOTAL R	TRACKING ERROR (%)	
	Barclays U.S. Debt Lehman Brothers U.S.		U.S. Debt Index Fund
	Index Fund	Aggregate Bond Index	vs. Index
Fourth Quarter 1999	(.10%) (.83%)	(.12%) (.82%)	.02 (.01)

The Barclays U.S. Debt Index Fund fourth quarter total return outperformed the LBA index by 2 basis points. In 1999, the Barclays U.S. Debt Index Fund underperformed the LBA index by 1 basis point.

TRADING COSTS

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Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. (The December 31 Equity Index Fund trade was replaced with a December 28 trade because Barclays did not want the settlement for the end-of-year trade to cross year-end because of Y2K concerns; the December 28 trade settled on December 31.) Five of the 12 trades during the fourth quarter were fully crossed within the Equity Index Fund (i.e., these entries involved zero trading costs) and are not shown above.

The October 29 sale and the November 15 purchase incurred negative trading costs. Negative trading costs occur in guaranteed program trades when the broker is able to execute the trade at prices below (for a purchase) or above (for a sale) the closing prices on the trade date. The stocks purchased or sold go into or out of the Equity Index Fund at the closing prices on the trade date, so that no tracking error relative to the S&P 500 index is created. The spread between the executed prices and the closing prices is split between the broker and Barclays. Barclays' share of the spread is allocated pro rata among the transacting clients, resulting in negative trading costs.

In 1999, \$4.4 billion (net of sales) was invested in the Equity Index Fund. Of the 18,601,302 units traded in the C Fund in 1999, 6,847,291 (36.8%) were traded cost-free. Those that were not traded cost-free incurred both positive and negative trading costs that, together with the cost-free trades, resulted in a net total cost for the 48 trades in 1999 of 0.0 basis points.

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The U.S. Debt Index Fund usually has two trade dates each month, but in December 1999 the U.S. Debt Index Fund only traded once (on December 15) because of Barclays' Y2K-related concerns with an end-of-year trade. One of the five trades during the fourth quarter was fully crossed within the U.S. Debt Index Fund.

The November 30 and December 15 sales incurred negative trading costs. Negative trading costs occur in the U.S. Debt Index Fund primarily when Barclays executes trades in the bond market before 3 p.m., when Lehman Brothers prices the securities in the index. If Barclays sells securities at prices higher than the 3 p.m. prices, the result is negative trading costs.

In 1999, \$47.6 million was redeemed from the U.S. Debt Index Fund. Of the 22,187,602 units traded in the F Fund in 1999, 4,865,082 (21.9%) were traded cost-free. The total cost of the 23 trades in 1999 was 2.7 basis points.

PERFORMANCE

Attachments 1 and 2 show the C, F, and G Fund total net rates of return for the fourth quarter and 1999, respectively, computed in accordance with the Board's earnings allocation procedures. Attachments 3 and 4 compare fourth quarter and 1999 C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 5 provides the C, F, and G Fund total net rates of return and expense ratios for the four quarters and 1999.

C Fund

The fourth quarter total gross C Fund return of 14.88% tracked precisely the Barclays Equity Index Fund return of 14.88%. The 1999 gross C Fund return of 21.01% underperformed the Barclays Equity Index Fund return of 21.07% by 6 basis points. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why

the 1999 C Fund return was 6 basis points lower than the 1999 Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the fourth quarter was .01%. The 1999 C Fund expense ratio was .06%. The 1999 C Fund accrued investment management fee was \$2,445,391.66.

F Fund

With a total gross return of (.08%) in the fourth quarter, the F Fund outperformed the Barclays U.S. Debt Index Fund return of (.10%) by 2 basis points. The 1999 gross F Fund return of (.78%) outperformed the Barclays U.S. Debt Index Fund return of (.83%) by 5 basis points. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the 1999 F Fund return was 5 basis points higher than the 1999 U.S. Debt Index Fund return.

The fourth quarter F Fund expense ratio was .01%. The 1999 F Fund expense ratio was .07%. The 1999 F Fund accrued investment management fee was \$613,310.11.

G Fund

The nominal statutory G Fund interest rates (expressed on an annual basis) for the fourth quarter were as follows:

October 6.250% November 6.250% December 6.375%

The fourth quarter G Fund gross return was 1.60%, while the 1999 gross G Fund return was 6.04%. The fourth quarter G Fund expense ratio was .01%. The 1999 G Fund expense ratio was .05%. As reflected in Attachment 6, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged 1.11% in 1999.

Other Indexes

Attachment 7 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for the four quarters and 1999. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Smith Barney Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Smith Barney indexes, which exclude mortgage-backed securities.

1999 Thrift Savings Plan Monthly Investment Activity

Attachment 8 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

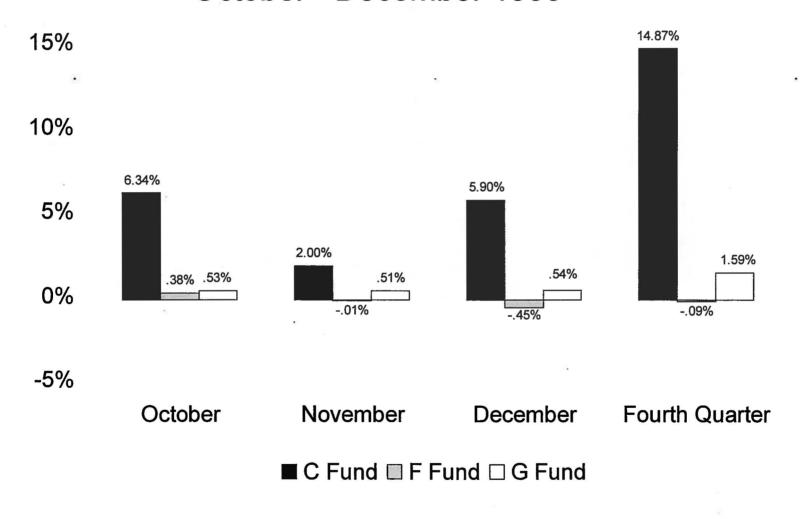
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund continues to outperform short-term Treasury securities, as reflected in Attachment 6. Given the G Fund's performance and for the reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term securities.

Attachments

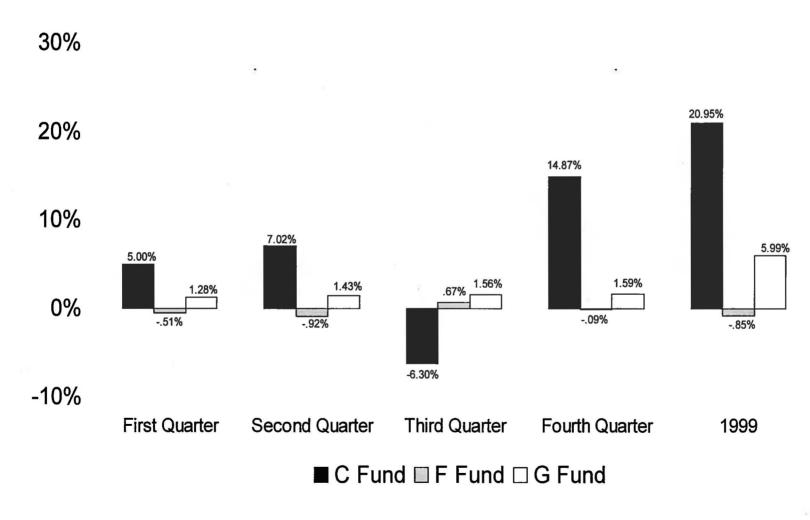
Investment Fund Total Returns*

October - December 1999



^{*}Net of Expenses

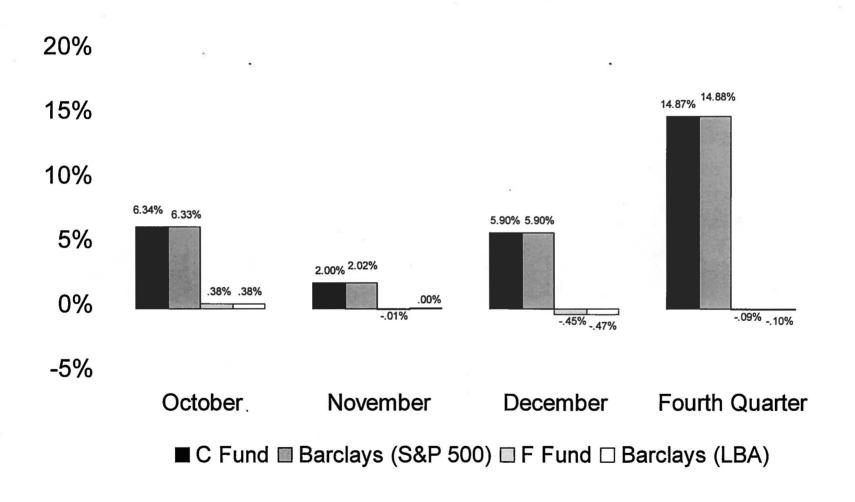
Investment Fund Total Returns*



*Net of Expenses

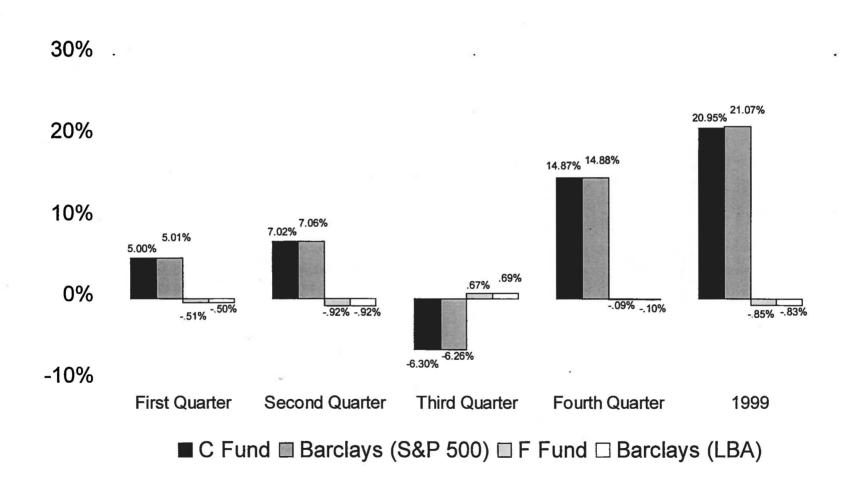
C and F Fund Total Returns* vs. Barclays

October - December 1999



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays

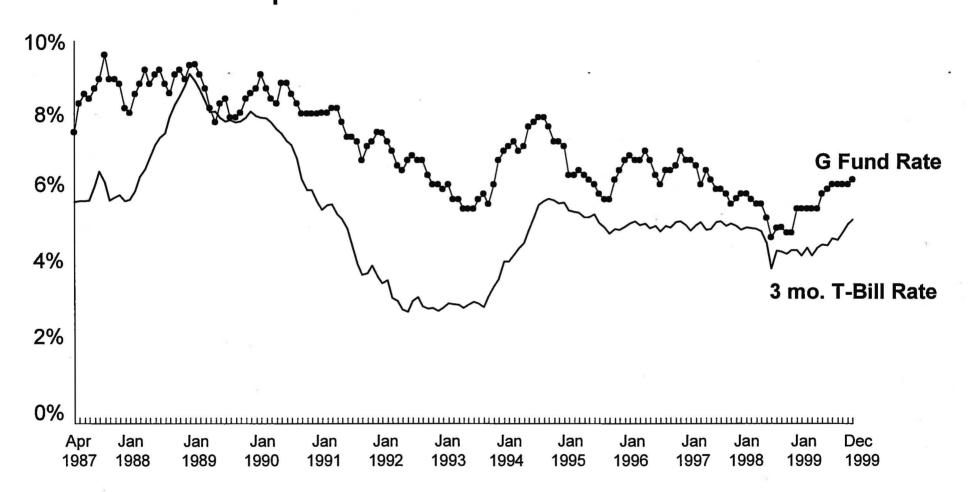


^{*}Net of Expenses

1999 Investment Fund Total Returns* and Expense Ratios									
v.	C F	und	FI	Fund	G F	und			
	Return	Expense Ratio	Return	Expense Ratio	Return ·	Expense Ratio			
1st Quarter (Jan - Mar)	5.00%	.02%	(.51%)	.02%	1.28%	.01%			
2nd Quarter (Apr - Jun)	7.02%	.01%	(.92%)	.02%	1.43%	.01%			
3 rd Quarter (Jul - Sep)	(6.30%)	.02%	.67%	.02%	1.56%	.01%			
4 th Quarter (Oct - Dec)	14.87%	.01%	(.09%)	.01%	1.59%	.01%			
1999	20.95%	.06%	(.85%)	.07%	5.99%	.05%			

^{*} Net of Expenses

G Fund Yield Advantage April 1987 - December 1999



1999 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	S&P 500	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
First Quarter Second Quarter Third Quarter Fourth Quarter	4.98% 7.05% (6.24%) 14.88%	(.17%) 11.54% (6.17%) 29.69%	3.77% 7.80% (6.61%) 18.27%	4.12% 7.12% (6.60%) 16.06%	3.39%. 7.71% (6.58%) 16.22%	1.32% 2.45% 4.36% 16.97%
1999	21.04%	35.49%	23.56%	20.91%	20.90%	26.72%

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Corporate <u>Index</u>	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index
First Quarter Second Quarter Third Quarter Fourth Quarter	(.50%) (.88%) .68% (.12%)	(.46%) (.93%) .72% (.16%)	(1.19%) (1.10%) .54% (.41%)	(1.11%) (1.17%) .61% (.37%)
1999	(.82%)	(.83%)	(2.15%)	(2.03%)

					1	999 THRIFT SA	VINGS P	LAN MON	THLY INV	ESTMENT	ACTIVITY					
	FE Contri with C or I	S in	SECTION OF THE PARTY OF	butors S in	Balanc Alloc (G/C/I	Account to Asset ation ^a 7 Fund) G Fund Only		Monthly TSP Contributions		Interfund Transfer Activity			Monthly Returns			
Month end	# (000s)	%	# (000s)	%	Active FERS	Active CSRS	G Fund (\$Mil)	C Fund (SMil)	F Fund (\$Mil)	G Fund (\$Mil)	C Fund (\$Mil)	F Fund (SMil)	# of ITs	G Fund (%)	C Fund (%)	F Fund (%)
01/31/1999	1,054	86%	559	86%	29%/65%/6%	26%/69%/5%	\$190.3	\$385.1	\$38.2	(\$139.6)	(\$136.8)	\$2.8	28,199	.42	4.19	.71
02/28/1999	1,078	87%	561	87%	30%/64%/6%	26%/69%/5%	\$193.1	\$403.0	\$40.2	(\$136.2)	(\$137.3)	(\$1.1)	26,602	.38	-3.09	-1.74
03/31/1999	1,076	87%	559	87%	29%/65%/6%	25%/70%/5%	\$193.3	\$408.1	\$40.7	\$44.5	(\$30.3)	(\$14.2)	24,517	.47	3.99	.54
04/30/1999	1,075	87%	-558	87%	28%/66%/6%	25%/70%/5%	\$253.0	\$516.2	\$52.4	\$2.6	\$10.0	(\$12.6)	22,101	.46	3.86	.29
05/31/1999	1,068	87%	556	87%	29%/65%/6%	25%/70%/5%	\$191.2	\$404.0	\$40.2	(\$26.6)	\$55.5	(\$28.9)	26,069	.47	-2.36	89
06/30/1999	1,063	87%	553	87%	28%/67%/5%	24%/71%/5%	\$226.7	\$497.9	\$48.5	(\$50.0)	\$96.6	(\$46.6)	38,350	.49	5.54	33
07/31/1999	1,099	87%	560	88%	29%/66%/5%	25%/70%/5%	\$188.4	\$411.8	\$39.9	(\$38.8)	\$88.5	(\$49.7)	28,471	.52	-3.14	43
08/31/1999	1,115	88%	564	88%	29%/66%/5%	25%/70%/5%	\$186.4	\$427.2	\$39.7	\$36.3	\$5.9	(\$42.2)	25,796	.53	50	05
09/30/1999	1,114	88%	564	88%	30%/65%/5%	26%/69%/5%	\$234.9	\$524.6	\$49.2	\$209.8	(\$171.6)	(\$38.2)	19,732	.51	-2.78	1.15
10/31/1999	1,105	88%	559	88%	29%/66%/5%	25%/70%/5%	\$196.4	\$455.3	\$42.3	\$284.0	(\$261.3)	(\$22.7)	25,441	.53	6.34	.38
11/30/1999	1,100	88%	557	88%	29%/66%/5%	25%/71%/4%	\$215.5	\$514.8	\$46.5	\$148.3	(\$103.3)	(\$45.0)	27,106	.51	2.00	01
12/31/1999	1,092	88%	555	88%	27%/68%/5%	24%/72%/4%	\$186.5	\$432.3	\$39.8	(\$276.0)	\$427.0	(\$151.0)	47,680	.54	5.90	45

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	10/31/99	11/30/99	12/31/99
G Fund	\$31,018	\$31,565	\$31,504
C Fund	53,981	55,222	59,188
F Fund	4,092	4,103	3,957

Returns for Twelve Months Ended

	10/31/99	11/30/99	12/31/99
G Fund	5.78%	5.88%	5.99%
C Fund	25.56%	20.79%	20.95%
F Fund	.47%	(.10%)	(.85%)

Number of Participants (000's)

	10/31/99	11/30/99	12/31/99
FERS Contributors	1,262	1,255	1,245
FERS Non- contributors	199	200	200
TOTAL	1,461	1,455	1,445
Participation Rate	86.4%	86.3%	86.1%
CSRS Active	636	632	628
Inactive	348	352	356
TOTAL ACCOUNTS	2,445	2,438	2,430

Loans

	10/31/99	11/30/99	12/31/99
Number of Loans Outstanding	600,753	605,996	616,741
Loans Outstanding (\$ millions)	2,995	3,009	3,043

	EXPENSE	RATIO Gross	Net*
1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999		.67% .43% .26% .23% .20% .16% .13% .11% .10% .09% .08%	.348 .218 .118 .138 .128 .108 .098 .088 .078

^{*}The net expense ratio is the gross expense ratio minus forfeitures, and is the administrative charge to TSP participants. For example, in 1999 the .05% expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 13, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 13, 2000, at 9:00 a.m. Central Standard Time. The meeting was open to the public at the National Finance Center, New Orleans, Louisiana. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member (by telephone); Jerome A. Stricker of Kentucky, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Also in attendance at this meeting were the officials from the Department of Agriculture and the Board whose names are set out in the attached agenda.

1. Staff briefing and demonstrations.

The Chief Financial Officer of the Department of Agriculture, the Director of the National Finance Center, and members of their staff welcomed the Board members and staff to the National Finance Center. The members and other meeting attendees then received briefings from the staff of the Board and of the National Finance Center on the new Thrift Savings Plan record keeping system project. In addition, the Board members viewed demonstrations of the new TSP imaging system and the data entry and participant service modules. (After the meeting was adjourned, the members also toured the computer center to observe the new TSP system hardware.)

2. Approval of the minutes of the February 14, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the February 14, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection.

MOTION: That the minutes of the Board member meeting held on February 14, 2000, be approved.

- 3. Thrift Savings Plan activity report by the Executive Director.
 - a. Legislation.
 - (1) Correction of retirement misclassification.

The Senate and the House of Representatives have passed different versions of a bill to correct retirement system misclassifications. The House returned the Senate bill to the Senate based on a technicality, and no conference has been scheduled. OPM and the Board prefer the Senate version.

(2) <u>Rollovers to and immediate participation in</u> the Thrift Savings Plan.

Congresswoman Morella's House-passed bill, H.R. 208, has been referred to the Senate Committee on Governmental Affairs. The President proposed legislation similar to H.R. 208 in his fiscal year 2001 budget. The President's proposal is more favorable to employees, in that it would authorize not only immediate employee contributions but immediate employer contributions as well. Given the general support the provisions of H.R. 208 enjoy, Mr. Mehle expects some form of the legislation to be enacted, with an effective date of October 1, 2000.

(3) Pension reform.

Many of the pension reform provisions in last year's tax bill, which was vetoed by the President, have been included by the Senate in a bankruptcy reform bill and by the House in a minimum wage bill. Both bills are controversial, however, and the fate of pension reform for this session is uncertain.

b. New system development.

Mr. Mehle advised the Board members regarding recent correspondence to and from AMS regarding project management and cost control. The Board has asked the Defense Contract Audit Agency (DCAA) to perform an audit of AMS's costs incurred for Phases 3 and 4 through February 29, 2000.

4. C and F Fund manager evaluation and selection criteria.

By memorandum dated February 25, 2000, Mr. Mehle provided the members with recommendations on basic criteria for the selection of C and F Fund managers. The current investment management contracts for the C and F Funds with Barclays (entered into in 1995) expire on December 31, 2000. After Mr. Mehle briefed the members on the proposed criteria, the following motion was made, seconded, and adopted by unanimous vote:

MOTION: That the Board approve the criteria for the selection of C and F Fund managers as presented in the Executive Director's February 25, 2000, memorandum to the members.

5. Annuity vendor evaluation and selection criteria.

The Board's contract with Metropolitan Life to furnish annuities under a master annuity contract will also expire on December 31, 2000. In advance of this meeting, Mr. Mehle provided the members with a memorandum that outlines the proposed approach for evaluating and selecting an annuity vendor. After the members and Mr. Mehle discussed this memorandum, the following motion was made, seconded and adopted by unanimous vote:

MOTION: That the Board approve the annuity vendor evaluation and selection approach as presented in the Executive Director's February 25, 2000, memorandum to the members.

Whereupon the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 12:20 p.m.

MOTION: That this meeting be adjourned.

(Secretary

Attachments: Board meeting agenda.

Executive Director's February 25, 2000, memoranda to Board members; Subject: Criteria for Selection of Common Stock Index Investment Fund © Fund) and Fixed Income Investment Fund (F Fund) Investment Managers; Subject: Criteria for Selection of Annuity Vendor.

Note: A verbatim transcript of this meeting was made by Borello Court Reporters, Inc.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	12/31/99	1/31/00	2/29/00
G Fund	\$31,504	\$31,146	\$31,112
F Fund	3,957	3,943	3,904
C Fund	59,188	57,304	56,963

Returns for Twelve Months Ended

	12/31/99	1/31/00	2/29/00
G Fund	5.99%	6.13%	6.29%
F Fund	(.85%)	(1.88%)	1.07%
C Fund	20.95%	10.25%	11.57%

Number of Participants (000's)

	12/31/99	1/31/00	2/29/00
FERS Contributors	1,245	1,274	1,291
FERS Non- contributors	200	225	209
TOTAL	1,445	1,499	1,500
Participation Rate	86.1%	85.0%	86.1%
CSRS Active	628	632	630
Inactive	356	348	348
TOTAL ACCOUNTS	2,430	2,479	2,478

Loans

	12/31/99	1/31/00	2/29/00
Number of Loans Outstanding	616,741	620,958	624,183
Loans Outstanding (\$ millions)	3,043	3,047	3,052

EXPENSE RATIOS*

	_	G Fund		F I	F Fund		C Fund	
	Ğ	ross	Net	Gross	Net	Gross	Net	
1995		.11%	.09%	.13%	.11%	.12%	.10%	
1996		.10%	.08%	.12%	.10%	.11%	.09%	
1997		.09%	.07%	.10%	.08%	.09%	.07%	
1998		.08%	.06%	.09%	.08%	.08%	.07%	
1999		.07%	.05%	.08%	.07%	.07%	.06%	
2000	(Jan-Feb)	.01%	.01%	.01%	.01%	.01%	.01%	

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The C and F Fund expense ratios include investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

April 10, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on April 10, 2000, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, DC. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Jerome A. Stricker of Kentucky, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the March 13, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the March 13, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection.

MOTION: That the minutes of the Board member meeting held on March 13, 2000, be approved.

- 2. <u>Thrift Savings Plan activity report by the Executive</u> Director.
 - a. <u>Legislation</u>.
 - (1) Correction of retirement misclassification.

The Senate and the House of Representatives have passed different versions of a bill to correct retirement system misclassifications. No conference has yet been scheduled. OPM and the Board prefer the Senate version.

(2) <u>Rollovers to and immediate participation in the Thrift Savings Plan</u>.

Congresswoman Morella's House-passed bill, H.R. 208, has been referred to the Senate Committee on Governmental Affairs and is scheduled for consideration in late April or early May. The President proposed legislation similar to H.R. 208 in his fiscal year 2001 budget. The President's proposal is more favorable to employees, in that it would authorize not only

immediate employee contributions but also immediate employer contributions. On March 24, 2000, the House passed a "sense of the Congress" resolution, endorsing full and immediate participation. Given the general support the provisions of H.R. 208 enjoy, Mr. Mehle expects some form of the legislation to be enacted, with an effective date of October 1, 2000.

(3) <u>Uniformed services participation in the Thrift</u> Savings Plan.

The President's fiscal year 2001 budget did not include legislation providing for military participation in the TSP and the issue is therefore not formally before Congress at this time. However, on April 7, 2000, the Senate passed a "sense of the Congress" resolution, endorsing participation for active duty military and reservists. Mr. Mehle expects that the Department of Defense Authorization Act for fiscal year 2001 will include a provision for military participation and the Board has begun planning for such a change.

(4) Pension reform.

Many of the pension reform provisions in last year's tax bill, which was vetoed by the President, have been included by the Senate in a bankruptcy reform bill and by the House in a minimum wage bill. Both bills are controversial, however, and the fate of pension reform for this session is uncertain.

b. New system development.

Mr. Mehle advised the Board members regarding recent changes in AMS's project management and revised schedule for user acceptance testing.

3. Review of Arthur Andersen annual financial audit.

Steven Stanton, a partner at Arthur Andersen LLP, and Michael Policicchio, Manager, presented the results of their firm's annual financial audit of the Board, which covered calendar year 1999. David Black, the Board's Director of Accounting, was in attendance for this presentation. Mr. Stanton noted that Arthur Andersen's audit resulted in an unqualified opinion that the Board's financial statements are fairly presented in accordance with generally accepted accounting principles. Mr. Stanton and Mr. Policicchio commended Mr. Black and his staff for their

cooperation, and gave assurances on the state of the Board's financial accounting processes and its control procedures over the Thrift Savings Fund.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:52 a.m.

MOTION: That this meeting be adjourned.

Secretary

5/8/2000

Note:

A verbatim transcript of this meeting was made by BETA reporting services.



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

April 21, 2000

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS,

MARSHALL, STRACKER, AND FINK

FROM:

ROGER W. MEHI

EXECUTIVE DIRECTOR

SUBJECT:

First Quarter 2000 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the first quarter (January-March) investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL F	TRACKING ERROR(%)	
	Barclays	Equity Index Fund	
	Equity Index Fund	S&P 500 Index	vs. Index
First Quarter	2.24	2.29	(.05)

As shown above, the Barclays Equity Index Fund first quarter total return underperformed the S&P 500 index by 5 basis points.

F Fund

	TOTAL R	TRACKING ERROR(%)		
	-	Lehman Brothers U.S. Aggregate Bond Index	U.S. Debt Index Fund vs. Index	
First Quarter	2.22	2.21	.01	

The Barclays U.S. Debt Index Fund first quarter total return outperformed the LBA index by 1 basis point.

TRADING COSTS

C Fund

TRADE DATES		I QUARTER ING COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 17 BASIS POINTS
1/07	58,927.83	3.7	(13.3)
1/24	34,893.11	2.1	(14.9)
1/31	76,563.04	1.2	(15.8)
2/07	(34,462.79)	(2.3)	(19.3)
2/15	(4,362.63)	(0.5)	(17.5)
2/22	58,435.30	3.0	(14.0)
2/29	17,004.90	0.7	(16.3)
3/07	183,719.92	7.9	(9.1)
3/23	61,226.65	2.5	(14.5)
3/31	34,420.24	2.0	(15.0)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. Two of the 12 trades during the first quarter were fully crossed within the Equity Index Fund, <u>i.e.</u>, these entries involved zero trading costs and are not shown above.

The February 7 and February 15 trades incurred negative trading costs. Negative trading costs occur in guaranteed program trades when the broker is able to execute the trade at prices below the closing prices on the trade date. The stocks purchased go into the Equity Index Fund at the closing prices on the trade date so that no tracking error relative to the S&P 500 index is created. The spread between the executed prices and the closing prices is split between the broker and Barclays. Barclays' share of the spread is allocated pro rata among the transacting clients, resulting in negative trading costs.

Of the 6,909,758 units traded in the C Fund in the first quarter, 293,495 (4.2%) were traded cost-free. The total cost of the 12 trades was 2.0 basis points.

F Fund

TRADE DATES	TRADI	OUARTER NG COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 15 BASIS POINTS
3/15	17,029.67	8.7	(6.3)
3/31	2,787.49	6.4	(8.6)

The U.S. Debt Index Fund has two trade dates each month, and four of the six trades during the first quarter were fully

crossed within the U.S. Debt Index Fund.

Of the 8,283,524 units traded in the F Fund in the first quarter, 7,444,888 (89.9%) were traded cost-free. The total cost of the 6 trades was 0.8 basis points.

PERFORMANCE

Attachment 1 shows the C, F, and G Fund total net rates of return for the first quarter, computed in accordance with the Board's earnings allocation procedures. Attachment 2 compares first quarter C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 3 provides the C, F, and G Fund total net rates of return and expense ratios for the first quarter.

C Fund

The first quarter total gross C Fund return of 2.23% underperformed the Barclays Equity Index Fund return of 2.24% by 1 basis point. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why the C Fund return was 1 basis point lower than the Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the first quarter was .02%.

Attachment 2 shows the C Fund total net returns for the first quarter compared to the Barclays Equity Index Fund returns.

F Fund

With a total gross return of 2.23% in the first quarter, the F Fund outperformed the Barclays U.S. Debt Index Fund return of 2.22% by 1 basis point. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the F Fund return was 1 basis point higher than the U.S. Debt Index Fund return.

The first quarter F Fund expense ratio was .02%.

Attachment 2 shows the F Fund total net returns for the first quarter compared to the Barclays U.S. Debt Index Fund returns.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the first quarter were as follows:

January 6.625% February 6.750% March 6.500%

The first quarter G Fund gross return was 1.67%. As reflected in Attachment 4, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged .95% in the first quarter of 2000. The first quarter G Fund expense ratio was .02%.

Other Indexes

Attachment 5 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for 1998 and the first quarter of 1999. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Brothers Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Brothers indexes, which exclude mortgage-backed securities.

1999 Thrift Savings Plan Monthly Investment Activity

Attachment 6 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

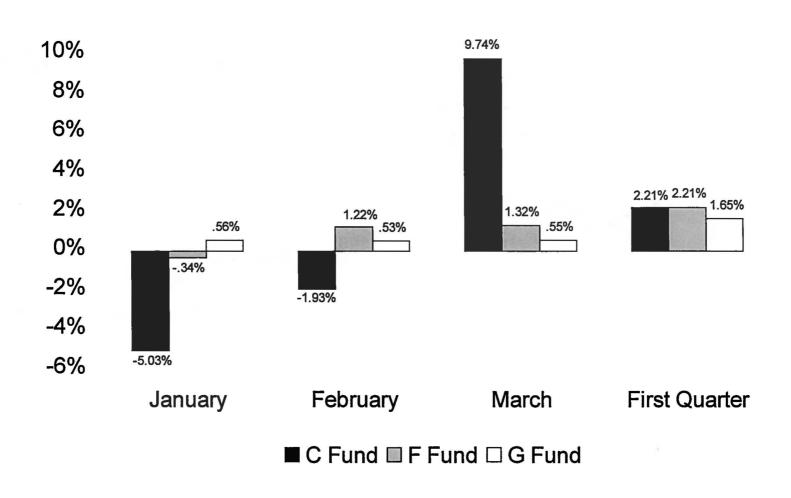
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund continues to outperform short-term Treasury securities, as reflected in Attachment 4. Given the G Fund's performance and for the reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term securities.

Attachments

Investment Fund Total Returns*

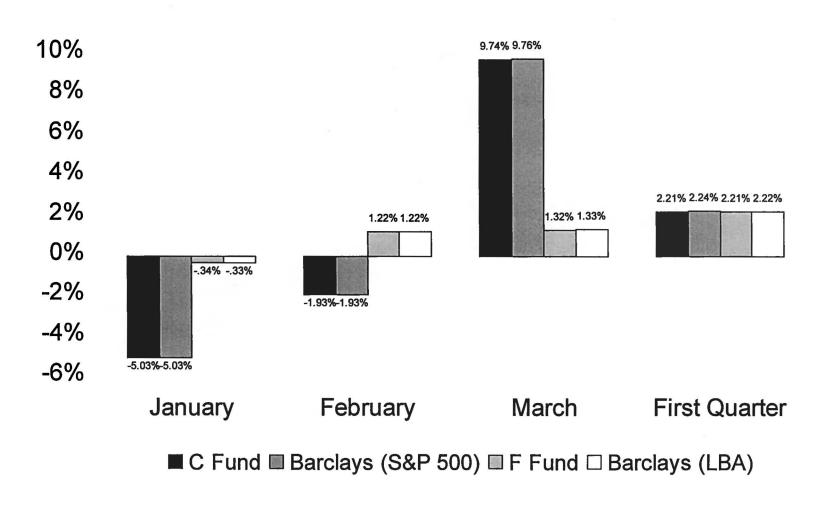
January - March 2000



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays

January - March 2000



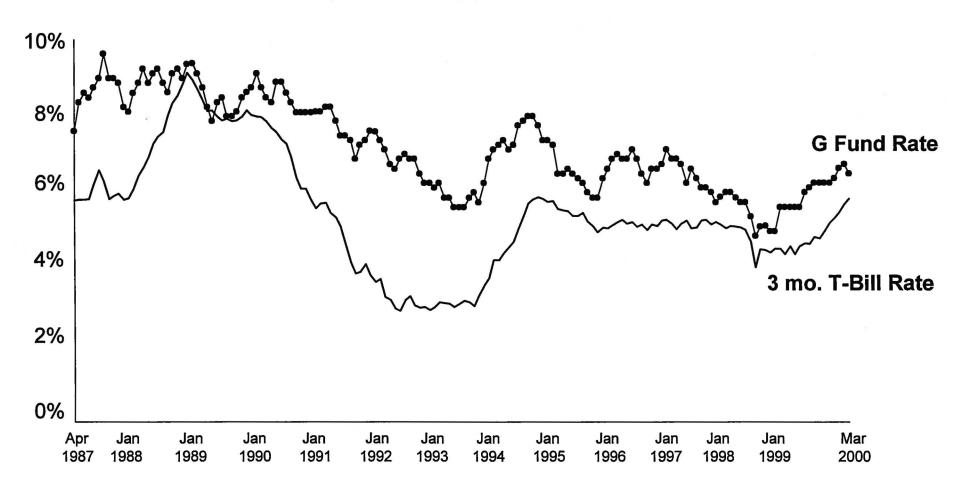
*Net of Expenses

2000 Investment Fund Total Returns* and Expense Ratios						
	C Fund F Fund G Fund					
	Return	Expense Ratio	Return	Expense Ratio	Return	Expense Ratio
1st Quarter (Jan - Mar)	2.21%	.02%	2.21%	.02%	1.65%	.02%

^{*} Net of Expenses

G Fund Yield Advantage

April 1987 - March 2000



2000 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	<u>sep 500</u>	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
1999	21.04%	35.49%	23.56%	20.91%	20.90%	26.72%
2000 First Quarter	2.29%	9.95%	3.82%	4.37%	4.57%	(.11%)

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Corporate <u>Index</u>	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index
1999	(.82%)	(.83%)	(2.15%)	(2.03%)
2000 First Quarter	2.21%	2.19%	2.69%	2.54%

					2	000 THRIFT SA	AVINGS P	LAN MON	THLY INV	ESTMENT	ACTIVITY	7				
	Contri with	RS butors S in Fund	Contri with	RS butors \$ in ' Fund	Balanc Alloc (G/C/F	Account e Asset ation* Fund) G Fund Only		Monthly TSF Contribution				1 Transfer ivity		M	lonthly Retur	ns
Month end	# (000s)	%	# (000s)	%	Active FERS	Active CSRS	G Fund (SMII)	C Fund (SMII)	F Fund (SMII)	G Fund (SMil)	C Fund (\$Mil)	F Fund (\$Mil)	# of ITs	G Fund (%)	C Fund (%)	F Fund (%)
01/31/2000	1,125	88%	560	89%	28%/67%/5%	24%/72%/4%	\$188.4	\$445.6	\$39.7	(\$615.8)	\$728.4	(\$112.6)	48,319	0.56	(5.03)	(0.34)
02/28/2000	1,145	89%	561	89%	28%/67%/5%	25%/71%/4%	\$189.9	\$467.8	\$39.1	(\$281.2)	\$356.7	(\$75.5)	34,732	0.53	(1.93)	1.22
03/31/2000	1,145	89%	560	89%	26%/70%/4%	23%/73%/4%	\$249.5	\$602.9	\$50.4	\$75.4	(\$50.9)	(\$24.5)	23,427	0.55	9.74	1.32

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	12/31/99	1/31/00	2/29/00
G Fund	\$31,504	\$31,146	\$31,112
F Fund	3,957	3,943	3,904
C Fund	59,188	57,304	56,963

Returns for Twelve Months Ended

	12/31/99	1/31/00	2/29/00
G Fund	5.99%	6.13%	6.29%
F Fund	(.85%)	(1.88%)	1.07%
C Fund	20.95%	10.25%	11.57%

Number of Participants (000's)

		<u></u>	
	12/31/99	1/31/00	2/29/00
FERS Contributors	1,245	1,274	1,291
FERS Non- contributors	200	225	209
TOTAL	1,445	1,499	1,500
Participation Rate	86.1%	85.0%	86.1%
CSRS Active	628	632	630
Inactive	356	348	348
TOTAL ACCOUNTS	2,430	2,479	2,478

Loans

	12/31/99	1/31/00	2/29/00
Number of Loans Outstanding	616,741	620,958	624,183
Loans Outstanding (\$ millions)	3,043	3,047	3,052

EXPENSE RATIOS*

		G Fund		F Fund		C Fund
	Gro	oss 1	Net Gross	Net	Gross	Net
1995	.1	1% .0	9% .13%	.11%	.12%	.10%
1996	.1	.0%	.129	.10%	.11%	.09%
1997	.0	.0	7% .10%	.08%	.09%	.07%
1998	.0	.0 \$8	.098	.08%	.08%	.07%
1999	.0	78 .0	.089	.07%	.07%	.06%
2000	(Jan-Feb) .0)1% .(.01%	.01%	.01%	.01%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The C and F Fund expense ratios include investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

May 8, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 8, 2000, at 9:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Jerome A. Stricker of Kentucky, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Also in attendance during the course of this meeting were senior staff of the Board.

A. Staff Presentations.

The purpose of this part of the meeting was to provide the members with a comprehensive review of Board operations during the past year, as well as information regarding future Board activities. After a brief introduction by the Executive Director, the members received briefings from senior staff of the Board regarding their areas of responsibility. Each briefing and question period lasted between 15 and 30 minutes; they are recorded in the written transcript. The charts used as briefing graphics by Board staff are attached to these minutes. The senior staff who presented briefings, and their areas of responsibility, are:

1. NFC Record Keeping and New TSP System.

Lawrence Stiffler, Director Office of Automated Systems

James Petrick Project Manager for System Replacement

2. Congressional/Agency/Participant Liaison.

Thomas Trabucco, Director Office of External Affairs

Pamela-Jeanne Moran Deputy Director

3. Benefits and Investments.

James Petrick, Director Office of Benefits and Investments

4. Participant Communications.

Veda Charrow, Director Office of Communications

B. Business Session.

1. Approval of the minutes of the April 10, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the April 10, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on April 10, 2000, be approved.

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

Mr. Mehle stated that the staff presentations in the morning session would take the place of his Thrift Savings Plan activities report for this meeting.

3. Approval of the Update of the FY 2000 Budget and FY 2001 Estimates.

The Board's budget for fiscal year 2000 and estimates for fiscal year 2001 were set out for the members in the Executive Director's memorandum of April 21, 2000. An increase of approximately \$3.2 million is expected for fiscal year 2000 expenditures from the budget the Board approved in September of 1999. The major change in this budget is an increase in the estimate for the contract with American Management Systems for the new TSP record keeping system. This increase was partially offset by the elimination of certain previously budgeted costs for programming the new record keeping system to accommodate uniformed services participation in the TSP. (In the context of the budget, Mr. Mehle also discussed the status of the record keeping project at length.)

The fiscal year 2001 budget will be presented to the Board for approval in September of this year. The current estimate for fiscal year 2001 is that expenditures will negligibly exceed the estimate that was made in September of 1999.

After Mr. Mehle briefed the members on the proposed budget revisions, the following motion was made, seconded, and adopted by unanimous vote:

MOTION: That the Board approve the updated budget for fiscal year 2000 as presented in the Executive Director's April 21, 2000, memorandum to the members (together with the updated 2001 estimate).

4. Investment policy review.

By memorandum dated April 21, 2000, Mr. Mehle provided the members with a report on the performance of the G, C, and F Funds during the first quarter of 2000. After Mr. Mehle briefed the members on this report, the following resolution was made, seconded, and adopted by unanimous vote:²

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund, as

Ms. Marshall left the meeting before the budget motion was made, but gave her proxy to Chairman Atkins for votes on any business. Chairman Atkins cast Ms. Marshall's vote in favor of this motion.

 $^{^{2}\,}$ Chairman Atkins cast Ms. Marshall's vote in favor of this motion.

well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index Investment Fund (established at its meeting on May 29, 1987), and the Fixed Income Index Investment Fund (established at its meetings on June 22 and July 27, 1987; and May 21, 1990); and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund are affirmed without change.

5. Status of audit recommendations.

By memorandum dated April 21, 2000, Mr. Mehle provided the members with the status of audit recommendations. Mr. Mehle briefed the members on this report.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 1:30 p.m.

MOTION: That this meeting be adjourned.



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

April 21, 2000

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS,

MARSHALL, STRACKER, AND FINK

FROM:

ROGER W. MEHIE

EXECUTIVE DIREC

SUBJECT:

First Quarter 2000 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the first quarter (January-March) investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL F	_ TRACKING ERROR(%)	
	Barclays		Equity Index Fund
	Equity Index Fund	S&P 500 Index	vs. Index
			4>
First Quarter	2.24	2.29	(.05)

As shown above, the Barclays Equity Index Fund first quarter total return underperformed the S&P 500 index by 5 basis points.

F Fund

	TOTAL R	TRACKING ERROR (%)		
	Barclays U.S. Debt	Lehman Brothers U.S.	U.S. Debt Index Fund	
	Index Fund	Aggregate Bond Index	vs. Index	
First Quarter	2.22	2.21	.01	

The Barclays U.S. Debt Index Fund first quarter total return outperformed the LBA index by 1 basis point.

TRADING COSTS

C Fund

TRADE DATES		r quarter ING COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 17 BASIS POINTS
1/07	58,927.83	3.7	(13.3)
1/24	34,893.11	2.1	(14.9)
1/31	76,563.04	1.2	(15.8)
2/07	(34,462.79)	(2.3)	(19.3)
2/15	(4,362.63)	(0.5)	(17.5)
2/22	58,435.30	3.0	(14.0)
2/29	17,004.90	0.7	(16.3)
3/07	183,719.92	7.9	(9.1)
3/23	61,226.65	2.5	(14.5)
3/31	34,420.24	2.0	(15.0)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. Two of the 12 trades during the first quarter were fully crossed within the Equity Index Fund, <u>i.e.</u>, these entries involved zero trading costs and are not shown above.

The February 7 and February 15 trades incurred negative trading costs. Negative trading costs occur in guaranteed program trades when the broker is able to execute the trade at prices below the closing prices on the trade date. The stocks purchased go into the Equity Index Fund at the closing prices on the trade date so that no tracking error relative to the S&P 500 index is created. The spread between the executed prices and the closing prices is split between the broker and Barclays. Barclays' share of the spread is allocated pro rata among the transacting clients, resulting in negative trading costs.

Of the 6,909,758 units traded in the C Fund in the first quarter, 293,495 (4.2%) were traded cost-free. The total cost of the 12 trades was 2.0 basis points.

F Fund

TRADE		QUARTER NG COSTS	SPREAD FROM BARCLAYS'		
DATES	\$I	BASIS POINTS	AVERAGE COST OF 15 BASIS POINTS		
3/15	17,029.67	8.7	(6.3)		
3/31	2,787.49	6.4	(8.6)		

The U.S. Debt Index Fund has two trade dates each month, and four of the six trades during the first quarter were fully

crossed within the U.S. Debt Index Fund.

Of the 8,283,524 units traded in the F Fund in the first quarter, 7,444,888 (89.9%) were traded cost-free. The total cost of the 6 trades was 0.8 basis points.

PERFORMANCE

Attachment 1 shows the C, F, and G Fund total net rates of return for the first quarter, computed in accordance with the Board's earnings allocation procedures. Attachment 2 compares first quarter C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 3 provides the C, F, and G Fund total net rates of return and expense ratios for the first quarter.

C Fund

The first quarter total gross C Fund return of 2.23% underperformed the Barclays Equity Index Fund return of 2.24% by 1 basis point. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why the C Fund return was 1 basis point lower than the Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the first quarter was .02%.

Attachment 2 shows the C Fund total net returns for the first quarter compared to the Barclays Equity Index Fund returns.

F Fund

With a total gross return of 2.23% in the first quarter, the F Fund outperformed the Barclays U.S. Debt Index Fund return of 2.22% by 1 basis point. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the F Fund return was 1 basis point higher than the U.S. Debt Index Fund return.

The first quarter F Fund expense ratio was .02%.

Attachment 2 shows the F Fund total net returns for the first quarter compared to the Barclays U.S. Debt Index Fund returns.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the first quarter were as follows:

January 6.625% February 6.750% March 6.500%

The first quarter G Fund gross return was 1.67%. As reflected in Attachment 4, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged .95% in the first quarter of 2000. The first quarter G Fund expense ratio was .02%.

Other Indexes

Attachment 5 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for 1998 and the first quarter of 1999. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Brothers Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Brothers indexes, which exclude mortgage-backed securities.

1999 Thrift Savings Plan Monthly Investment Activity

Attachment 6 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

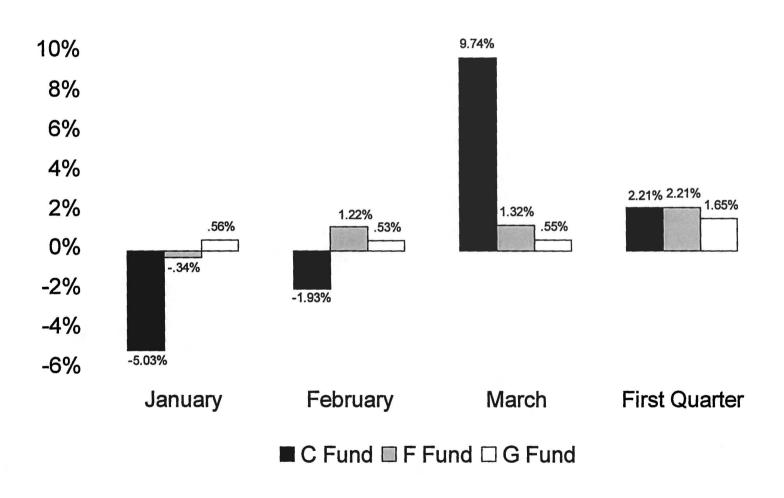
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund continues to outperform short-term Treasury securities, as reflected in Attachment 4. Given the G Fund's performance and for the reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term securities.

Attachments

Investment Fund Total Returns*

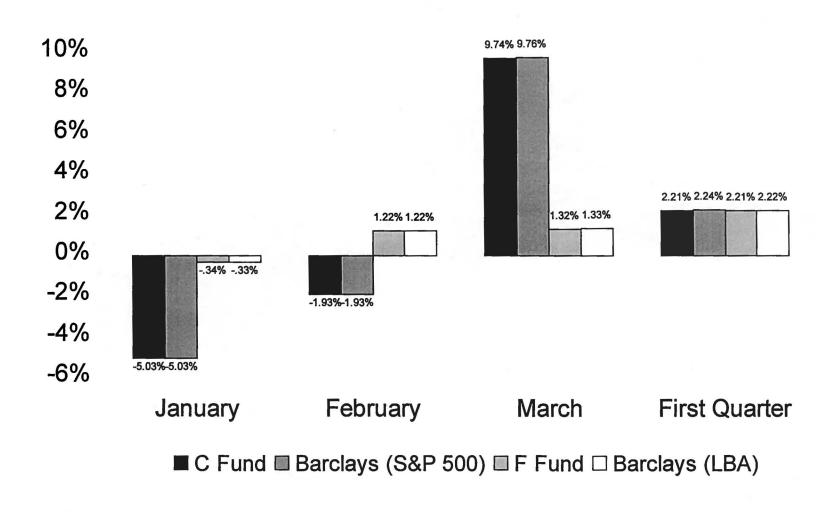
January - March 2000



*Net of Expenses

C and F Fund Total Returns* vs. Barclays

January - March 2000



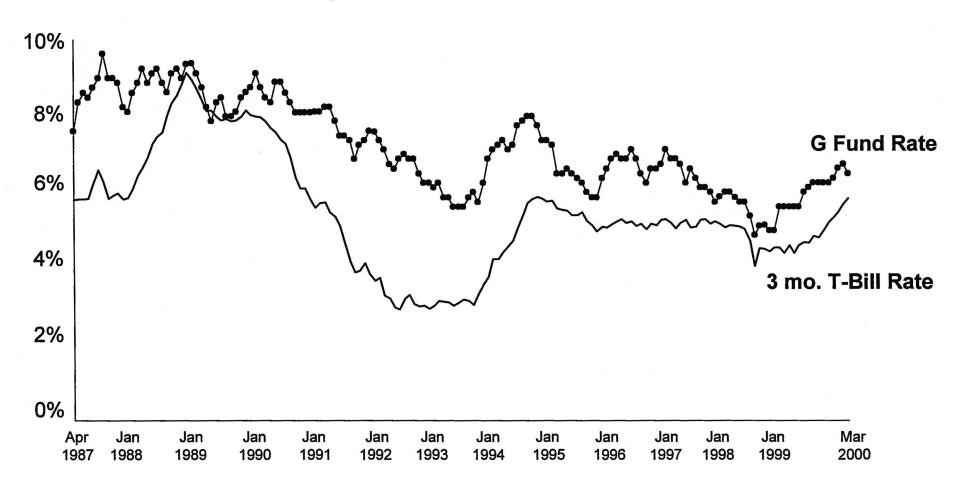
*Net of Expenses

2000 Investment Fund Total Returns* and Expense Ratios						
	C Fund		F Fund		G Fund	
	Return	Expense Ratio	Return	Expense Ratio	Return	Expense Ratio
1st Quarter (Jan - Mar)	2.21%	.02%	2.21%	.02%	1.65%	.02%

^{*} Net of Expenses

G Fund Yield Advantage

April 1987 - March 2000



Attachment 5

2000 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	S&P 500	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
1999	21.04%	35.49%	23.56%	20.91%	20.90%	26.72%
2000 First Quarter	2.29%	9.95%	3.82%	4.37%	4.57%	(.11%)

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Corporate <u>Index</u>	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index
1999	(.82%)	(.83%)	(2.15%)	(2.03%)
2000 First Quarter	2.21%	2.19%	2.69%	2.54%

2000 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY Average Account CSRS **Balance Asset** FERS Contributors Contributors Allocation* Monthly TSP Interfund Transfer with \$ in with S in (G/C/F Fund) Contributions Monthly Returns Activity Cor F Fund Cor F Fund * Excludes G Fund Only Active Active G Fund C Fund F Fund G Fund C Fund F Fund G Fund C Fund F Fund # of Month end (000s)% (000s)% FERS **CSRS** (SMII) (SMII) (SMII) (SMII) (SMil) (SMII) ITs (%) (%) (%) 01/31/2000 1,125 88% 560 89% 28%/67%/5% 24%/72%/4% \$188.4 \$445.6 \$39.7 (\$112.6) (5.03)(0.34)(\$615.8)\$728.4 48,319 0.56 89% 02/28/2000 1,145 561 89% 28%/67%/5% 25%/71%/4% \$467.8 \$189.9 \$39.1 (\$281.2)\$356.7 (\$75.5)34,732 0.53 (1.93)1.22 03/31/2000 1,145 89% 560 26%/70%/4% 23%/73%/4% \$602.9 (\$24.5)1.32 89% \$249.5 \$50.4 \$75.4 (\$50.9)23,427 0.55 9.74

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	1/31/00	2/29/00	3/31/00
G Fund	\$31,146	\$31,112	\$31,426
F Fund	3,943	3,904	3,905
C Fund	57,304	56,963	62,863

Returns for Twelve Months Ended

	1/31/00	2/29/00	3/31/00
G Fund	6.13%	6.29%	6.37%
F Fund	(1.88%)	1.07%	1.86%
C Fund	10.25%	11.57%	17.74%

Number of Participants (000's)

1/31/00	2/29/00	3/31/00
1,274	1,291	1,292
225	209	206
1,449	1,500	1,497
85.0%	86.1%	86.2%
632	630	629
348	348	344
2,479	2,478	2,471
	1/31/00 1,274 225 1,449 85.0% 632 348	1,274 1,291 225 209 1,449 1,500 85.0% 86.1% 632 630 348 348

Loans

	1/31/00	2/29/00	3/31/00
Number of Loans Outstanding	620,958	624,183	628,406
Loans Outstanding (\$ millions)	3,047	3,052	3,073

EXPENSE RATIOS*

	G	G Fund		F Fund		C Fund	
	Gross	Net	Gross	Net	Gross	Net	
1995	.11%	.09%	.13%	.11%	.12%	.10%	
1996	.10%	.08%	.12%	.10%	.11%	.09%	
1997	.09%	.07%	.10%	.08%	.09%	.07%	
1998	.08%	.06%	.09%	.08%	.08%	.07%	
1999	.07%	.05%	.08%	.07%	.07%	.06%	
2000	(Jan-Mar) .02%	.02%	.02%	.02%	.02%	.02%	

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The C and F Fund expense ratios include investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 12, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 12, 2000, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the May 8, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the May 8, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on May 8, 2000, be approved.

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

a. Nominations to the Board.

The President has announced his intention to nominate Don Harrell as a member to replace Jerome Stricker and John Train as a member to replace Scott Lukins. (Mr. Train was recommended by the House of Representatives for appointment by the President.) The Senate may hold a confirmation hearing on these nominations before it adjourns on October 6.

b. Legislation.

(1) Rollovers to and immediate participation in the Thrift Savings Plan.

Congresswoman Morella's House-passed bill, H.R. 208, has been scheduled for mark-up by the Senate Committee

on Governmental Affairs on June 14. Mr. Mehle expects an amendment will be offered to add roll-ins from conduit IRAs, but does not expect an amendment to add immediate employer contributions.

(2) <u>Uniformed services participation in the Thrift</u> Savings Plan.

The House-passed DOD authorization bill for fiscal year 2001 includes a provision for military participation in the TSP and an effective date of July 2001. The Senate has taken up but not yet finished its version of the fiscal year 2001 authorization bill. As it now stands, the Senate bill includes a provision for military participation in the TSP but it also includes an effective date of six months after enactment, which the TSP cannot accomplish. Mr. Mehle advised the Board members that he is working to get this effective date changed to October 2001.

(3) Correction of retirement misclassification.

The Senate and the House of Representatives have passed different versions of a bill to correct retirement system misclassifications. Mr. Mehle reported that the Senate plans to add its version to a long-term health care bill and to return it to the House.

c. New System Development.

Senior officials of the Board and of American Management Systems (AMS) held a meeting on June 8, 2000, to determine whether AMS would be able to meet the planned October 1, 2000, implementation date for the Board's new record keeping system. AMS advised that, in light of current and anticipated software defects, an October 1 implementation date would involve significant risks for the successful operation of the new system, and that therefore implementation should be further deferred. Although AMS suggested an April 2001 implementation date, the Board decided that it would be premature, given the two previous missed implementation commitments by AMS, to set a new date until AMS completes testing of the system and reports that all significant software defects have been fixed. The Board will issue a press release to this effect on June 13, 2000, and a letter to all Plan participants later in the week. Monthly updates on progress toward completion will be posted on the Board's Web site.

Mr. Mehle explained that he had briefed Mr. Lukins on these developments this morning by telephone and that Mr. Lukins supported this approach. The other Board members also gave their support.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:15 a.m.

MOTION: That this meeting be adjourned.

ary

7/10/00

Note: A verbatim transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	2/29/00	3/31/00	4/30/00
G Fund	\$31,112	\$31,426	\$31,551
F Fund	3,904	3,905	3,919
C Fund	56,963	62,863	61,423

Returns for Twelve Months Ended

	2/29/00	3/31/00	4/30/00
G Fund	6.29%	6.37%	6.43%
F Fund	1.07%	1.86%	1.27%
C Fund	11.57%	17.74%	9.99%

Number of Participants (000's)

	2/29/00	3/31/00	4/30/00
FERS Contributors	1,291	1,292	1,285
FERS Non- contributors	209	206	204
TOTAL	1,500	1,497	1,489
Participation Rate	86.1%	86.2%	86.3%
CSRS Active	630	629	628
Inactive	348	344	345
TOTAL ACCOUNTS	2,478	2,471	2,462

Loans

	2/29/00	3/31/00	4/30/00
Number of Loans Outstanding	624,183	628,406	638,115
Loans Outstanding (\$ millions)	3,052	3,073	3,144

EXPENSE RATIOS*

	_	G Fund		F Fund		C Fund	
	ō	Fross	Net	Gross	Net	Gross	Net
1995		.11%	.09%	.13%	.11%	.12%	.10%
1996		.10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000	(Jan-Apr)	.02%	.02%	.03%	.02%	.03%	.02%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The C and F Fund expense ratios include investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 10, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on July 10, 2000, at 10:05 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Sheryl R. Marshall of Massachusetts, member; Scott B. Lukins of Washington, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the June 12, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the June 12, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on June 12, 2000, be approved.

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

a. Legislation.

(1) Rollovers to and immediate participation in the Thrift Savings Plan.

Congresswoman Morella's House-passed bill, H.R. 208, was taken up by the Senate Committee on Governmental Affairs on June 14. An amendment was approved to add roll-ins from conduit IRAs. An amendment to add immediate employer contributions may be offered when the bill reaches the full Senate. Mr. Mehle expects that the bill will be passed by the end of this session of Congress.

(2) <u>Uniformed services participation in the Thrift</u> Savings Plan.

The House-passed DOD authorization bill for fiscal year 2001 includes a provision for military participation

in the TSP and an effective date of July 2001. The Senate has taken up but not yet finished its version of the fiscal year 2001 authorization bill. As it now stands, the Senate bill includes a provision for military participation in the TSP but it also includes an effective date of six months after enactment, which the TSP cannot accomplish. Mr. Mehle advised the Board members that he is working to get this effective date changed to October 2001. Mr. Mehle expects that the bill will not be finally acted upon until the end of the session and that it will include TSP participation for the military.

(3) Correction of retirement misclassification.

The Senate and the House of Representatives have passed different versions of a bill to correct retirement system misclassifications. Mr. Mehle reported that the Senate has added its version to a long-term care bill and that the bill is likely to be enacted this session.

b. New System Development.

Progress on system testing by American Management Systems (AMS) continues to go slowly. The difficulty appears to be AMS's inability to resolve defects in the code quickly. The Board is reviewing its options if the failure rate does not begin to improve in accordance with AMS's June 8 schedule. Mr. Mehle also discussed a letter he had received dated July 5, 2000, from AMS's CEO, Paul Brands, and the possibility of the two meeting within the next few weeks to discuss the status of the project.

c. <u>Arthur Andersen Audit</u>. Mr. Mehle discussed the audit Arthur Andersen will begin this week of the Board's internal controls over the investment process.

d. Nominations to the Board.

The President has announced his intention to nominate Don Harrell as a member to replace Jerome Stricker and John Train as a member to replace Scott Lukins. The Senate has not yet scheduled a confirmation hearing on these nominations.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:50 a.m.

MOTION: That this meeting be adjourned.

Secretary

Note: A transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	3/31/00	4/30/00	5/31/00
G Fund	\$31,426	\$31,551	\$31,861
F Fund	3,905	3,919	3,920
C Fund	62,863	61,423	60,670

Returns for Twelve Months Ended

	3/31/00	4/30/00	5/31/00
G Fund	6.37%	6.43%	6.50%
F Fund	1.86%	1.27%	2.15%
C Fund	17.74%	9.99%	10.35%

Number of Participants (000's)

	3/31/00	4/30/00	5/31/00
FERS Contributors	1,292	1,285	1,280
FERS Non- contributors	206	204	204
TOTAL	1,497	1,489	1,484
Participation Rate	86.2%	86.3%	86.2%
CSRS Active	629	628	623
Inactive	344	345	347
TOTAL ACCOUNTS	2,471	2,462	2,455

Loans

	3/31/00	4/30/00	5/31/00
Number of Loans Outstanding	628,406	638,115	642,262
Loans Outstanding (\$ millions)	3,073	3,144	3,186

EXPENSE RATIOS*

	_	G Fund		F Fund		C Fund	
	Ĩ	Gross	Net	Gross	Net	Gross	Net
1995		.11%	.09%	.13%	.11%	.12%	.10%
1996		.10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000	(Jan-May)	.03%	.02%	.04%	.03%	.03%	.03%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The C and F Fund expense ratios include investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 14, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on August 14, 2000, at 10:04 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the July 10, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the July 10, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on July 10, 2000, be approved.

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

a. Legislation.

Congress has been in recess since July 27; it reconvenes on September 5 with an expected adjournment date of October 6.

(1) Correction of retirement misclassification.

The Senate and the House of Representatives approved legislation that would correct retirement system misclassifications as part of H.R. 4040, a long-term care bill for Federal employees that was passed by both bodies on July 27. The bill contains the language favored by both OPM and the Board, giving misclassified employees the right to remain in the retirement system to which they were assigned, even though incorrectly. Mr. Mehle expects the President to sign the bill.

(2) <u>Rollovers to and immediate participation in the</u> Thrift Savings Plan.

Congresswoman Morella's House-passed bill, H.R. 208, was passed by the Senate on July 21 with amendments adding roll-ins from conduit IRAs and an implementation time frame that the Board can accommodate. Because of the amendments, the bill will go back to the House for approval. Mr. Mehle expects that the bill will be passed by the end of this session of Congress.

(3) Elimination of 5% and 10% TSP contribution limits.

Congresswoman Morella has introduced H.R. 483, which would eliminate the 5% and 10% (of salary) TSP contribution limits, permitting Federal employees to contribute to the TSP amounts up to the IRS elective deferral limit. Senator Stevens, the Chairman of the Senate Appropriations Committee, has expressed an interest in adding a similar provision to H.R. 1102, the private sector pension reform bill. Mr. Mehle advised the Board members that, while uncertain, it is possible that this provision might then be included in an end-of-session omnibus reconciliation bill.

(4) <u>Uniformed services participation in the Thrift Savings Plan</u>.

The Senate and House of Representatives have passed different versions of legislation providing for uniformed services participation in the TSP. Each has an unattainable effective date and the Board is working to get these effective dates changed in conference to October 1, 2001. Mr. Mehle expects that a House and Senate conference committee will act on the bills at the end of the session.

b. New System Development.

American Management Systems (AMS) continues to perform system testing. Mr. Mehle also discussed his meeting with AMS's CEO, Paul Brands, on August 1 concerning AMS's progress and the Board's contingency plans if AMS fails to make progress.

c. Arthur Andersen Audit.

Mr. Mehle discussed the draft audit report received from Arthur Andersen concerning the Board's internal controls over the investment process.

3. Review of investment policy.

By memorandum dated July 28, 2000, Mr. Mehle provided the members with a report on the performance of the G, C, and F Funds during the second quarter of 2000. After Mr. Mehle briefed the members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.), provides that the Board shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

Whereas the Board at this meeting has reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Investment Fund, as well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index Investment Fund (established at its meeting on May 29, 1987), and the Fixed Income Investment Fund (established at its meetings on June 22 and July 27, 1987, and May 21, 1990); and

WHEREAS the Board is satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED by the Federal Retirement Thrift Investment Board that the current investment policies for the Government Securities Investment Fund, Common Stock Index Investment Fund, and the Fixed Income Investment Fund are affirmed without change.

4. Review of Arthur Andersen semiannual financial review.

In advance of the meeting, Mr. Mehle provided the members with copies of the Board's financial statements and notes for the period ended June 30, 2000, and with a copy of Arthur Andersen's letter dated July 14, 2000, relating to its review of the financial statements and notes. In the letter, Arthur Andersen outlined the procedures it followed in performing its review and advised that it did not note any material irregularities or unusual items in the review. Mr. Mehle summarized the results of this financial review.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:20 a.m.

MOTION: That this meeting be adjourned.

Secretary

Note: A transcript of this meeting was made by BETA reporting services.



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

July 28, 2000

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS, MARSHALL, AND FINK

FROM:

ROGER W. MEHLE

EXECUTIVE DIRECTO

SUBJECT:

Second Quarter 2000 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the second quarter (April-June) investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL RE	CIURN (%)	TRACKING ERROR(%)
	Barclays		Equity Index Fund
	Equity Index Fund	S&P 500 Index	vs. Index
Second Quarter	(2.65)	(2.66)	.01

As shown above, the Barclays Equity Index Fund second quarter total return outperformed the S&P 500 index by 1 basis point.

F Fund

	TOTAL R	TRACKING ERROR(%)	
	Barclays U.S. Debt	Lehman Brothers U.S.	U.S. Debt Index Fund
	Index Fund	Aggregate Bond Index	vs. Index
Second Quarter	1.76	1.74	.02

The Barclays U.S. Debt Index Fund second quarter total return outperformed the LBA index by 2 basis points.

TRADING COSTS

C Fund

TRADE		ND QUARTER ING COSTS	SPREAD FROM BARCLAYS
DATES	\$	BASIS POINTS	AVERAGE COST OF 17 BASIS POINTS
4/07	(42,090.69)	(3.6)	(20.6)
4/14	392.15	0.0	(17.0)
4/20	26,888.35	2.6	(14.4)
4/28	1,595.32	0.3	(16.7)
5/08	60,904.86	4.7	(12.3)
5/15	70,005.01	3.7	(13.3)
5/22	757.35	0.1	(16.9)
6/15	76,530.49	2.1	(14.9)
6/30	12,928.02	1.1	(15.9)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month; however, there was no trade on the scheduled trade date of June 22, because the amount that would otherwise have been available for investment on that date was offset by overinvestment on the June 15 trade date. In addition, three of the 12 trades during the second quarter were fully crossed within the Equity Index Fund, i.e., these entries involved zero trading costs and are not shown above.

The April 7 trade incurred negative trading costs. Negative trading costs occur in guaranteed program trades when the broker is able to execute the trade at prices below the closing prices on the trade date. The stocks purchased go into the Equity Index Fund at the closing prices on the trade date so that no tracking error relative to the S&P 500 index is created. The spread between the executed prices and the closing prices is split between the broker and Barclays. Barclays' share of the spread is allocated pro rata among the transacting clients, resulting in negative trading costs.

On the June 30 trade date there were two transactions, a purchase and a subsequent sale to correct an overcommitment in the purchase amount. The trading cost is that for the corrective sale transaction, inasmuch as the purchase was costless.

Of the 4,127,676 units traded in the C Fund in the second quarter, 568,965 (13.8%) were traded cost-free. The total cost of the 24 trades year-to-date is 1.8 basis points.

F Fund

	SECONI	D QUARTER	
TRADE	TRADII	NG COSTS	SPREAD FROM BARCLAYS'
DATES	<u> \$ </u>	BASIS POINTS	AVERAGE COST OF 15 BASIS POINTS
4/14	3,348.12	1.6	(13.4)
4/28	10,359.20	3.8	(11.2)
5/15	2,556.23	1.0	(14.0)
5/31	8,683.78	6.9	(8.1)
6/15	(30.10)	0.0	(15.0)

The U.S. Debt Index Fund normally has two trade dates each month, and there was an additional trade on June 27, 2000, to correct the approximately \$8 million overinvestment on the June 15 trade date. The last two of the seven trades during the second quarter were fully crossed within the U.S. Debt Index Fund and are not shown above.

The June 15 purchase incurred negative trading costs. Negative trading costs occur in the U.S. Debt Index Fund primarily when Barclays executes trades in the bond market before 3 p.m., when Lehman Brothers prices the securities in the index. If Barclays purchases securities at lower prices than the 3 p.m. prices, the result is negative trading costs.

Of the 6,064,284 units traded in the F Fund in the second quarter, 2,405,908 (39.7%) were traded cost-free. The total cost of the 13 trades year-to-date is 1.1 basis points.

PERFORMANCE

Attachments 1 and 2 show the C, F, and G Fund total net rates of return for the second quarter and year-to-date 2000, respectively, computed in accordance with the Board's earnings allocation procedures. Attachments 3 and 4 compare second quarter and year-to-date C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 5 provides the C, F, and G Fund total net rates of return and expense ratios for the first and second quarters and year-to-date 2000.

C Fund

The second quarter total gross C Fund return of (2.64%) outperformed the Barclays Equity Index Fund return of (2.65%) by 1 basis point. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund

return is based on the Board's earnings allocation algorithm, explains why the C Fund return was 1 basis point higher than the Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the second quarter was .01%.

Attachments 3 and 4 show the C Fund total net returns for the second quarter and year-to-date 2000, respectively, compared to the Barclays Equity Index Fund returns.

F Fund

With a total gross return of 1.77% in the second quarter, the F Fund outperformed the Barclays U.S. Debt Index Fund return of 1.76% by 1 basis point. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the F Fund return was 1 basis point higher than the U.S. Debt Index Fund return.

The second quarter F Fund expense ratio was .02%.

Attachments 3 and 4 show the F Fund total net returns for the second quarter and year-to-date 2000, respectively, compared to the Barclays U.S. Debt Index Fund returns.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the second quarter were as follows:

April	6.250%
May	6.375%
June	6.500%

The second quarter G Fund gross return was 1.60%. As reflected in Attachment 6, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged .55% in the second quarter of 2000. The second quarter G Fund expense ratio was .01%.

Other Indexes

Attachment 7 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for 1999 and the second quarter of 2000. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income

index returns include the Salomon Brothers Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Brothers indexes, which exclude mortgage-backed securities.

2000 Thrift Savings Plan Monthly Investment Activity

Attachment 8 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

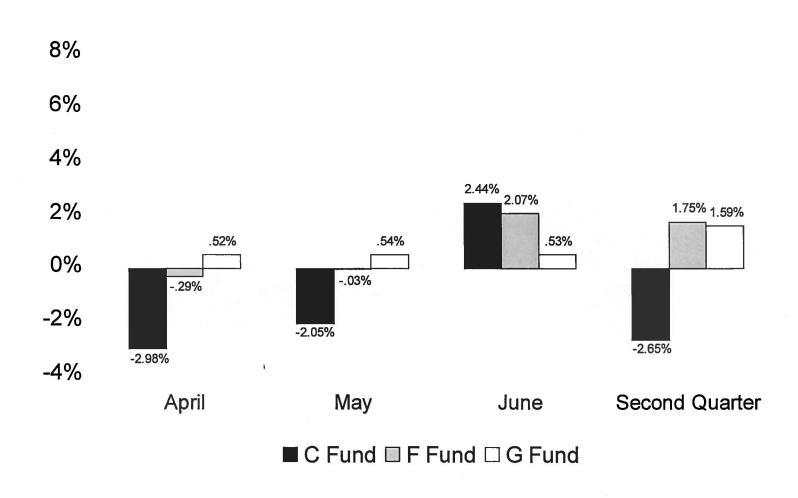
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund continues to outperform short-term Treasury securities, as reflected in Attachment 6. Given the G Fund's performance and for the reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term securities.

Attachments

Investment Fund Total Returns*

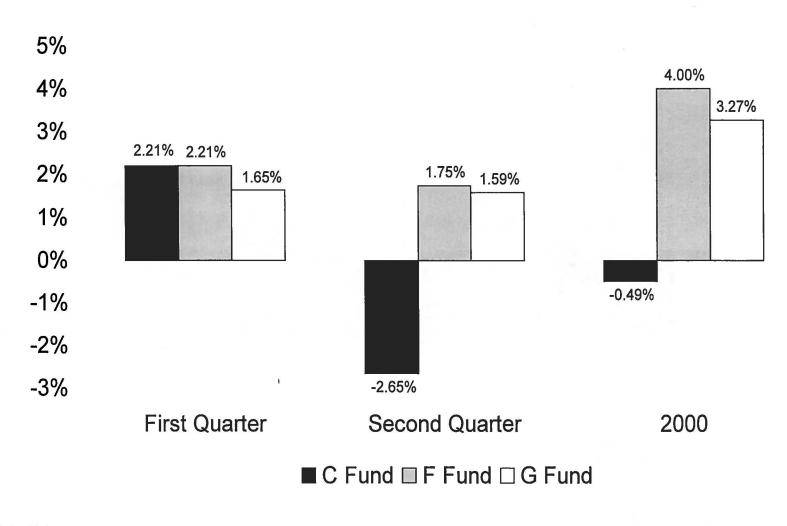
April - June 2000



^{*}Net of Expenses

Investment Fund Total Returns*

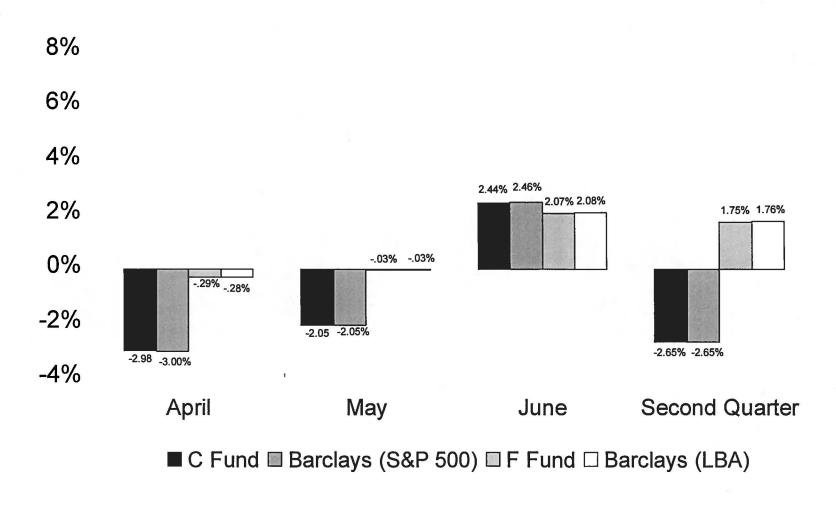
Year-to-Date 2000



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays

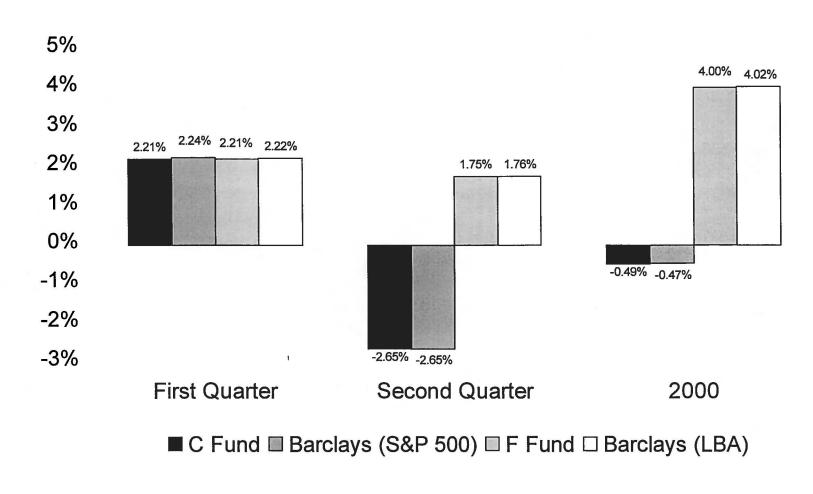
April - June 2000



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays

Year-to-Date 2000



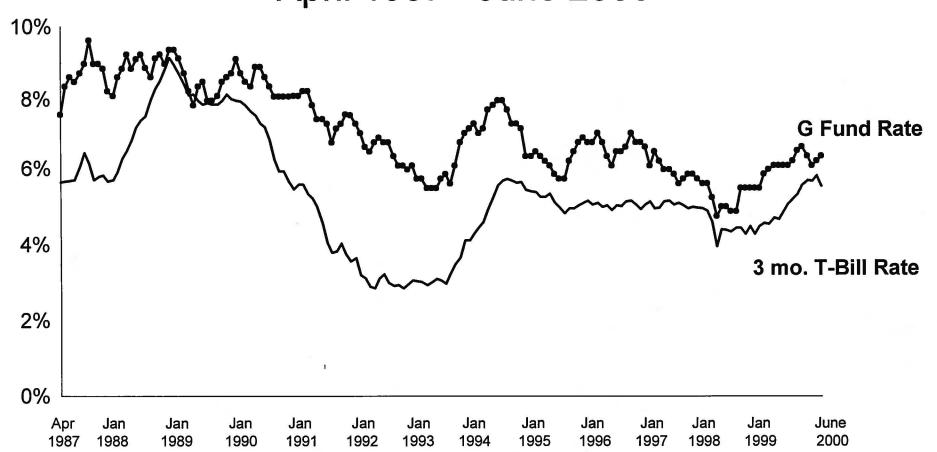
*Net of Expenses

2000 Investment Fund Total Returns* and Expense Ratios						
	C F	und	FI	Fund	G F	und
	Return	Expense Ratio	Return	Expense Ratio	Return	Expense Ratio
1st Quarter (Jan - Mar)	2.21%	.02%	2.21%	.02%	1.65%	.02%
2 nd Quarter (Apr - Jun)	(2.65%)	.01%	1.75%	.02%	1.59%	.01%
Year-to-Date 2000	(.49%)	.03%	4.00%	.04%	3.27%	.03%

^{*} Net of Expenses

G Fund Yield Advantage

April 1987 - June 2000



2000 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	S&P 500	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
First Quarter Second Quarter	2.29% (2.66%)	9.95% (8.74%)	3.82% (4.49%)	4.37% (3.43%)	4.57% (3.46%)	(.11%) (3.96%)
Year-to-Date	(.42%)	.34%	(.84%)	.78%	.95%	(4.06%)

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Credit <u>Index</u>	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index_
First Quarter Second Quarter	2.21% 1.74%	2.19% 1.70%	2.69% 1.45%	2.54% 1.41%
2000	3.99%	3.92%	4.18%	3.98%

2000 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY **Average Account FERS CSRS Balance Asset** Contributors Contributors Allocation* **Monthly TSP** Interfund Transfer with S in with \$ in (G/C/F Fund) Contributions Activity Monthly Returns Cor F Fund Cor F Fund * Excludes G Fund Only Active Active **G** Fund C Fund F Fund G Fund C Fund F Fund # of G Fund C Fund F Fund (000s)(000s)**CSRS** Month end % % FERS (SMII) (SMII) (SMil) (SMil) (SMil) (SMil) ITs (%) (%) (%) 01/31/2000 1,125 88% 560 89% 28%/67%/5% 24%/72%/4% \$188.4 \$445.6 \$39.7 (\$615.8)\$728.4 (\$112.6)48,319 0.56 (5.03)(0.34)02/28/2000 1,145 89% 561 89% 28%/67%/5% 25%/71%/4% \$189.9 \$39.1 \$467.8 (\$281.2)\$356.7 (\$75.5)34,732 0.53 (1.93)1.22 03/31/2000 1,145 89% 560 89% 26%/70%/4% 23%/73%/4% \$249.5 \$602.9 \$50.4 23,427 0.55 \$75.4 (\$50.9)(\$24.5)9.74 1.32 04/30/2000 1,140 89% 559 89% 27%/68%/5% 24%/72%/4% \$181.6 \$455.2 \$37.0 (\$102.0)\$131.6 (\$29.6)25,007 0.52 (2.98)(0.29)05/31/2000 1,137 89% 556 89% 27%/68%/5% 24%/72%/4% \$225.3 \$578.0 \$46.7 \$11.4 \$10.6 (\$22.0)16,578 0.54 (2.05)(0.03)27%/68%/5% 24%/72%/4% 06/30/2000 1.129 89% 553 89% \$191.0 \$482.4 \$39.3 \$13.9 \$52.9 (\$66.8)29,014 0.53 2.44 2.07

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	4/30/00	5/31/00	6/30/00
G Fund	\$31,551	\$31,861	\$32,104
F Fund	3,919	3,920	3,978
C Fund	61,423	60,670	62,527

Returns for Twelve Months Ended

	4/30/00	5/31/00	6/30/00
G Fund	6.43%	6.50%	6.55%
F Fund	1.27%	2.15%	4.61%
C Fund	9.99%	10.35%	7.11%

Number of Participants (000's)

	4/30/00	5/31/00	6/30/00
FERS Contributors	1,285	1,280	1,272
FERS Non- contributors	204	204	203
TOTAL	1,489	1,484	1,475
Participation Rate	86.3%	86.2%	86.3%
CSRS Active	628	623	620
Inactive	345	347	344
TOTAL ACCOUNTS	2,462	2,455	2,439

Loans

	4/30/00	5/31/00	6/30/00
Number of Loans Outstanding	638,115	642,262	650,369
Loans Outstanding (\$ millions)	3,144	3,186	3,216

EXPENSE RATIOS*

		G Fund		F Fund		C Fund	
	Gros	s Net	Gross	Net	Gross	Net	
1995	.11	.09%	.13%	.11%	.12%	.10%	
1996	.10	€ .08%	.12%	.10%	.11%	.09%	
1997	.09	€ .07%	.10%	.08%	.09%	.07%	
1998	.08	₹ .06%	.09%	.08%	.08%	.07%	
1999	.07	.05%	.08%	.07%	.07%	.06%	
2000	(Jan-Jun) .04	€ .03%	.04%	.04%	.04%	.03%	

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 11, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 11, 2000, at 9:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Sheryl R. Marshall of Massachusetts was unable to attend; however, she had discussed the agenda with Chairman Atkins before the meeting and given him her proxy to vote in favor of all motions.

1. Approval of the minutes of the August 14, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the August 14, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on August 14, 2000, be approved.

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

a. Legislation.

Congress reconvened on September 5 with an expected adjournment date of October 6.

(1) Rollovers to and immediate participation in the Thrift Savings Plan.

Congresswoman Morella's House-passed bill, H.R. 208, was passed by the Senate on July 21 with amendments adding roll-ins from conduit IRAs and an implementation time frame that the Board can accommodate. Because of the amendments, the bill will go back to the House for approval. Mr. Mehle expects that the bill will be passed by the end of this session of Congress.

(2) <u>Elimination of 5% and 10% TSP contribution</u> limits.

Congresswoman Morella has introduced H.R. 483, which would eliminate the 5% and 10% (of salary) TSP contribution limits, permitting Federal employees to contribute to the TSP amounts up to the IRS elective deferral limit. Senator Stevens, the Chairman of the Senate Appropriations Committee, has expressed an interest in adding a similar provision to H.R. 1102, the private sector pension reform bill, by floor amendment. The substance of H.R. 1102 may then be incorporated into the impending Omnibus Reconciliation Bill, but, given Administration concerns, this is questionable.

(3) <u>Uniformed services participation in the Thrift Savings Plan</u>.

The Senate and House of Representatives have passed different versions of legislation providing for uniformed services participation in the TSP. Each has an unattainable effective date and the Board is working to get these effective dates changed in conference to October 1, 2001. Mr. Mehle advised the Board members that the Department of Defense intends to write to the Congress expressing its support of and preference for the October 1, 2001, implementation date.

b. New System Development.

James Petrick, Director, Office of Benefits and Investments, and the Board's project manager for the new system development, briefed the Board members on American Management System's (AMS) progress on the new system project. AMS continues to perform system testing; its test script passage rate is slightly higher than AMS had planned at this stage in the testing. Mr. Petrick also reviewed with the Board members the audit report of the Defense Contract Management Agency, dated August 29, 2000, concerning AMS's management of the new system project. Lawrence Stiffler, Director, Office of Automated Systems, briefed the Board members on the Board's contingency planning in the event that AMS is unable to make acceptable progress on the project.

c. New Business.

The Board members unanimously adopted a motion to consider, as an item of new business, evaluation criteria for selection of an information technology company to replace AMS should it become necessary to terminate AMS's contract.

By memorandum dated September 8, 2000, Mr. Mehle provided the members with proposed criteria for selecting a contractor to complete the software for the new TSP record keeping system in the event AMS is unable to deliver. Mr. Mehle briefed the members on his memorandum and responded to questions. After discussion, the following motion was made, seconded, and adopted by unanimous vote.

MOTION: That the Board ratify and approve the criteria for selecting a contractor to develop new software for the Thrift Savings Plan record keeping system as presented in the Executive Director's September 8, 2000, memorandum to the members.

3. Review of FY 2000 budget and projected expenditures, approval of FY 2001 proposed budget, and review of FY 2002 estimates.

Mr. Mehle and the members discussed the expenditures for fiscal year 2000 and the proposed budget for fiscal year 2001, which Mr. Mehle had forwarded to the members by memorandum dated August 25, 2000. Budget estimates for fiscal year 2002 were also presented and discussed, as they are required to be submitted to the Office of Management and Budget for inclusion in the Fiscal Year 2002 Budget of the United States Government. After discussion, the following motion was made, seconded, and adopted by unanimous vote:

MOTION: That the Board approve the budget for fiscal year 2001 as proposed in the Executive Director's memorandum dated August 25, 2000, which is to be made a part of these minutes and attached hereto, such budget, together with the fiscal year 2002 budget estimates to be submitted to the Office of Management and Budget for inclusion in the Fiscal Year 2002 Budget of the United States Government.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 12:30 p.m.

MOTION: That this meeting be adjourned.

Secretary 10/10/00

Attachments:

Memorandum to Board Members dated August 25, 2000 Memorandum to Board Members dated September 8, 2000

Note: A transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	5/31/00	6/30/00	7/31/00
G Fund	\$31,861	\$32,104	\$32,326
F Fund	3,920	3,978	3,975
C Fund	60,670	62,527	62,015

Returns for Twelve Months Ended

	5/31/00	6/30/00	7/31/00
G Fund	6.50%	6.55%	6.56%
F Fund	2.15%	4.61%	6.00%
C Fund	10.35%	7.11%	8.85%

Number of Participants (000's)

		, ,	
	5/31/00	6/30/00	7/31/00
FERS Contributors	1,280	1,272	1,294
FERS Non- contributors	204	203	219
TOTAL	1,484	1,475	1,513
Participation Rate	86.2%	86.3%	85.5%
CSRS Active	623	620	620
Inactive	347	344	353
TOTAL ACCOUNTS	2,455	2,439	2,485

Loans

	5/31/00	6/30/00	7/31/00
Number of Loans Outstanding	642,262	650,369	662,394
Loans Outstanding (\$ millions)	3,186	3,216	3,263

EXPENSE RATIOS*

	aa	G Fund		F Fund		C Fund	
	Gi	coss	Net	Gross	Net	Gross	Net
1995		.11%	.09%	.13%	.11%	.12%	.10%
1996		.10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000	(Jan-Jul)	.04%	.03%	.05%	.04%	.04%	.04%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

October 10, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on October 10, 2000, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the September 11, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the September 11, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on September 11, 2000, be approved.

- 2. Thrift Savings Plan activity report by the Executive Director.
 - a. Legislation.
- (1) Rollovers to and immediate participation in the Thrift Savings Plan.

Congresswoman Morella's House-passed bill, H.R. 208, was passed by the Senate on July 21 with amendments adding roll-ins from conduit IRAs and an implementation date of the Board's choosing. Because of the amendments, the bill was sent back to the House for approval; a vote is scheduled in the House today on the Senate-passed version. Mr. Mehle expects that the bill will be passed by the House and signed by the President.

(2) <u>Elimination of 5% and 10% TSP contribution</u> limits.

Congresswoman Morella has also introduced H.R. 483 to eliminate the 5% and 10% (of salary) TSP contribution limits, permitting Federal employees to contribute to the TSP amounts up to the IRS elective deferral limit. Senator Stevens, the Chairman of the Senate Appropriations Committee, has expressed an interest in adding a similar provision to H.R. 1102, the private sector pension reform bill, by floor amendment. The substance of H.R. 1102 may then be incorporated into the impending Omnibus Reconciliation Bill, but, given Administration concerns, this is questionable.

(3) <u>Uniformed services participation in the Thrift Savings Plan</u>.

The Senate and House of Representatives have passed different versions of legislation providing for uniformed services participation in the TSP. The conference committee has reached an agreement on its report, but the report has not yet been formally issued. The conference report apparently provides that uniformed services participation in the TSP is to be implemented in six months, but it may be extended an additional six months if administratively necessary. The extension will be necessary, as already agreed between the Board and the Department of Defense.

b. New System Development.

AMS continues to perform system testing; at 40%, its test script passage rate is slightly below what AMS had projected at this stage in the testing, <u>i.e.</u>, about 50%. AMS's conversion testing and stress testing are proceeding relatively well.

The Board solicited and has received proposals for a contractor to replace AMS should it become necessary to terminate AMS's contract. The Board is in the process of evaluating these proposals, which should take from four to six weeks.

The Board issued a press release September 27 announcing that it intends to make the S & I Funds available to TSP participants in the current record keeping system on May 1, 2001. This means that the new record keeping system would not be implemented before August 1, 2001.

Also in the September 27 press release, the Board announced that the uniformed services would be brought into the

TSP using the current system. Their accounts would be converted into the new system as soon as feasible thereafter.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:45 a.m.

MOTION: That this meeting be adjourned.

11.51

Note: A transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

		· · · · · · · · · · · · · · · · · · ·	
	6/30/00	7/31/00	8/31/00
G Fund	\$32,104	\$32,326	\$32,555
F Fund	3,978	3,975	4,043
C Fund	62,527	62,015	66,263

Returns for Twelve Months Ended

	6/30/00	7/31/00	8/31/00
G Fund	6.55%	6.56%	6.55%
F Fund	4.61%	6.00%	7.59%
C Fund	7.11%	8.85%	16.17%

Number of Participants (000's)

	6/30/00	7/31/00	8/31/00
FERS Contributors	1,272	1,294	1,306
FERS Non- contributors	203	219	200
TOTAL	1,475	1,513	1,506
Participation Rate	86.3%	85.5%	86.7%
CSRS Active	620	620	621
Inactive	344	353	354
TOTAL ACCOUNTS	2,439	2,485	2,481

Loans

	6/30/00	7/31/00	8/31/00
Number of Loans Outstanding	650,369	662,394	671,718
Loans Outstanding (\$ millions)	3,216	3,263	3,360

EXPENSE RATIOS*

		G Fund		F Fund		C Fund	
	Gross	Net	Gross	Net	Gross	Net	
1995	.11%	.09%	.13%	.11%	.12%	.10%	
1996	.10%	.08%	.12%	.10%	.11%	.09%	
1997	.09%	.07%	.10%	.08%	.09%	.07%	
1998	.08%	.06%	.09%	.08%	.08%	.07%	
1999	.07%	.05%	.08%	.07%	.07%	.06%	
2000	(Jan-Aug) .05%	.04%	.06%	.05%	.05%	.04%	

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 13, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on November 13, 2000, at 10:00 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the October 10, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the October 10, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on October 10, 2000, be approved.

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

a. Legislation.

(1) Rollovers to and immediate participation in the Thrift Savings Plan.

H.R. 208, sponsored by Congresswoman Morella, was passed by the Congress and signed by the President on October 27. The legislation permits Federal employees to begin making employee contributions to the TSP as soon as administratively feasible after they begin their employment. It also allows TSP participants to transfer their balances in certain private sector 401(k) plans and conduit IRAs to the TSP. These features will be implemented next year.

(2) <u>Uniformed services participation in the Thrift</u> Savings Plan.

Congress passed and the President signed on October 30 legislation providing for uniformed services participation in the TSP. As passed, the legislation allows 12 months for implementation. The National Finance Center will modify the current record keeping system to allow a 60-day open season beginning October 9, 2001, with the first contributions to be received in January 2002.

(3) Elimination of 5% and 10% TSP contribution limits and immediate employer contributions.

H.R. 483, a bill to eliminate the 5% and 10% (of salary) TSP contribution limits, remains pending. Senator Stevens, the Chairman of the Senate Appropriations Committee, has expressed an interest in adding the substance of this bill to a pending appropriations bill. Congress has six appropriations bills yet to pass this session; therefore, Mr. Mehle believes this provision still has a chance of passage. It is also possible that a provision for immediate employer contributions could be included in an appropriations bill.

b. New System Development.

AMS continues to perform system testing; at 60%, its test script passage rate is slightly below what AMS had projected at this stage in the testing, <u>i.e.</u>, about 64%. AMS's conversion testing and stress testing are also proceeding.

The Board is in the process of evaluating proposals for a contractor to replace AMS, if necessary. Mr. Mehle expects that a selection will be made by the next Board member meeting.

c. S and I Funds.

The National Finance Center is proceeding with modifications to the existing record keeping system to support the S and I Funds. Both funds will be available to Plan participants on May 1, 2001.

3. Status of audit recommendations.

By memorandum dated October 27, 2000, Mr. Mehle provided the members with the status of audit recommendations. The number

of outstanding recommendations for the Board as of September 30 was one, with seven for the NFC, one of which has since been completed. There is one outstanding joint recommendation.

4. Investment policy review.

By memorandum dated October 27, 2000, Mr. Mehle provided the members with a report on the performance of the G, C, and F Funds during the third quarter of 2000. After Mr. Mehle briefed the members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.), provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund, as well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index Investment Fund (established at its meeting on May 29, 1987), and the Fixed Income Investment Fund (established at its meetings on June 22 and July 27, 1987, and May 21, 1990); and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund are affirmed without change.

5. Annual ethics briefing.

Elizabeth Woodruff, the Board's Secretary and General Counsel, briefed the members on the applicability of selected ethics regulations to their conduct.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:30 a.m.

MOTION: That this meeting be adjourned.

Secretary

Dec. 11, 2000

Note:

A transcript of this meeting was made by BETA reporting services.



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

October 27, 2000

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS, MARSHALL,

FINK, AND HARRELL

FROM:

ROGER W. MEHI

EXECUTIVE DIRECTOR

SUBJECT:

Third Quarter 2000 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the third quarter (July-September) investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL F	TRACKING ERROR (%)	
	Barclays		Equity Index Fund
	Equity Index Fund	S&P 500 Index	vs. Index
	1.04	(07)	
Third Quarter	(.94)	(.97)	.03

As shown above, the Barclays Equity Index Fund third quarter total return outperformed the S&P 500 index by 3 basis points.

F Fund

	TOTAL_R	TRACKING ERROR(%)	
	Barclays U.S. Debt	Lehman Brothers U.S.	U.S. Debt Index Fund
	Index Fund	Aggregate Bond Index	vs. Index
Third Quarter	3.04	3.01	.03

The Barclays U.S. Debt Index Fund third quarter total return outperformed the LBA index by 3 basis points.

TRADING COSTS

C Fund

TRADE DATES		D QUARTER ING COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 17 BASIS POINTS
DAILE		DUDIO FOIMID	AVERAGE COST OF 17 BASIS FOINTS
7/07	71,887.22	4.6	(12.4)
7/14	1,338.13	0.1	(16.9)
7/21	87,377.89	5.2	(11.8)
7/31	13,112.63	3.1	(13.9)
8/08	47,207.22	1.9	(15.1)
8/23	46,866.52	1.8	(15.2)
9/08	55,237.41	3.0	(14.0)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. Five of the 12 trades during the third quarter were fully crossed within the Equity Index Fund or with other BGI-managed funds, <u>i.e.</u>, these entries involved zero trading costs and are not shown above.

Of the 4,152,321 units traded in the C Fund in the third quarter, 1,046,073 (25.2%) were traded cost-free. The total cost of the 36 trades year-to-date is 1.9 basis points.

F Fund

TRADE		QUARTER NG COSTS	SPREAD FROM BARCLAYS'		
<u>DATES</u>	\$ BASIS POINTS		AVERAGE COST OF 15 BASIS POINTS		
8/15	12,006.02	5.9	(9.1)		
9/15	12,783.16	4.8	(10.2)		
9/29	313.47	1.6	(13.4)		

The U.S. Debt Index Fund has two trade dates each month. Three of the six trades during the third quarter were fully crossed within the U.S. Debt Index Fund.

Of the 3,166,721 units traded in the F Fund in the third quarter, 1,533,658 (48.4%) were traded cost-free. The total cost of the 19 trades year-to-date is 1.4 basis points.

PERFORMANCE

Attachments 1 and 2 show the C, F, and G Fund total net rates of return for the third quarter and year-to-date 2000, respectively, computed in accordance with the Board's earnings allocation procedures. Attachments 3 and 4 compare third quar-

ter and year-to-date C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 5 provides the C, F, and G Fund total net rates of return and expense ratios for the first three quarters and year-to-date 2000.

C Fund

The third quarter total gross C Fund return of (.97%) underperformed the Barclays Equity Index Fund return of (.94%) by 3 basis points. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why the C Fund return was 3 basis points lower than the Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the third quarter was .01%. The year-to-date 2000 C Fund expense ratio is .04%.

Attachments 3 and 4 show the C Fund total net returns for the third quarter and year-to-date 2000, respectively, compared to the Barclays Equity Index Fund returns.

F Fund

With a total gross return of 3.04% in the third quarter, the F Fund tracked precisely the Barclays U.S. Debt Index Fund return of 3.04%. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted.

The third quarter F Fund expense ratio was .02%. The year-to-date F Fund expense ratio is .05%.

Attachments 3 and 4 show the F Fund total net returns for the third quarter and year-to-date 2000, respectively, compared to the Barclays U.S. Debt Index Fund returns.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the third quarter were as follows:

 July
 6.250%

 August
 6.125%

 September
 6.000%

The third quarter G Fund gross return was 1.56%. As reflected in Attachment 6, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged (.07%) in the third quarter and .46% for the first three quarters of 2000. The third quarter G Fund expense ratio was .01%. The year-to-date G Fund expense ratio is .04%.

Other Indexes

Attachment 7 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for the first three quarters and year-to-date 2000. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Brothers Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Brothers indexes, which exclude mortgage-backed securities.

2000 Thrift Savings Plan Monthly Investment Activity

Attachment 8 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

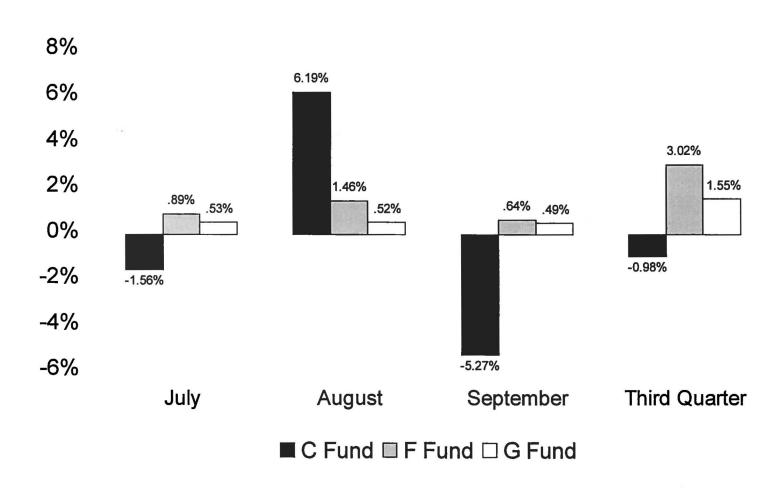
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund has outperformed short-term Treasury securities for year-to-date 2000, as reflected in Attachment 6. Given the G Fund's performance and for the reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term securities.

Attachments

Investment Fund Total Returns*

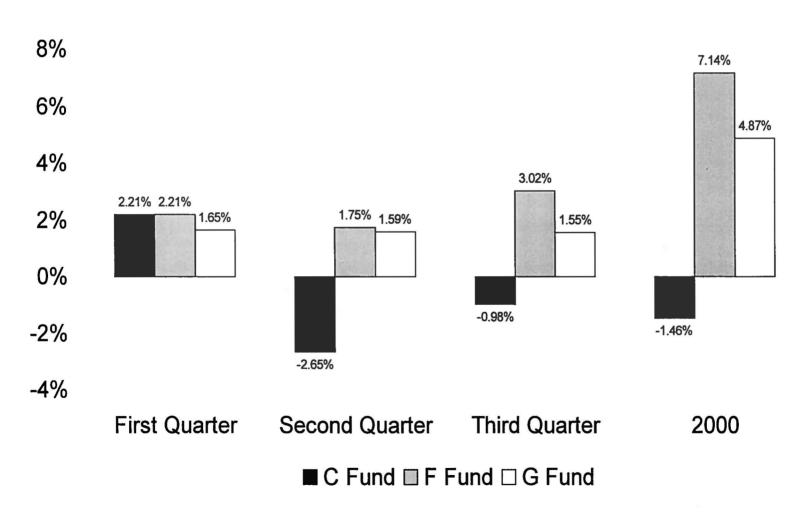
July - September 2000



^{*}Net of Expenses

Investment Fund Total Returns*

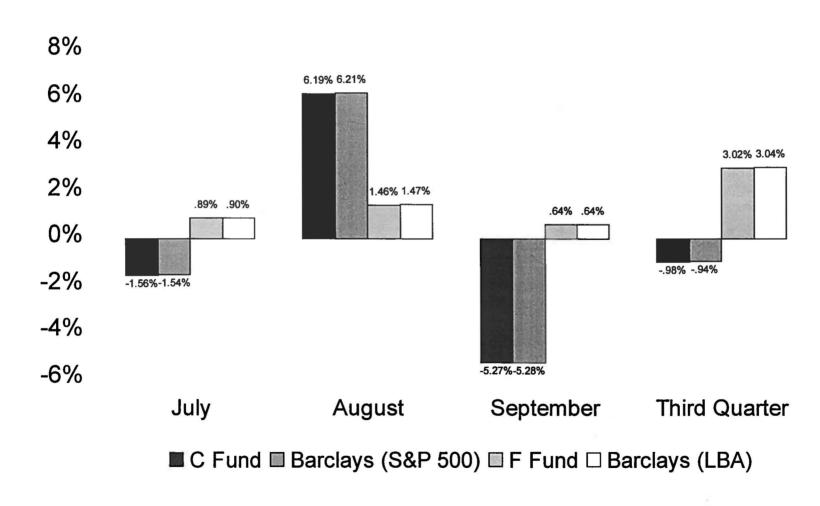
Year-to-Date 2000



^{*}Net of Expenses

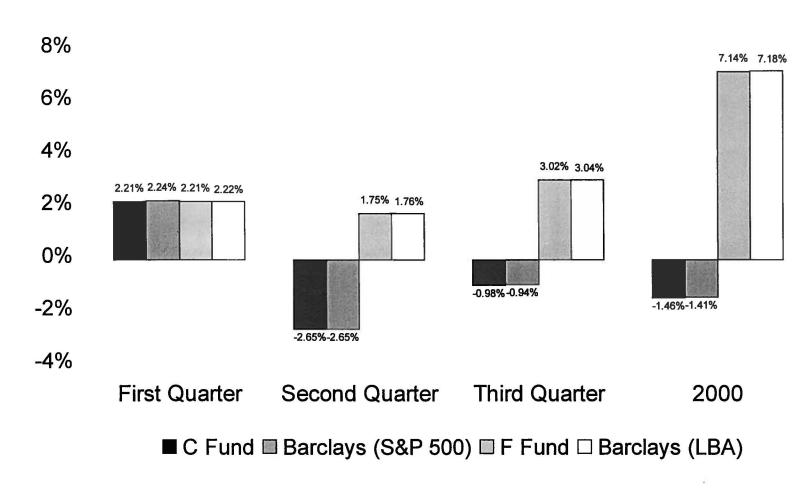
C and F Fund Total Returns* vs. Barclays

July - September 2000



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays Year-to-Date 2000



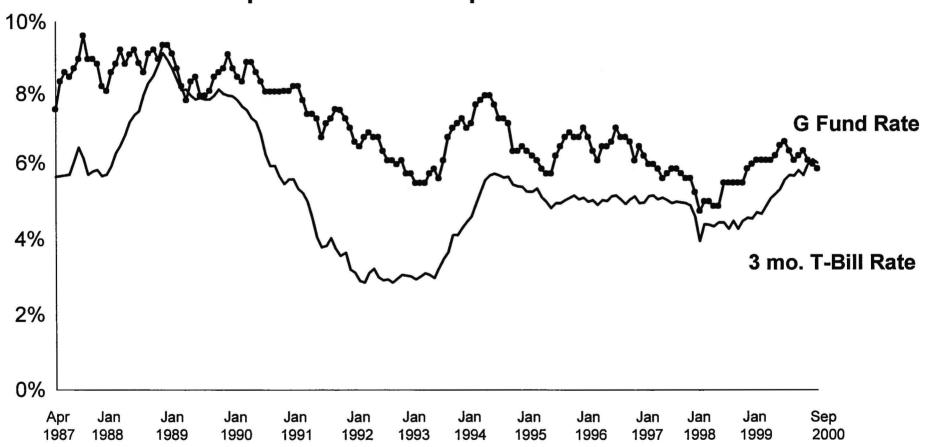
^{*}Net of Expenses

2000 Investment Fund Total Returns* and Expense Ratios							
	CF	und	FF	Fund	G F	G Fund	
	Return	Expense Ratio	Return	Expense Ratio	Return	Expense Ratio	
1st Quarter (Jan - Mar)	2.21%	.02%	2.21%	.02%	1.65%	.02%	
2 nd Quarter (Apr - Jun)	(2.65%)	.01%	1.75%	.02%	1.59%	.01%	
3 rd Quarter (Jul - Sep)	(.98%)	.01%	3.02%	.02%	1.55%	.01%	
Year-to-Date 2000	(1.46%)	.04%	7.14%	.05%	4.87%	.04%	

^{*} Net of Expenses

G Fund Yield Advantage

April 1987 - September 2000



2000 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	S&P 500	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
First Quarter Second Quarter Third Quarter	2.29% (2.66%) (.97%)	9.95% (8.74%) 3.61%	3.82% (4.49%) .24%	4.37% (3.43%) .72%	4.57% (3.46%) .74%	(.11%) (3.96%) (8.07%)
Year-to-Date	(1.39%)	3.96%	(.60%)	1.50%	1.70%	(11.80%)

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Credit <u>Index</u>	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index
First Quarter Second Quarter Third Quarter	2.21% 1.74% 3.01%	2.19% 1.70% 3.05%	2.69% 1.45% 2.87%	2.54% 1.41% 2.97%
Year-to-Date	7.12%	7.09%	7.17%	7.07%

					2	000 THRIFT SA	AVINGS PI	LAN MONT	THLY INV	ESTMENT A	ACTIVITY			h1111111111111111111111111111111111111		
	FE Contri with C or F	butors \$ in	CS Contri with C or F	butors S in	Balanc Alloca (G/C/F	Account e Asset ation* 'Fund) G Fund Only		Monthly TSP Contributions		Interfund Transfer Activity		Monthly Returns				
Month end	# (000s)	%	# (000s)	%	Active FERS	Active CSRS	G Fund (SMil)	C Fund (SMil)	F Fund (\$Mil)	G Fund (\$Mil)	C Fund (\$Mil)	F Fund (\$Mil)	# of ITs	G Fund (%)	C Fund (%)	F Fund
01/31/2000	1,125	88%	560	89%	28%/67%/5%	24%/72%/4%	\$188.4	\$445.6	\$39.7	(\$615.8)	\$728.4	(\$112.6)	48,319	0.56	(5.03)	(0.34)
02/28/2000	1,145	89%	561	89%	28%/67%/5%	25%/71%/4%	\$189.9	\$467.8	\$39.1	(\$281.2)	\$356.7	(\$75.5)	34,732	0.53	(1.93)	1.22
03/31/2000	1,145	89%	560	89%	26%/70%/4%	23%/73%/4%	\$249.5	\$602.9	\$50.4	\$75.4	(\$50.9)	(\$24.5)	23,427	0.55	9.74	1.32
04/30/2000	1,140	89%	559	89%	27%/68%/5%	24%/72%/4%	\$181.6	\$455.2	\$37.0	(\$102.0)	\$131.6	(\$29.6)	25,007	0.52	(2.98)	(0.29)
05/31/2000	1,137	89%	556	89%	27%/68%/5%	24%/72%/4%	\$225.3	\$578.0	\$46.7	\$11.4	\$10.6	(\$22.0)	16,578	0.54	(2.05)	(0.03)
06/30/2000	1,129	89%	553	89%	27%/68%/5%	24%/72%/4%	\$191.0	\$482.4	\$39.3	\$13.9	\$52.9	(\$66.8)	29,014	0.53	2.44	2.07
07/31/2000	1,152	89%	554	89%	27%/68%/5%	24%/72%/4%	\$187.0	\$472.9	\$37.8	(\$24.7)	\$53.1	(\$28.4)	19,422	0.53	(1.56)	0.89
08/31/2000	1,166	89%	556	89%	26%/70%/4%	23%/73%/4%	\$234.8	\$578.5	\$45.6	(\$13.7)	\$24.6	(\$10.9)	17,557	0.52	6.19	1.46
09/30/2000	1,162	89%	554	90%	27%/68%/5%	24%/72%/4%	\$201.9	\$521.9	\$40.3	(\$75.0)	\$78.5	(\$3.5)	15,165	0.49	(5.27)	0.64

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

		<u> </u>	
	7/31/00	8/31/00	9/30/00
G Fund	\$32,326	\$32,555	\$32,769
F Fund	3,975	4,043	4,104
C Fund	62,015	66,263	63,318

Returns for Twelve Months Ended

	7/31/00	8/31/00	9/30/00
G Fund	6.56%	6.55%	6.54%
F Fund	6.00%	7.59%	7.05%
C Fund	8.85%	16.17%	13.19%

Number of Participants (000's)

			· · · · · · · · · · · · · · · · · · ·
	7/31/00	8/31/00	9/30/00
FERS Contributors	1,294	1,306	1,301
FERS Non- contributors	219	200	198
TOTAL	1,513	1,506	1,499
Participation Rate	85.5%	86.7%	86.8%
CSRS Active	620	621	619
Inactive	353	354	357
TOTAL ACCOUNTS	2,485	2,481	2,475

Loans

	7/31/00	8/31/00	9/30/00
Number of Loans Outstanding	662,394	671,718	679,243
Loans Outstanding (\$ millions)	3,263	3,360	3,397

EXPENSE RATIOS*

		G Fund	F Fund		C Fund	
	Gross	Net	Gross	Net	Gross	Net
1995	.11%	.09%	.13%	.11%	.12%	.10%
1996	.10%	.08%	.12%	.10%	.11%	.09%
1997	.09%	.07%	.10%	.08%	.09%	.07%
1998	.08%	.06%	.09%	.08%	.08%	.07%
1999	.07%	.05%	.08%	.07%	.07%	.06%
2000	(Jan-Sep) .05%	.04%	.06%	.05%	.05%	.04%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 11, 2000

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on December 11, 2000, at 10:00 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the November 13, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the November 13, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on November 13, 2000, be approved.

- 2. Thrift Savings Plan activity report by the Executive Director.
 - a. <u>Legislation</u>.
- (1) Elimination of 5% and 10% TSP contribution limits and immediate employer contributions.

H.R. 483, a bill to eliminate the 5% and 10% (of salary) TSP contribution limits, remains pending. Senator Stevens, the Chairman of the Senate Appropriations Committee, has expressed an interest in adding the substance of this bill to an appropriations bill. It is also possible that a provision for immediate employer contributions could be included in an appropriations bill. Since Congress must enact further appropriations measures before adjournment, these provisions still have a chance of passage.

(2) IRS contribution limit.

The proposal to raise the IRS limit on deferred compensation included in the larger tax bill is unlikely to be enacted; the tax bill will not be pursued further in this Congress.

b. New TSP Record Keeping System Development.

AMS continues to perform system testing on the software; AMS's conversion testing and stress testing are also proceeding. In November, AMS proposed completion of the new system in August 2001 rather than in May, based on system testing progress to date.

The Board has selected a contractor to replace AMS if necessary. Mr. Mehle does not expect any work to be performed by the contractor, however, unless it becomes necessary to terminate AMS's contract.

Mr. Mehle also discussed his December 5 meeting with AMS's CEO, Paul Brands, concerning AMS's management of the project and its costs.

3. Review of KPMG audit reports.

Mr. Mehle briefed the members on each of the following audit reports, which were provided to them in advance of this meeting:

Pension and Welfare Benefits Administration Review of the Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff

Pension and Welfare Benefits Administration Review of Thrift Savings Plan C and F Fund Investment Management Operations at Barclays Global Investors, N.A.

Pension and Welfare Benefits Administration Review of the Thrift Savings Plan Billing Process at the United States Department of Agriculture, National Finance Center.

The first report concluded that management controls over the Board's Administrative staff's general plan administration, procurement practices, and ADP operations function efficiently and effectively, and satisfactorily comply with the fiduciary and prohibited transactions requirements of FERSA.

The second report concluded that the procedures and associated controls in place at Barclays Global Investors effectively safeguard C and F Fund assets and ensure that C and F Fund contributions are invested accurately and timely.

The last report dealt with the National Finance Center (NFC) billing process. It concluded that the NFC billed the Board for Thrift Savings Plan services in accordance with the applicable Memorandum of Understanding and reimbursement agreements between the United States Department of Agriculture and the Board.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:00 a.m.

MOTION: That this meeting be adjourned.

Secretary

A transcript of this meeting was made by BETA reporting services.

Note:

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	8/31/00	9/30/00	10/31/00				
G Fund	\$32,555	\$32,769	\$33,077				
F Fund	4,043	4,104	4,168				
C Fund	66,263	63,318	63,517				

Returns for Twelve Months Ended

	8/31/00	9/30/00	10/31/00
G Fund	6.55%	6.54%	6.51%
F Fund	7.59%	7.05%	7.36%
C Fund	16.17%	13.19%	6.01%

Number of Participants (000's)

	8/31/00	9/30/00	10/31/00
FERS Contributors	1,306	1,301	1,295
FERS Non- contributors	200	198	197
TOTAL	1,506	1,499	1,492
Participation Rate	86.7%	86.8%	86.8%
CSRS Active	621	619	616
Inactive	354	357	360
TOTAL ACCOUNTS	2,481	2,475	2,468

Loans

	8/31/00	9/30/00	10/30/00
Number of Loans Outstanding	671,718	679,243	683,519
Loans Outstanding (\$ millions)	3,360	3,397	3,417

EXPENSE RATIOS*

		G Fund		F Fund		C Fund	
	Gros	s Net	Gross	Net	Gross	Net	
1995	.11	.09%	.13%	.11%	.12%	.10%	
1996	.10	.08%	.12%	.10%	.11%	.09%	
1997	.09	.07%	.10%	.08%	.09%	.07%	
1998	.08	.06%	.09%	.08%	.08%	.07%	
1999	.07	.05%	.08%	.07%	.07%	.06%	
2000	(Jan-Oct) .06	.05%	.07%	.06%	.06%	.05%	

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

January 8, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on January 8, 2001, at 10:00 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, NW, Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the December 11, 2000, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the December 11, 2000, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on December 11, 2000, be approved.

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

a. Legislation.

Elimination of 5% and 10% TSP contribution limits and immediate employer contributions.

On December 21, 2000, the President signed an omnibus appropriations bill which included a provision to eliminate the 5% and 10% (of salary) TSP contribution limits. The legislation phases out the contribution limits over the next five years. (The Internal Revenue Code limits will still be applicable.) The proposal for immediate employer contributions to the TSP for new employees ultimately was not included in any legislation passed at the end of the 106th Congress, nor was the proposal to raise the IRS elective deferral limit.

b. <u>Appointments of Board Chairman Atkins and Board</u> Member Marshall.

On January 3, 2001, the President reappointed James H. Atkins and Sheryl R. Marshall as chairman and a member of the Federal Retirement Thrift Investment Board, respectively, under his authority to make recess appointments. Their terms expire at the end of the next session of Congress, but both will hold over after that time until the appointment and confirmation of their successors.

c. New benefits.

In October, Congress passed legislation providing for immediate employee contributions to the TSP and roll-overs from certain qualified retirement plans and conduit IRAs. The TSP will begin to implement immediate contributions in the open season beginning May 15 and will begin accepting roll-overs in mid-2001.

d. New TSP Record Keeping System Development.

AMS continues to perform system testing on the new record keeping software; AMS's conversion testing and stress testing are also proceeding. The Board is monitoring the progress of the contractor closely.

3. Review of KPMG audit reports.

Mr. Mehle briefed the members on each of the following audit reports, which were provided to them in advance of this meeting:

Access Controls and Security over the New Thrift Savings Plan Application at the United States Department of Agriculture, National Finance Center

Pre-Implementation Review of the New Thrift Savings Plan System's Selected Business Processes and Data Conversion Controls at the United States Department of Agriculture, National Finance Center

The first report concluded that the prior years' recommendations relating to TSP system security have been fully implemented and that substantial progress has been made toward implementing access and security controls for the new system.

The second report concluded that seven of the eight prior years' recommendations relating to the System Enhancements and Software Change Controls audit have been fully implemented.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:35 a.m.

MOTION: That this meeting be adjourned.

A transcript of this meeting was made by BETA Note:

reporting services.



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

January 26, 2001

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS, MARSHALL,

FINK, AND HARRELL

FROM:

ROGER W. MEHL

EXECUTIVE DIRECT

SUBJECT:

Fourth Quarter 2000 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the fourth quarter (October-December) and 2000 investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL F	TRACKING ERROR (%)	
	Barclays		Equity Index Fund
	Equity Index Fund	S&P 500 Index	vs. Index
Fourth Quarter 2000	(7.81) (9.10)	(7.82) (9.10)	.01 .00

As shown above, the Barclays Equity Index Fund fourth quarter total return outperformed the S&P 500 index by 1 basis point. In 2000, the Barclays Equity Index Fund tracked precisely the S&P 500 index.

F Fund

	TOTAL R	TRACKING ERROR(%)	
	Barclays U.S. Debt	Lehman Brothers U.S.	U.S. Debt Index Fund
	Index Fund	Aggregate Bond Index	vs. Index
Fourth Quarter 2000	4.24 11.73	4.21 11.63	.03 .10

The Barclays U.S. Debt Index Fund fourth quarter total return outperformed the LBA index by 3 basis points. In 2000, the Barclays U.S. Debt Index Fund outperformed the LBA index by 10 basis points.

TRADING COSTS

C Fund

TRADE DATES	FOURTH QUARTER TRADING COSTS S BASIS POINTS		SPREAD FROM BARCLAYS' AVERAGE COST OF 17 BASIS POINTS
10/06	92 024 06	6 1	(10.9)
10/06	82,924.06	6.1	4 () () ()
10/16	52,896.58	2.9	(14.1)
10/31	2,909.21	0.9	(16.1)
12/15	2,720.96	0.3	(16.7)
12/29	105,758.81	2.1	(14.9)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. Seven of the 12 trades during the fourth quarter were fully crossed within the Equity Index Fund or with other BGI-managed funds, <u>i.e.</u>, these entries involved zero trading costs, and are not shown above.

In 2000, \$5.2 billion (net of sales) was invested in the Equity Index Fund. Of the 20,048,948 units traded in the C Fund in 2000, 3,964,855 (19.8%) were traded cost-free. Those that were not traded cost-free incurred both positive and negative trading costs that, together with the cost-free trades, resulted in a net total cost for the 47 trades in 2000 of 1.8 basis points.

F Fund

	FOURTH QUARTER	
TRADE	TRADING COSTS	SPREAD FROM BARCLAYS'
DATES	\$ BASIS POINTS	AVERAGE COST OF 15 BASIS POINTS
12/29	(4,626.47) (0.3)	(15.3)

The U.S. Debt Index Fund has two trade dates each month. Five of the six trades during the fourth quarter were fully crossed within the U.S. Debt Index Fund.

The December 29 purchase incurred negative trading costs. Negative trading costs occur in the U.S. Debt Index Fund primarily when Barclays executes trades in the bond market before 3 p.m., when Lehman Brothers prices the securities in the index. If Barclays purchases securities at prices lower than the 3 p.m. prices, the result is negative trading costs.

In 2000, \$111.6 million (net of sales) was invested in the U.S. Debt Index Fund. Of the 25,014,514 units traded in the F Fund in 2000, 14,457,196 (57.8%) were traded cost-free. The total cost of the 25 trades in 2000 was 0.9 basis points.

PERFORMANCE

Attachments 1 and 2 show the C, F, and G Fund total net rates of return for the fourth quarter and 2000, respectively, computed in accordance with the Board's earnings allocation procedures. Attachments 3 and 4 compare fourth quarter and 2000 C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 5 provides the C, F, and G Fund total net rates of return and expense ratios for the four quarters and 2000.

C Fund

The fourth quarter total gross C Fund return of (7.78%) outperformed the Barclays Equity Index Fund return of (7.81%) by 3 basis points. The 2000 gross C Fund return of (9.08%) outperformed the Barclays Equity Index Fund return of (9.10%) by 2 basis points. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why the C Fund returns were slightly higher than the Equity Index Fund returns.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the fourth quarter was .01%. The 2000 C Fund expense ratio was .06%. The 2000 C Fund accrued investment management fee was \$2,903,087.06.

F Fund

With a total gross return of 4.23% in the fourth quarter, the F Fund underperformed the Barclays U.S. Debt Index Fund return of 4.24% by 1 basis point. The 2000 gross F Fund return of 11.74% outperformed the Barclays U.S. Debt Index Fund return of 11.73% by 1 basis point. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the F Fund returns were slightly different from the U.S. Debt Index Fund returns.

The fourth quarter F Fund expense ratio was .01%. The 2000 F Fund expense ratio was .07%. The 2000 F Fund accrued investment management fee was \$609,231.94.

G Fund

The nominal statutory G Fund interest rates (expressed on an annual basis) for the fourth quarter were as follows:

October 6.000% November 5.875% December 5.625%

The fourth quarter G Fund gross return was 1.48%, while the 2000 gross G Fund return was 6.47%. The fourth quarter G Fund expense ratio was .01%. The 2000 G Fund expense ratio was .05%. As reflected in Attachment 6, the spread between nominal G Fund rates and yields of 3-month Treasury bills averaged 25 basis points in 2000.

Other Indexes

Attachment 7 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for the four quarters and 2000. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Smith Barney Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Smith Barney indexes, which exclude mortgage-backed securities.

2000 Thrift Savings Plan Monthly Investment Activity

Attachment 8 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

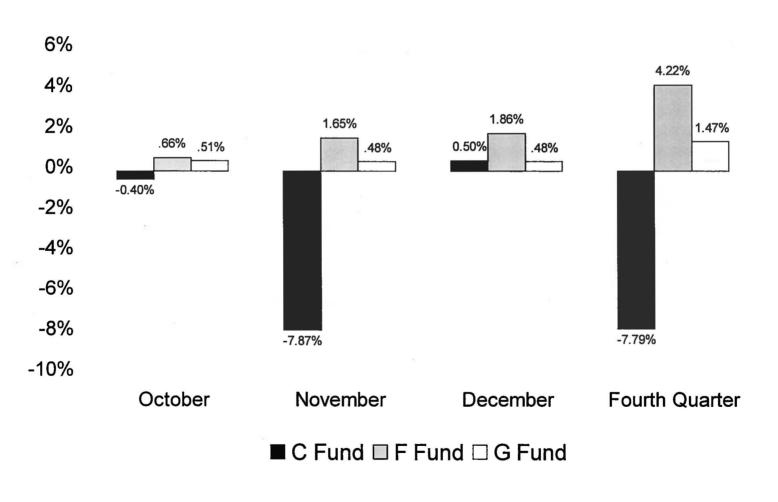
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs well below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund investments produce long-term yields while incurring no market risk. Based on this and the other reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term maturities.

Attachments

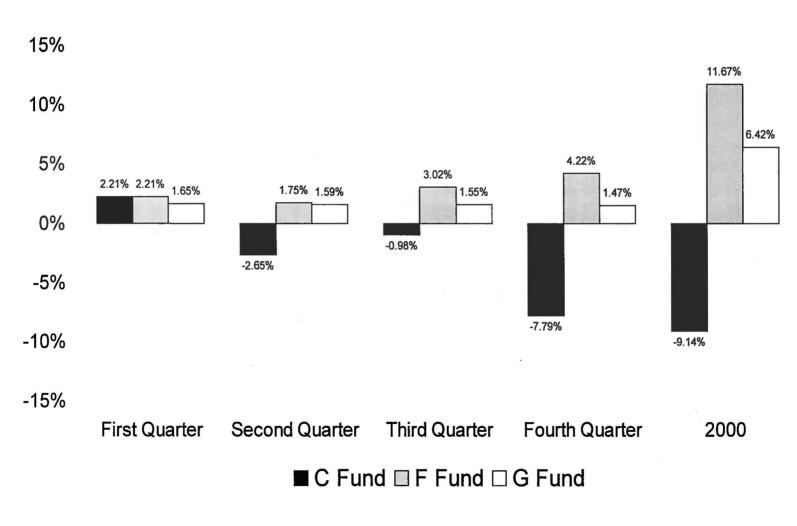
Investment Fund Total Returns*

October - December 2000



^{*}Net of Expenses

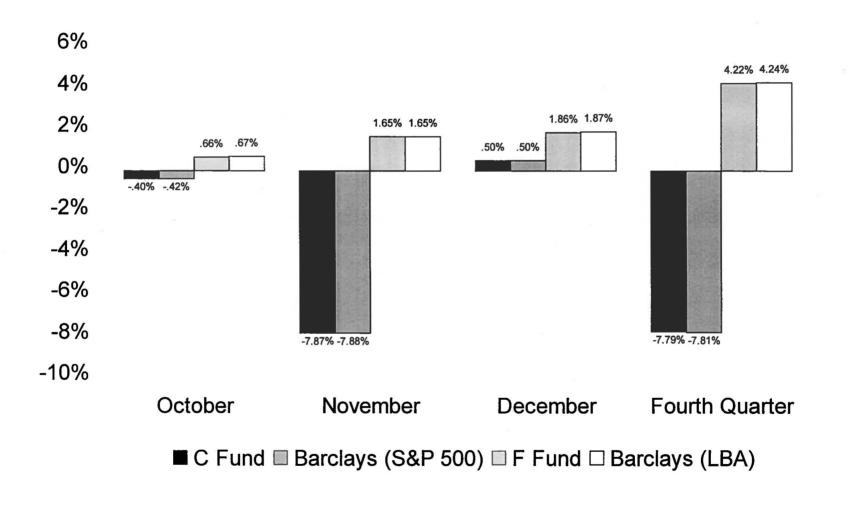
Investment Fund Total Returns*



^{*}Net of Expenses

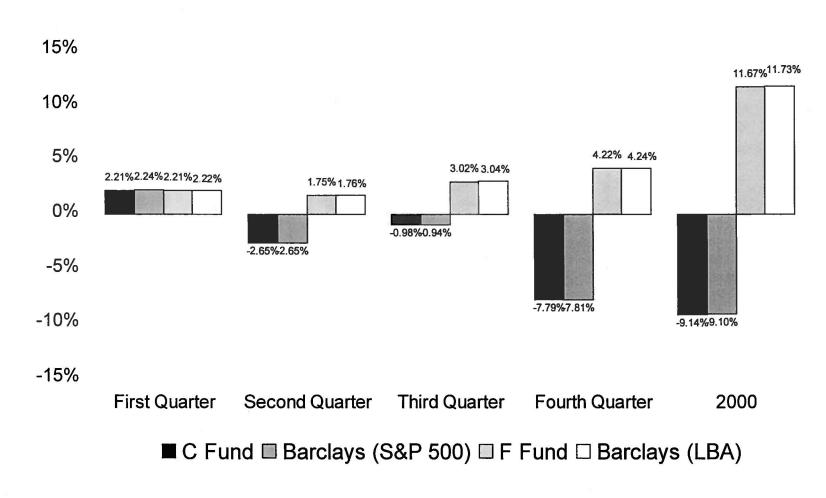
C and F Fund Total Returns* vs. Barclays

October - December 2000



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays



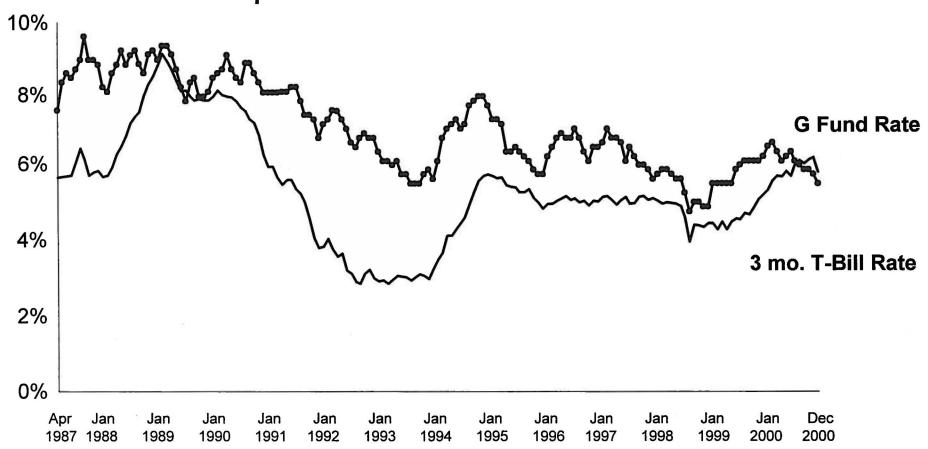
^{*}Net of Expenses

2000 Investment Fund Total Returns* and Expense Ratios								
	CF	und	FI	Fund	G F	und		
4	Return	Expense Ratio	Return	Expense Ratio	Return	Expense Ratio		
1st Quarter (Jan - Mar)	2.21%	.02%	2.21%	.02%	1.65%	.02%		
2 nd Quarter (Apr - Jun)	(2.65%)	.01%	1.75%	.02%	1.59%	.01%		
3 rd Quarter (Jul - Sep)	(.98%)	.01%	3.02%	.02%	1.55%	.01%		
4 th Quarter (Oct - Dec)	(7.79%)	.01%	4.22%	.01%	1.47%	.01%		
2000	(9.14%)	.06%	11.67%	.07%	6.42%	.05%		

^{*} Net of Expenses

G Fund Yield Advantage

April 1987 - December 2000



Attachment 7

2000 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	S&P 500	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
First Quarter Second Quarter Third Quarter Fourth Quarter	2.29% (2.66%) (.97%) (7.82%)	9.95% (8.74%) 3.61% (18.99%)	3.82% (4.49%) .17% (10.29%)	4.37% (3.43%) .72% (9.15%)	4.57% (3.46%) .74% (9.01%)	(.11%) (3.96%) (8.07%) (2.68%)
Year-to-Date	(9.10%)	(15.77%)	(10.89%)	(7.79%)	(7.46%)	(14.17%)

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Credit <u>Index</u>	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index
First Quarter Second Quarter Third Quarter Fourth Quarter	2.21% 1.74% 3.01% 4.21%	2.19% 1.70% 3.05% 4.20%	2.69% 1.45% 2.87% 4.37%	2.54% 1.41% 2.97% 4.37%
Year-to-Date	11.63%	11.59%	11.85%	11.74%

Attachment 8

2000 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

	Contri with	RS ibutors \$ in F Fund	Contri with	RS ibutors S in Fund	Balanc Alloc (G/C/F	Account the Asset ation* Fund) G Fund Only		Aonthly TS			Interfund Acti			Mo	onthly Retu	irns
Month end	# (000s)	%	# (000s)	%	Active FERS	Active CSRS	G Fund (\$Mil)	C Fund (\$Mil)	F Fund (\$Mil)	G Fund (\$Mil)	C Fund (\$Mil)	F Fund (\$Mil)	# of ITs	G Fund (%)	C Fund (%)	F Fund (%)
01/31/2000	1,125	88%	560	89%	28%/67%/5%	24%/72%/4%	\$188.4	\$445.6	\$39.7	(\$615.8)	\$728.4	(\$112.6)	48,319	0.56	(5.03)	(0.34)
02/28/2000	1,145	89%	561	89%	28%/67%/5%	25%/71%/4%	\$189.9	\$467.8	\$39.1	(\$281.2)	\$356.7	(\$75.5)	34,732	0.53	(1.93)	1.22
03/31/2000	1,145	89%	560	89%	26%/70%/4%	23%/73%/4%	\$249.5	\$602.9	\$50.4	\$75.4	(\$50.9)	(\$24.5)	23,427	0.55	9.74	1.32
04/30/2000	1,140	89%	559	89%	27%/68%/5%	24%/72%/4%	\$181.6	\$455.2	\$37.0	(\$102.0)	\$131.6	(\$29.6)	25,007	0.52	(2.98)	(0.29)
05/31/2000	1,137	89%	556	89%	27%/68%/5%	24%/72%/4%	\$225.3	\$578.0	\$46.7	\$11.4	\$10.6	(\$22.0)	16,578	0.54	(2.05)	(0.03)
06/30/2000	1,129	89%	553	89%	27%/68%/5%	24%/72%/4%	\$191.0	\$482.4	\$39.3	\$13.9	\$52.9	(\$66.8)	29,014	0.53	2.44	2.07
07/31/2000	1,152	89%	554	89%	27%/68%/5%	24%/72%/4%	\$187.0	\$472.9	\$37.8	(\$24.7)	\$53.1	(\$28.4)	19,422	0.53	(1.56)	0.89
08/31/2000	1,166	89%	556	89%	26%/70%/4%	23%/73%/4%	\$234.8	\$578.5	\$45.6	(\$13.7)	\$24.6	(\$10.9)	17,557	0.52	6.19	1.46
09/30/2000	1,162	89%	554	90%	27%/68%/5%	24%/72%/4%	\$201.9	\$521.9	\$40.3	(\$75.0)	\$78.5	(\$3.5)	15,165	0.49	(5.27)	0.64
10/31/2000	1,155	89%	551	90%	27%/68%/5%	24%/72%/4%	\$217.2	\$574.7	\$43.3	\$28.6	\$0.9	(\$29.5)	18,180	0.51	(0.40)	0.66
11/30/2000	1,147	89%	548	90%	29%/66%/5%	26%/70%/4%	\$191.3	\$496.5	\$38.0	\$44.6	\$12.2	(\$56.8)	15,457	0.48	(7.87)	1.65
12/31/2000	1,136	89%	543	89%	29%/66%/5%	26%/69%/5%	\$186.4	\$478.8	\$36.7	\$343.7	(\$474.4)	\$130.7	33,120	0.48	0.50	1.86

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

4.5	9/30/00	10/31/00	11/30/00
G Fund	\$32,769	\$33,077	\$33,451
F Fund	4,104	4,168	4,269
C Fund	63,318	63,517	58,958

Returns for Twelve Months Ended

	9/30/00	10/31/00	11/30/00
G Fund	6.54%	6.51%	6.48%
F Fund	7.05%	7.36%	9.13%
C Fund	13.19%	6.01%	(4.25%)

Number of Participants (000's)

	9/30/00	10/31/00	11/30/00
FERS Contributors	1,301	1,295	1,285
FERS Non- contributors	198	197	197
TOTAL	1,499	1,492	1,482
Participation Rate	86.8%	86.8%	86.7%
CSRS Active	619	616	611
Inactive	357	360	367
TOTAL ACCOUNTS	2,475	2,468	2,461

Loans

	9/30/00	10/30/00	11/30/00
Number of Loans Outstanding	679,243	683,519	690,685
Loans Outstanding (\$ millions)	3,397	3,417	3,464

EXPENSE RATIOS*

		G Fund		F Fund		C Fund	
	ē	Fross	Net	Gross	Net	Gross	Net
1995		.11%	.09%	.13%	.11%	.12%	.10%
1996		.10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000	(Jan-Nov)	.06%	.05%	.07%	.06%	.06%	.05%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 1999 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 12, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on February 12, 2001, at 10:10 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, NW, Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the January 8, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the January 8, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on January 8, 2001, be approved.

2. Labor Department audit briefing.

William H. Bailey, Jr., Chief, Division of FERSA Compliance, attended the meeting as the representative of the Department of Labor. Also in attendance were representatives from the accounting firm of KPMG LLP, the Department's contract auditor, and Board staff. A list of attendees is attached.

Mr. Bailey provided the members with an overview of the Department's fiduciary compliance audit program for fiscal year 2000 and discussed some of the fiscal year 2000 audit findings. Diane Dudley, Partner, KPMG LLP, discussed the scope of the planned fiscal year 2001 audit program. In particular, the Department of Labor reported that TSP assets were reasonably safeguarded during FY 2000, and that appropriate steps had been taken by all TSP fiduciaries to comply with FERSA.

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

a. Legislation.

Congress has not yet organized for the first session of the 107th Congress; however, Mr. Mehle is not expecting any significant changes in the organization of the committees with jurisdiction over the Thrift Investment Board. Mr. Mehle is expecting that pension legislation will be introduced this year which will, among other things, raise the Internal Revenue Code annual deferral limit.

On February 9, 2001, the Board met with staff of the House Subcommittee on Civil Service and Agency Organization at their request to discuss the status of the new record keeping system development.

b. Procurement.

The Board has selected Metropolitan Life Insurance Company as the new TSP annuity provider, effective February 1, 2001, and Barclays Global Investors, N.A., as the C Fund manager. Both were selected using competitive procurement procedures.

c. New system development.

Mr. Mehle advised the Board members of his meetings on January 11 and January 22 with AMS's former CEO, Paul Brands, and his February 2 meeting with AMS's present acting CEO, William Purdy. He explained that AMS has informed the Board that it will not be able to deliver the "Day 1" record keeping system by the scheduled date of August 2001, and that accordingly the Board sent AMS a cure letter advising it of the possibility that its contract could be terminated due to AMS's latest failure to make progress. Mr. Mehle advised that the Board has received AMS's response to the cure letter setting forth a plan to deliver the "Day 1" system functionality by the end of the year. The Board has identified a number of deficiencies in this plan, but will meet with AMS to hear an explanation of it.*

4. Review of investment policy.

By memorandum dated January 26, 2001, Mr. Mehle provided the members with a report on the performance of the G, F, and C

^{*} Ms. Marshall had to leave the meeting during this discussion, but Mr. Mehle briefed her afterwards on the portion that she missed.

Funds during the fourth quarter of 2000. After Mr. Mehle briefed the members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund, as well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index Investment Fund (established at its meeting on May 29, 1987), and the Fixed Income Index Investment Fund (established at its meetings on June 22 and July 27, 1987; and May 21, 1990); and

WHEREAS THE Board members are satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund are affirmed without change.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 12:00 p.m.

MOTION: That this meeting be adjourned.

Searetary

Note:

A transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	10/31/00	11/30/00	12/31/00
G Fund	\$33,077	\$33,451	\$33,715
F Fund	4,168	4,269	4,393
C Fund	63,517	58,958	59,578

Returns for Twelve Months Ended

	10/31/00	11/30/00	12/31/00
G Fund	6.51%	6.48%	6.42%
F Fund	7.36%	9.13%	11.67%
C Fund	6.01%	(4.25%)	(9.14%)

Number of Participants (000's)

	10/31/00	11/30/00	12/31/00
FERS Contributors	1,295	1,285	1,277
FERS Non- contributors	197	197	198
TOTAL	1,492	1,482	1,475
Participation Rate	86.8%	86.7%	86.6%
CSRS Active	616	611	608
Inactive	360	367	371
TOTAL ACCOUNTS	2,468	2,461	2,454

Loans

	10/30/00	11/30/00	12/31/00
Number of Loans Outstanding	683,519	690,685	699,314
Loans Outstanding (\$ millions)	3,417	3,464	3,491

EXPENSE RATIOS*

	G Fund			F Fund		C Fund
	Gross	Net	Gross	Net	Gross	s Net
1995	.11%	.09%	.13%	.11%	.129	
1996	.10%		.12%	.10%	.119	i
1997	.09%	.07%	. 10%	.08%	.09	
1998	.08%	.06%	.09%	.08%	.089	
1999	.07%	.05%	.08%	.07%	.07	
2000	(Jan-Dec) .07%	.05%	.08%	.07%	.07	₹ .06%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 2000 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 12, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on March 12, 2001, at 10:00 a.m. Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, NW, Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the February 12, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the February 12, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on February 12, 2001, be approved.

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

a. Procurement.

Mr. Mehle reported that, after completing the competitive procurement action, the Board has selected Barclays Global Investors, N.A., as the F Fund manager.

b. New benefits.

(1) S and I Funds.

The National Finance Center is proceeding with modifications to make the new S and I Funds available to participants in the current record keeping system. The work has gone

well and Mr. Mehle is expecting that the new funds will be introduced, on May 1, 2001, as planned.

(2) Increased contributions.

Beginning with the next open season on May 15, 2001, FERS participants will have the opportunity to elect to contribute up to 11% of their basic pay to the TSP, while CSRS participants will be able to contribute up to 6% of their basic pay. These contribution limits will continue to increase 1% each year until 2006, when there will be no percentage of salary limits on TSP contributions for either group.

(3) Immediate contributions.

New Federal employees will no longer be subject to the six to twelve month waiting period; all employees will be able to elect to begin employee contributions in the open season beginning May 15. Thereafter, new employees will have a 60-day period to begin making TSP contributions; after that, they will have to wait for an open season to make an election. Employer contributions, both automatic (1%) and matching, will continue on the present schedule, which means that new employees must wait until the second open season before receiving such contributions.

(4) Transfers.

Beginning July 1, 2001, Federal employees will be able to transfer their balances in certain qualified retirement plans and conduit IRAs into the TSP.

c. New system development.

Mr. Mehle advised that the Board has given comments to AMS on a number of deficiencies in its proposed plan to deliver the "Day 1" system by the end of the year and is awaiting AMS's final plan incorporating the Board's comments.

d. Preliminary results of last open season.

As of January 2001, the results of the December 2000 - January 2001 open season shows a preliminary increase in FERS participation rates from 86.2% to 86.3% over the comparable open season results of last year.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:15 a.m.

MOTION: That this meeting be adjourned.

Secretary

4/9/07

Note: A transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	11/30/00	12/31/00	1/31/00
G Fund	\$33,451	\$33,715	\$34,250
F Fund	4,269	4,393	4,641
C Fund	58,958	59,578	61,521

Returns for Twelve Months Ended

	11/30/00	12/31/00	1/31/00
G Fund	6.48%	6.42%	6.32%
F Fund	9.13%	11.67%	13.90%
C Fund	(4.25%)	(9.14%)	(.93%)

Number of Participants (000's)

Named of farticipants (000 s)			
11/30/00	12/31/00	1/31/00	
1,285	1,277	1,276	
197	198	198	
1,482	1,475	1,474	
86.7%	86.6%	86.6%	
611	608	606	
367	371	369	
2,461	2,454	2,449	
	11/30/00 1,285 197 1,482 86.7% 611 367	11/30/00 12/31/00 1,285 1,277 197 198 1,482 1,475 86.7% 86.6% 611 608 367 371	

Loans

	11/30/00	12/31/00	1/31/00
Number of Loans Outstanding	690,685	699,314	700,719
Loans Outstanding (\$ millions)	3,464	3,491	3,503

EXPENSE RATIOS*

		G Fund		F Fund		C Fund	
		Gross	Net	Gross	Net	Gross	Net
1996		.10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000		.07%	.05%	.08%	.07%	.07%	.06%
2001	(Jan)	.01%	.01%	.01%	.01%	.01%	.01%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 2000 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

April 9, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on April 9, 2001, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, NW, Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the March 12, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the March 12, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on March 12, 2001, be approved.

2. Review of Arthur Andersen annual financial audit.

Steven Stanton and Trey Block of Arthur Andersen, LLP, presented the results of their firm's annual financial audit of the Thrift Savings Fund, which covered calendar year 2000. David Black, the Board's Director of Accounting, was in attendance for this presentation. Mr. Stanton noted that Arthur Andersen's audit resulted in an unqualified opinion that the Board's financial statements were fairly presented in accordance with auditing standards generally accepted in the United States. Mr. Stanton and Mr. Block commended Mr. Black and his staff for their cooperation, and gave assurances on the state of the Board's financial accounting processes and its control procedures over the Thrift Savings Fund.

Thrift Savings Plan activity report by the Executive Director.

New benefits. a.

The new S and I Funds will become available to TSP participants in the current record keeping system beginning May 1, 2001. Beginning with the next open season commencing May 15, 2001, FERS participants will have the opportunity to elect to contribute up to 11% of their basic pay to the TSP, while CSRS participants will be able to contribute up to 6% of their basic pay. Also beginning with the May 15 open season, all new employees will be able to elect to make employee contributions immediately upon their entry on duty. Beginning July 1, 2001, Federal employees will be able to transfer their balances in certain qualified retirement plans and conduit IRAs into the TSP.

New system development.

Mr. Mehle advised the Board members of AMS's most recent revised projected plan and schedule, which AMS submitted in response to the Board's January 24, 2001, "cure letter". plan and schedule provide for delivery of the "Day One" record keeping system on December 21, 2001. Mr. Mehle reviewed in detail the history of AMS's revisions to its project schedules beginning January 2000. Mr. Mehle also reviewed the history of his negotiations with AMS's current and former chief executive concerning payment for work performed under the contract.

Mr. Mehle informed the Board members that he will meet with AMS's acting chief executive, William Purdy, on Tuesday, April 10, to discuss AMS's current project plan and payment for AMS's past and prospective work.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:40 a.m.

MOTION: That this meeting be adjourned.

Secketary 5/14/07

Note:

A transcript of this meeting was made by BETA reporting services.



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

April 27, 2001

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS, MARSHALL,

FINK, AND HARRELL

FROM:

ROGER W. MEHZ

EXECUTIVE DIRECTOR

SUBJECT:

First Quarter 2001 Performance Review -

C, F, and G Funds

INTRODUCTION

The purpose of this report is to present key aspects of the first quarter (January-March) investment performance of the C, F, and G Funds.

TRACKING

C Fund

	TOTAL R	TRACKING ERROR (%)	
	Barclays	Equity Index Fund	
	Equity Index Fund	S&P 500 Index	vs. Index
First Quarter	(11.85)	(11.86)	.01

As shown above, the Barclays Equity Index Fund first quarter total return outperformed the S&P 500 index by 1 basis point.

F Fund

	TOTAL R	TRACKING ERROR(%)	
	Barclays U.S. Debt Lehman Brothers		U.S. Debt Index Fund
	Index Fund	Aggregate Bond Index	vs. Index
First Quarter	3.09	3.03	.06

The Barclays U.S. Debt Index Fund first quarter total return outperformed the LBA index by 6 basis points.

TRADING COSTS

C Fund

TRADE <u>DATES</u>		I QUARTER ING COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 17 BASIS POINTS
1/08	74,006.64	3.6	(13.4)
1/24	85,675.29	3.2	(13.8)
1/31	221,621.35	2.4	(14.6)
2/08	117,096.15	4.1	(12.9)
2/15	32,565.31	2.7	(14.3)
2/22	91,327.19	5.4	(11.6)
3/07	117,058.03	4.1	(12.9)
3/15	48,133.97	5.0	(12.0)
3/22	101,436.66	5.7	(11.3)

Barclays reports the "all-in" trading cost figure (including market impact) incurred for each Fund entry. The Equity Index Fund has four principal trade dates each month. Three of the 12 trades (42% of the trading volume) during the first quarter were fully crossed within the Equity Index Fund or with other BGI-managed funds, i.e., these entries involved zero trading costs and are not shown above.

The total cost of the 12 trades was 2.1 basis points.

F Fund

TRADE DATES	TRADI	QUARTER NG COSTS BASIS POINTS	SPREAD FROM BARCLAYS' AVERAGE COST OF 15 BASIS POINTS
1/16 1/31	248.53	0.1	(14.9)
2/15	(539.83) 1,243.48	0.0 0.4	(15.0) (14.6)
2/28	9,781.77	0.5	(14.5)
3/15	(126.92)	(0.1)	(15.1)
3/31	74,172.51	1.4	(13.6)

The U.S. Debt Index Fund has two trade dates each month. None of the six trades during the first quarter was fully crossed within the U.S. Debt Index Fund.

The January 31 and March 15 purchases incurred negative trading costs. Negative trading costs occur in the U.S. Debt Index Fund primarily when Barclays executes trades in the bond market before 3 p.m., which is when Lehman Brothers prices the securities in the index. If Barclays purchases securities at lower prices than the 3 p.m. prices, the result is negative trading costs.

The total cost of the 6 trades was 0.8 basis points.

PERFORMANCE

Attachment 1 shows the C, F, and G Fund total net rates of return for the first quarter, computed in accordance with the Board's earnings allocation procedures.

Attachment 2 compares first quarter C and F Fund net returns to Barclays Equity Index Fund and U.S. Debt Index Fund returns, respectively.

Attachment 3 provides the C, F, and G Fund total rates of return (net of expenses) and expense ratios for the first quarter.

C Fund

The first quarter total gross C Fund return of (11.83%) outperformed the Barclays Equity Index Fund return of (11.85%) by 2 basis points. The Barclays Equity Index Fund monthly returns are time-weighted, while the C Fund monthly returns are dollar-weighted. This factor, together with the fact that the C Fund return is based on the Board's earnings allocation algorithm, explains why the C Fund return was 2 basis points higher than the Equity Index Fund return.

The C Fund expense ratio (defined as accrued administrative expenses, including management fees, divided by the average of monthly balances used in earnings allocation) for the first quarter was .01%.

F Fund

The first quarter total gross F Fund return of 3.08% underperformed the Barclays U.S. Debt Index Fund return of 3.09% by 1 basis point. Like the C Fund, the F Fund monthly returns are dollar-weighted, and the U.S. Debt Index Fund monthly returns are time-weighted. This factor, together with the fact that the F Fund return is based on the Board's earnings allocation algorithm, explains why the F Fund return was 1 basis point lower than the U.S. Debt Index Fund return.

The first quarter F Fund expense ratio was .01%.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the first quarter were as follows:

January 5.375% February 5.375% March 5.250%

The first quarter G Fund gross return was 1.35%. As reflected in Attachment 4, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged 0.39% in the first quarter. The first quarter G Fund expense ratio was .01%.

Other Indexes

Attachment 5 compares the returns of various equity and fixed-income indexes with the S&P 500 index and the LBA index, respectively, for 2000 and the first quarter of 2001. The equity index returns include the Wilshire 4500, Wilshire 5000, Russell 1000, Russell 3000, and EAFE indexes. The fixed-income index returns include the Salomon Brothers Broad Investment Grade index, as well as the narrower Lehman Brothers and Salomon Brothers indexes, which exclude mortgage-backed securities.

2001 Thrift Savings Plan Monthly Investment Activity

Attachment 6 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the C, F, and G Funds.

RECOMMENDATION

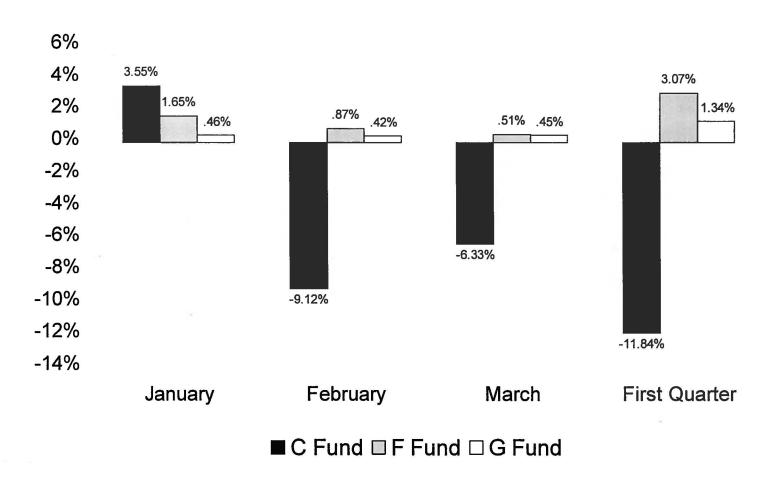
The Barclays Equity Index Fund and U.S. Debt Index Fund continue to track their respective indexes as we expected, and have incurred trading costs well below Barclays' average expected costs. Based on the Barclays Equity Index Fund and U.S. Debt Index Fund performance and the C and F Fund performance discussed above, I recommend reaffirmation of the current C and F Fund investment policies.

The G Fund investments produce long-term yields while incurring no market risk. Based on this and the other reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term maturities.

Attachments

Investment Fund Total Returns*

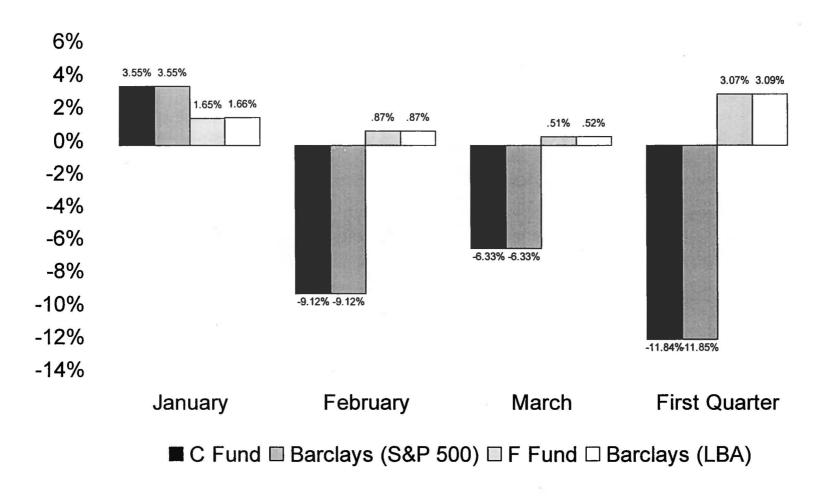
January - March 2001



^{*}Net of Expenses

C and F Fund Total Returns* vs. Barclays

January - March 2001



^{*}Net of Expenses

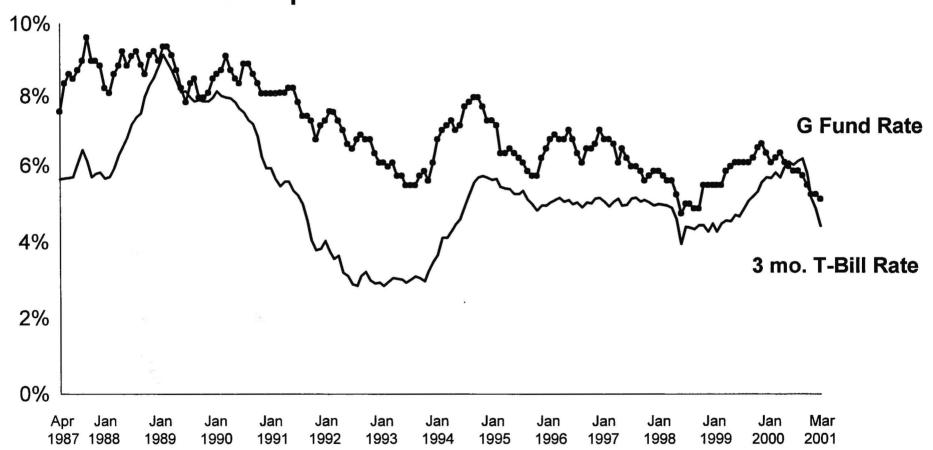
Attachment 3

2001 Investment Fund Total Returns* and Expense Ratios						
	C Fund		F Fund		G Fund	
	Return	Expense Ratio	Return	Expense Ratio	Return	Expense Ratio
1st Quarter 2001 (Jan - Mar)	(11.84%)	.01%	3.07%	.01%	1.34%	.01%

^{*} Net of Expenses

G Fund Yield Advantage

April 1987 - March 2001



Attachment 5

2001 EQUITY AND FIXED-INCOME INDEX FUND RETURNS

EQUITY INDEX RETURNS

	S&P 500	Wilshire 4500	Wilshire 5000	Russell 1000	Russell 3000	EAFE
First Quarter 2001	(11.85%)	(15.87%)	(12.34%)	(12.57%)	(12.15%)	(13.71%)

FIXED-INCOME INDEX RETURNS

	Lehman Brothers U.S. Aggregate Bond Index	Salomon Smith Barney Broad Index	Lehman Brothers Govt./Credit Index	Salomon Smith Barney Treasury/Govt. Sponsored/ Corporate Index
First Quarter 2001	3.03%	3.08%	3.20%	3.24%

2001 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY **FERS CSRS Account Balance** Contributors Contributors Asset Allocation* **Monthly TSP Interfund Transfer** with \$ in with \$ in (G/F/C Fund) **Monthly Returns** Contributions Activity * Excludes G Fund Only C or F Fund C or F Fund Active Active FERS **CSRS G** Fund F Fund C Fund **G** Fund F Fund C Fund # of G Fund F Fund C Fund (000s)Month end % (000s)% Contributors Contributors (\$Mil) (SMil) (\$Mil) (\$Mil) (\$Mil) (\$Mil) ITs (%) (%) (%) 26%/5%/69% 01/31/2001 1,135 89% 541 89% 28%/6%/66% \$187.3 \$37.3 \$483.6 \$420.1 \$258.6 (\$678.7)35,737 0.46 1.65 3.55 02/28/2001 1,178 89% 541 89% 30%/6%/63% 28%/5%/67% \$200.7 \$40.8 \$502.9 \$60.4 \$193.0 (\$253.4)29,323 0.42 0.87 (9.12)03/31/2001 1,174 89% 536 89% 32%/7%/61% 29%/6%/64% \$269.4 \$55.2 \$653.6 \$574.1 \$523.0 (\$1,097.1) 52,990 (6.33)0.45 0.51

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

14	12/31/00	1/31/01	2/28/01
G Fund	\$33,715	\$34,250	\$34,979
F Fund	4,393	4,641	4,994
C Fund	59,578	61,521	55,757

Returns for Twelve Months Ended

	12/31/00	1/31/01	2/28/01
G Fund	6.42%	6.32%	6.20%
F Fund	11.67%	13.90%	13.51%
C Fund	(9.14%)	(.93%)	(8.19%)

Number of Participants (000's)

Number of farticipants (000 s)				
	12/31/00	1/31/01	2/28/01	
FERS Contributors	1,277	1,276	1,321	
FERS Non- contributors	198	198	209	
TOTAL	1,475	1,474	1,530	
Participation Rate	86.6%	86.6%	86.3%	
CSRS Active	608	606	605	
Inactive	371	369	364	
TOTAL ACCOUNTS	2,454	2,449	2,499	

Loans

	12/31/00	1/31/01	2/28/01
Number of Loans Outstanding	699,314	700,719	702,827
Loans Outstanding (\$ millions)	3,491	3,503	3,563

EXPENSE RATIOS*

	_	G Fund		1	F Fund		C Fund	
	C	Gross	Net	Gross	Net	Gross	Net	
1996		.10%	.08%	.12%	.10%	.11%	.09%	
1997		.09%	.07%	.10%	.08%	.09%	.07%	
1998		.08%	.06%	.09%	.08%	.08%	.07%	
1999		.07%	.05%	.08%	.07%	.07%	.06%	
2000		.07%	.05%	.08%	.07%	.07%	.06%	
2001	(Jan-Feb)	.01%	.01%	.01%	.01%	.01%	.01%	

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 2000 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

May 14, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 14, 2001, at 9:05 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Also in attendance during the course of this meeting were senior staff of the Board.

A. Staff Presentations.

The purpose of this part of the meeting was to provide the members with a comprehensive review of Board operations during the past year, as well as information regarding future Board activities. After a brief introduction by the Executive Director, the members received briefings from senior staff of the Board regarding their areas of responsibility. Each briefing and question period lasted between 15 and 30 minutes; they are recorded in the written transcript. The charts used as briefing graphics by Board staff are attached to these minutes. The senior staff who presented briefings and their areas of responsibility are:

1. NFC Record Keeping.

Lawrence Stiffler, Director Office of Automated Systems

2. Congressional/Agency/Participant Liaison.

Thomas Trabucco, Director Office of External Affairs

Pamela-Jeanne Moran Deputy Director 3. Benefits and Investments and New TSP System.

James Petrick, Director
Office of Benefits and Investments and
Project Manager for System Replacement

4. Participant Communications.

Veda Charrow, Director Office of Communications

B. Business Session.

1. Approval of the minutes of the April 9, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the April 9, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on April 9, 2001, be approved.

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

Mr. Mehle stated that the staff presentations in the morning session would take the place of his Thrift Savings Plan activities report for this meeting.

3. Approval of the Update of the FY 2001 Budget and FY 2002 Estimates.

The Board's budget for fiscal year 2001 and estimates for fiscal year 2002 were set out for the members in the Executive Director's memorandum of April 27, 2001. An increase of approximately \$12.3 million is expected for fiscal year 2001 expenditures from the budget the Board approved in September of 2000. The major change in this budget is an increase in the estimate for the contract with American Management Systems for the new TSP record keeping system. This increase was partially offset by substantially lower asset management fees for the C and F Funds in the recently completed contracts awarded to Barclays Global Investors.

The fiscal year 2002 budget will be presented to the Board for approval in September of this year. The current estimate for fiscal year 2002 is that expenditures will exceed the estimate that was made in September of 2000 by approximately \$16.3 million, due largely to a rescheduling of certain contract deliverables.

After Mr. Mehle briefed the members on the proposed budget revisions, the following motion was made, seconded, and adopted by unanimous vote:

MOTION: That the Board approve the updated budget for fiscal year 2001 as presented in the Executive Director's April 27, 2001, memorandum to the members (together with the updated 2002 estimate).

4. Investment policy review.

By memorandum dated April 27, 2001, Mr. Mehle provided the members with a report on the performance of the G, C, and F Funds during the first quarter of 2001. The members were also advised that as of May 1, 2001, contributions began to be made to the S and I Funds. The performance of the S and I Funds will be reported at the end of the next quarter. After Mr. Mehle briefed the members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, and the Fixed Income Index Investment Fund, as well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index

Investment Fund (established at its meeting on May 29, 1987), the Fixed Income Index Investment Fund (established at its meetings on June 22 and July 27, 1987, and May 21, 1990), the Small Capitalization Stock Index Fund (established at its meeting on May 15, 1995), and the International Stock Index Investment Fund (established at its meeting on May 15, 1995); and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Fund, and the International Stock Index Investment Fund are affirmed without change.

5. Status of audit recommendations.

By memorandum dated April 27, 2001, Mr. Mehle provided the members with the status of audit recommendations. Mr. Mehle briefed the members on this report.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 12:50 p.m.

MOTION: That this meeting be adjourned.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	1/31/01	2/28/01	3/31/01
G Fund	\$34,250	\$34,979	\$35,495
F Fund	4,641	4,994	5,381
C Fund	61,521	55,757	52,387

Returns for Twelve Months Ended

	1/31/01	2/28/01	3/31/01
G Fund	6.32%	6.20%	6.09%
F Fund	13.90%	13.51%	12.61%
C Fund	(.93%)	(8.19%)	(21.63%)

Number of Participants (000's)

	1/31/01	2/28/01	3/31/01		
FERS Contributors	1,276	1,321	1,322		
FERS Non- contributors	198	209	205		
TOTAL	1,474	1,530	1,527		
Participation Rate	86.6%	86.3%	86.6%		
CSRS Active	606	605	604		
Inactive	369	. 364	365		
TOTAL ACCOUNTS	2,449	2,499	2,496		

Loans

	1/31/01	2/28/01	3/31/01
Number of Loans Outstanding	700,719	702,827	699,855
Loans Outstanding (\$ millions)	3,503	3,563	3,555

EXPENSE RATIOS*

	G Fund		F Fund		C Fund		
	G	ross	Net	Gross	Net	Gross	Net
1996		.10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000		.07%	.05%	.08%	.07%	.07%	.06%
2001	(Jan-Mar)	.01%	.01%	.02%	.01%	.01%	.01%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 2000 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 11, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on June 11, 2001, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the May 14, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the May 14, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on May 14, 2001, be approved.

- 2. Thrift Savings Plan activities report by the Executive Director.
 - a. Legislation.
 - 1. Change in Senate.

The change in control of the Senate from Republican to Democratic means that the leadership of the Board's oversight committee will change from Senator Thompson to Senator Lieberman as Chairman of the Committee on Governmental Affairs, and from Senator Cochran to Senator Akaka as Chairman of the Subcommittee on International Security, Proliferation, and Federal Services.

2. Pension reform.

Various pension reform measures were included in the tax bill signed by President Bush on June 7, 2001. These include two notable provisions for TSP participants. The new law

raises the elective deferral limit on contributions to 401(k) plans and the TSP to \$11,000 in 2002 and \$1,000 each year thereafter until the limit reaches \$15,000 in 2006. This provision applies automatically to the TSP. The new law also includes a change to the tax code which would allow plans to adopt provisions permitting individuals who reach age 50 to make additional tax-deferred contributions each year, beginning with an additional \$1,000 in 2002 and increasing \$1,000 annually until 2006. FERSA would have to be changed by Congress to authorize such a program of catch-up contributions for the TSP.

b. New benefits.

The TSP began to accept contributions into the new S and I Funds on May 1, 2001. As of the end of May, nearly \$300 million had been transferred into the new funds from the existing funds, primarily the G and F Funds.

c. New TSP Record Keeping System Development.

AMS continues its design reconciliation review of the new record keeping software. The review is scheduled to be concluded on June 21. Mr. Mehle discussed the possible results of the design reconciliation review, including the possibility that AMS will seek a further extension of the date for delivery of the Day One functionality, which is presently scheduled for delivery on January 21, 2002.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:40 a.m.

MOTION: That this meeting be adjourned.

7/9/01

Note: A verbatim transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	2/28/01	3/31/01	4/30/01
G Fund	\$34,979	\$35,495	\$36,245
F Fund	4,994	5,381	5,908
C Fund	55,757	52,387	55,570

Returns for Twelve Months Ended

	2/28/01	3/31/01	4/30/01
G Fund	6.20%	6.09%	6.01%
F Fund	13.51%	12.61%	12.46%
C Fund	(8.19%)	(21.63%)	(12.95%)

Number of Participants (000's)

	2/28/01	3/31/01	4/30/01
FERS Contributors	1,321	1,322	1,315
FERS Non- contributors	209	205	205
TOTAL	1,530	1,527	1,520
Participation Rate	86.3%	86.6%	86.5%
CSRS Active	605	604	601
Inactive	364	365	370
TOTAL ACCOUNTS	2,499	2,496	2,490

Loans

	2/28/01	3/31/01	4/30/01
Number of Loans Outstanding	702,827	699,855	704,861
Loans Outstanding (\$ millions)	3,563	3,555	3,625

EXPENSE RATIOS*

		G	Fund	F I	rund	C 1	Fund
	0	ross	Net	Gross	Net	Gross	Net
1996		10%	.08%	.12%	.10%	.11%	.09%
1997		.09%	.07%	.10%	.08%	.09%	.07%
1998		.08%	.06%	.09%	.08%	.08%	.07%
1999		.07%	.05%	.08%	.07%	.07%	.06%
2000		.07%	.05%	.08%	.07%	.07%	.06%
2001	(Jan-Apr)	.02%	.02%	.02%	.02%	.02%	.02%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. For example, in 2000 the .05% G Fund net expense ratio represented a charge to participants of \$0.50 for each \$1,000 of their TSP account balances invested in that fund. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The C and F Fund expense ratios include Barclays' investment management fees.



CLOSED MEETING OF THE FEDERAL RETIREMENT THRIFT INVESTMENT BOARD MEMBERS

July 17, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on July 17, 2001, at 10:00 a.m. Eastern Daylight Time at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Salomon Gomez, Acting Secretary. Additionally, William H. Bailey of the Department of Labor attended the meeting. Sheryl R. Marshall of Massachusetts, member, was not present, but, where permitted, she voted by proxy provided to Chairman Atkins.

1. Special meeting.

The four Board members attending the meeting voted unanimously to hold a special emergency meeting of the Board.

2. Closed meeting.

The four Board members attending the meeting voted unanimously to close the meeting as provided by 5 U.S.C. \$ 552b(c)(10), because the subject of the meeting concerned a civil action.

3. <u>Termination of contract with American Management</u> Systems, Inc., for default.

After review of a draft termination letter in substantially final form, the Board members voted unanimously to terminate contract number TIB-97-C-01 with American Management Systems, Inc., (AMS) for default, and to deliver the termination letter to AMS in final form. (Mr. Atkins cast Ms. Marshall's vote.)

4. Commencement of suit against AMS.

After review of a draft complaint in substantially final form, the Board members voted unanimously to commence a law suit against AMS by filing the complaint in United States District Court in final form. (Mr. Atkins cast Ms. Marshall's vote.)

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:20 a.m.

MOTION: That this meeting be adjourned.

Secretary

8/13/07



July 27, 2001

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS, MARSHALL,

FINK, AND HARRELL

FROM:

ROGER W. MEHLE

EXECUTIVE DIRECTO

SUBJECT:

Second Quarter 2001 Performance Review -

G, F, C, S, and I Funds

INTRODUCTION

The purpose of this report is to present key aspects of the second quarter (April-June) investment performance of the G, F, C, S, and I Funds.

TRACKING

F Fund

TOTAL RETURN (%)		TRACKING ERROR (%)	
Barcla	ys U.S. Debt	Lehman Brothers U.S.	U.S. Debt Index Fund E
Ind	ex Fund E	Aggregate Bond Index	vs. Index
Second Quarter	. 60	.56	.04

As shown above, the Barclays U.S. Debt Index Fund E second quarter total return outperformed the LBA index by 4 basis points.

C Fund

	TOTAL R	ETURN (*)	TRACKING ERROR (*)
Barclays			Equity Index Fund E
Equit	cy Index Fund E	S&P 500 Index	vs. Index
Second Quarter	5.87	5.85	. 02

The Barclays Equity Index Fund E second quarter total return outperformed the S&P 500 index by 2 basis points.

S Fund

TOTAL RETURN (%)

Barclays Extended

Market Index Fund E

Second Quarter 13.66

TRACKING ERROR (%)

Extended Market Fund E

vs. Index

(.45)

The Barclays Extended Market Index Fund E second quarter total return underperformed the Wilshire 4500 index by 45 basis points. This tracking error was due primarily to:

- 1. The exclusion from the Barclays fund of the smallest capitalization companies that are included in the Wilshire 4500 index. Barclays will discontinue this practice over the next several months by including the smallest capitalization companies in their sample of stocks held in the Extended Market Index Fund.
- 2. Structural factors in the management of the portfolio, such as the effects of index constituent changes, the practice of rebalancing the entire portfolio only periodically, and securities lending income.

I Fund

TOTAL RETURN (%)			TRACKING ERROR (%)
Bar	clays EAFE		EAFE Equity Index Fund E
Equity	Index Fund E	MSCI EAFE Free Index	vs. Index
Second Quarter	(.85)	(1.05)	.20

The Barclays EAFE Equity Index Fund E second quarter total return outperformed the EAFE index by 20 basis points. This tracking error was due primarily to structural factors in the management of the portfolio, such as the effects of index constituent changes, the practice of rebalancing the entire portfolio only periodically, and securities lending income.

TRADING COSTS

The Barclays "E" Funds hold units of their respective master funds (or "A" Funds) which in turn hold the underlying physical securities (directly or indirectly). The E Funds also hold futures contracts (directly or indirectly) to provide liquidity to accommodate daily client cash flows (except in the case of the Barclays U.S. Debt Index Fund, which holds U.S. Treasury securities for liquidity). The trading costs set forth below are, with respect to the E Funds, those associated with the purchase or sale of futures contracts related to TSP purchases or sales of E Fund units. When the E Fund subsequently liquidates its futures position to buy or sell shares of the master fund, and the master fund buys or sells physical securities, the trading costs

associated with those transactions are borne by the E Funds; they are not passed to the individual clients. Thus those trading costs are embedded in the share price of the E Funds, and reflected in the tracking error of the E Funds. In the case of the I Fund, even the trading costs associated with the purchase or sale of futures contracts are borne by the EAFE Equity Index Fund E rather than passed on to transacting clients.

F Fund

		TRADING COSTS		
	AMOUNT TRADED	\$	Basis Points	
Second Quarter	738,197,428.21	30,397.16	0.4	
YTD 2001	1,800,035,533.07	115,176.70	0.6	

During April 2001, the F Fund was invested in the Barclays U.S. Debt Index (Master) Fund A, which has two trade dates each month. Beginning in May 2001, the F Fund was invested in the Barclays U.S. Debt Index Fund E, which is traded daily.

C Fund

		TRADING	TRADING COSTS		
	AMOUNT TRADED	\$\$	Basis Points		
Second Quarter	3,200,186,017.97	365,415.18	1.1		
YTD 2001	7,401,525,811.15	1,254,335.77	1.7		

During April 2001, the C Fund was invested in the Barclays Equity Index (Master) Fund A, which has four principal trade dates each month. Beginning in May 2001, the C Fund was invested in the Barclays Equity Index Fund E, which is traded daily.

S Fund

		TRADING COSTS		
	AMOUNT TRADED	\$	Basis Points	
Second Quarter1	500,405,548.60	(39,744.58)	(0.8)	
YTD 2001	500,405,548.60	(39,744.58)	(0.8)	

Beginning in May 2001, the S Fund was invested in the Barclays Extended Market Index Fund E, which is traded daily.

Negative trading costs occur on trades of futures contracts when Barclays executes at prices below the closing prices of the futures contracts.

¹May and June only.

I Fund

		- TRADING	COSTS		
	AMOUNT TRADED	<u> </u>	Basis Points		
Second Quarter ²	203,894,199.33	NA	NA		
YTD 2001	203,894,199.33	NA	NA		

Beginning in May 2001, the I Fund was invested in the Barclays EAFE Equity Index Fund E, which is traded daily.

The Barclays EAFE Equity Index Fund E does not charge trading costs directly to transacting clients. Rather, all such costs are treated as expenses of the fund and are therefore reflected in the fund's share price.

PERFORMANCE

Attachment 1 shows the G, F, C, S, and I Fund second quarter 2001 and year-to-date total net rates of return, computed in accordance with the Board's earnings allocation procedures. Returns for the S and I Funds are composite returns using the related Barclays fund returns for April 2001 and prior months. Attachment 2 compares the second quarter and year-to-date F, C, S, and I Fund net returns to the Barclays U.S. Debt Index Fund, Equity Index Fund, Extended Market Index Fund, and EAFE Equity Index Fund returns. Attachment 3 provides the G, F, C, S, and I Fund total net rates of return and expense ratios for the first and second quarters and year-to-date 2001.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the second quarter were as follows:

April	5.250%
May	5.500%
June	5.625%

The second quarter G Fund gross return was 1.39%. As reflected in Attachment 4, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged 1.71% in the second quarter.

The second quarter G Fund expense ratio was .01%.

F Fund

The second quarter total gross F Fund return of .60% tracked precisely the Barclays U.S. Debt Index Fund return.

The second quarter F Fund expense ratio was .02%.

²May and June only.

C Fund

The second quarter total gross C Fund return of 5.87% tracked precisely the Barclays Equity Index Fund return.

The second quarter C Fund expense ratio was .02%.

S Fund

The second quarter total gross S Fund return of 12.84% (computed using the Barclays Extended Market Index Fund return for April 2001) underperformed the Barclays Extended Market Index Fund return of 13.66% by 82 basis points. The S Fund monthly returns are dollar-weighted, and the Barclays Extended Market Index Fund monthly returns are time-weighted. This factor, together with the fact that the S Fund return is based on the Board's earnings allocation algorithm, explains the difference between the S Fund and the Extended Market Index Fund returns. This effect was diminished as the S Fund invested balance became larger relative to the contributions received into the S Fund.

The second quarter S Fund expense ratio was .01%.

I Fund

The second quarter total gross I Fund return of (1.48%) (computed using the Barclays EAFE Equity Index Fund return for April 2001) underperformed the Barclays EAFE Equity Index Fund return of (.85%) by 63 basis points. The I Fund monthly returns are dollar-weighted, and the Barclays Extended Market Index Fund monthly returns are time-weighted. This factor, together with the fact that the I Fund return is based on the Board's earnings allocation algorithm, explains the difference between the I Fund and the EAFE Equity Index Fund returns. This effect was diminished as the I Fund invested balance became larger relative to the contributions received into the I Fund.

The second quarter I Fund expense ratio was .01%.

2001 Thrift Savings Plan Monthly Investment Activity

Attachment 5 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the G, F, C, S, and I Funds.

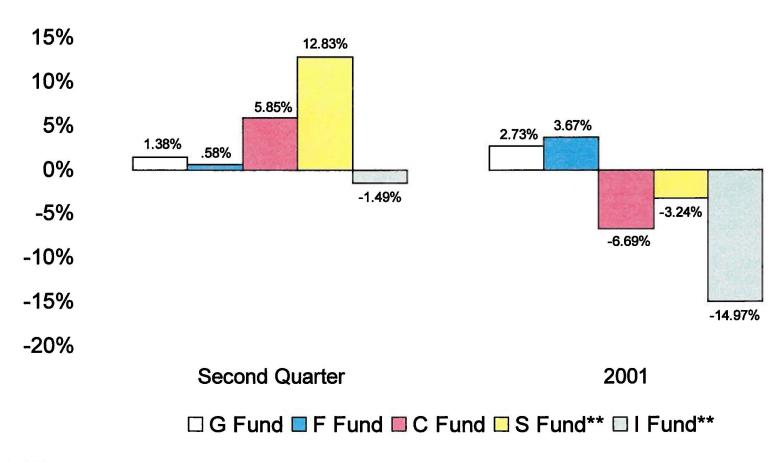
RECOMMENDATION

The Barclays U.S. Debt Index Fund, Equity Index Fund, Extended Market Index Fund, and EAFE Equity Index Fund tracked their respective indexes as we expected, and have incurred low trading costs. Based on the performance of these funds, and the F, C, S, and I Funds' performance discussed above, I recommend reaffirmation of the current F, C, S, and I Fund investment policies.

The G Fund investments produce long-term yields while incurring no market risk. Based on this and the other reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term maturities.

Attachments

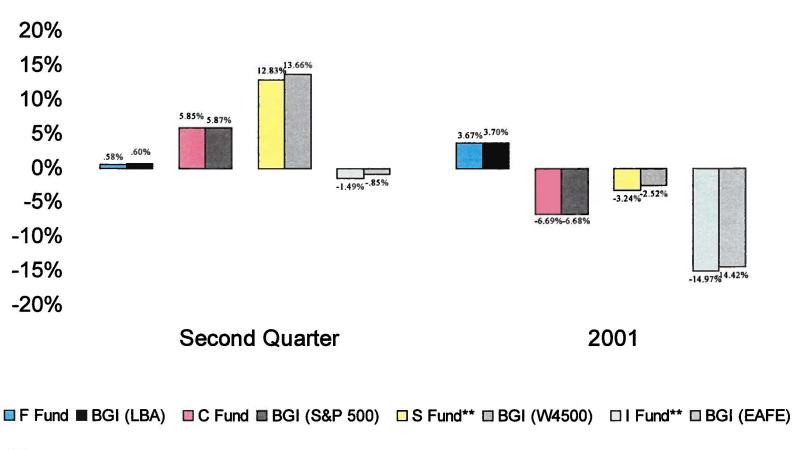
Investment Fund Total Returns* Year-to-Date 2001



^{*}Net of Expenses

^{**}Returns are composite returns using Barclays fund returns for the period before May 2001.

F, C, S, and I Fund Total Returns* vs. Barclays Year-to-Date 2001



^{*}Net of Expenses

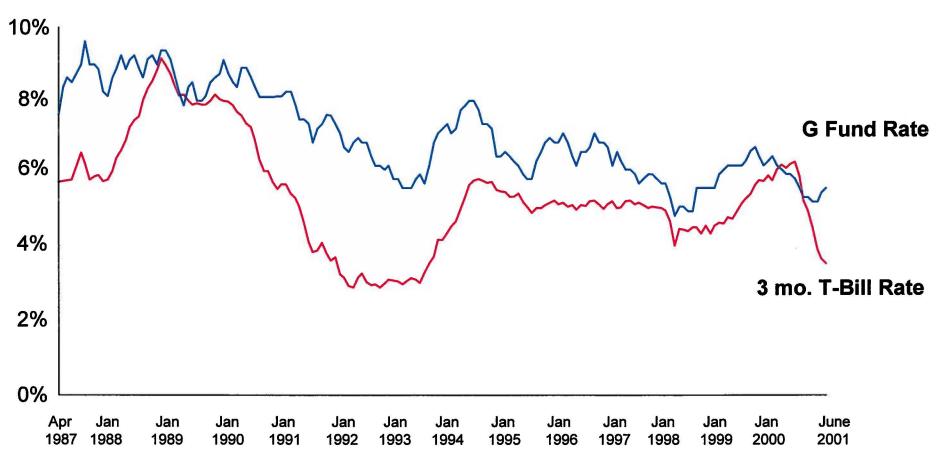
^{**}Returns are composite returns using Barclays fund returns for periods before May 2001.

^{*} net of expenses

^{**} S and I Fund returns are composites, using the Barclays funds' returns for months before May 2001; expense ratios for the S and I Funds are for May through June 2001.

G Fund Yield Advantage

April 1987 - June 2001



2001 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

	FERS Contributors with Balances in Funds other than the G Fund CSRS Contributors with Balances Funds other th the G Fund		lances in ther than	Account Asset Ali (G/F/C/S * Excludes (Monthly TSP Contributions						
Month end	# (000s)	%	# (000s)	%	Active FERS Contributors	Active CSRS Contributors	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)
01/31/2001	1,135	89%	541	89%	28%/6%/66%	26%/5%/69%	\$187.3	\$37.3	\$483.6		
02/28/2001	1,178	89%	541	89%	30%/6%/64%	28%/5%/67%	\$200.7	\$40.8	\$502.9	,	
03/31/2001	1,174	89%	536	89%	32%/7%/61%	29%/6%/65%	\$269.4	\$55.2	\$653.6		
04/30/2001	1,168	89%	533	89%	31%/7%/62%	29%/7%/64%	\$199.6	\$41.1	\$494.6		
05/51/2001	1,168	89%	533	89%	31%/7%/62%/0%/0%	29%/6%/65%/0%/0%	\$238.1	\$50.7	\$600.9	\$2.8	\$1.5
06/30/2001	1,159	89%	528	89%	31%/7%/61%/1%/0%	30%/7%/63%/0%/0%	\$202.6	\$44.2	\$484.5	\$6.5	\$3.3

2001 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY, CONT'D.

			Interfund Transfer Activity							Monthly Returns			
Month end	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	# of ITs	G Fund (%)	F Fund (%)	C Fund (%)	S Fund (%)	I Fund (%)		
01/31/2001	\$420.1	\$258.6	(\$678.7)			35,737	0.46	1.65	3.55				
02/28/2001	\$60.4	\$193.0	(\$253.4)			29,323	0.42	0.87	(9.12)				
03/31/2001	\$574.1	\$523.0	(\$1,097.1)			52,990	0.45	0.51	(6.33)				
04/30/2001	\$410.2	\$387.5	(\$797.7)			49,449	0.43	(0.42)	7.78				
05/51/2001	(\$124.7)	(\$174.4)	(\$1.9)	\$204.3	\$96.7	41,437	0.47	0.61	0.65	1.42	(4.13)		
06/30/2001	(\$68.7)	\$29.5	(\$340.5)	\$279.5	\$100.2	61,755	0.47	0.39	(2.42)	0.66	(3.99)		



MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 13, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on August 13, 2001, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Mr. William Bailey of the Department of Labor and Mr. Matthew Weinstock of Government Executive Magazine attended as well.

1. Approval of the minutes of the July 9 and July 17, 2001, Board member meetings.

Chairman Atkins entertained a motion for the approval of the minutes of the July 9 and July 17, 2001, Board member meetings. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meetings held on July 9 and July 17, 2001, be approved.

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

a. New TSP Record Keeping System Development.

The Board terminated its contract with American Management Systems, Inc. (AMS) on July 17, 2001, on the ground that AMS had failed to make progress and thus was endangering completion of the project. The same day, the Board filed suit against AMS in the United States District Court for the District of Columbia seeking \$50 million in actual damages and \$300 million in punitive damages due to AMS's fraud and breach of contract. AMS, through its attorneys, has requested 30 additional days to respond to the complaint and the Board has agreed; AMS's response is due on September 6.

The alternate contractor, MATCOM, began work to complete the project with a kick-off meeting on August 2. In addition to representatives of MATCOM and each of its subcontractors, Mr. Mehle and all of the Board's senior staff were present at the meeting. MATCOM's first requirement is to determine how much, if any, of AMS's work can be salvaged.

b. Appearance before Social Security Commission.

Mr. Mehle advised the Board members that he has been invited to meet on August 22 with the President's Commission to Strengthen Social Security to discuss the administration of the TSP. Mr. Mehle said that he had explained to a representative of the Commission that the Board did not have a position on Social Security reform.

3. Review of KPMG LLP audit reports.

Mr. Mehle briefed the members on the following audit reports, which were provided to them in advance of this meeting:

Pension and Welfare Benefits Administration System Availability and Capacity Readiness Review of the Thrift Savings Plan System at the United States Department of Agriculture, National Finance Center

Pension and Welfare Benefits Administration Pre-Implementation Review of the New Thrift Savings Plan System's Selected Business Processes and Data Conversion Controls at the United States Department of Agriculture, National Finance Center

The first report concluded that there are no immediate systems availability or capacity risks to the TSP. The second report observed that the TSP system replacement project was behind schedule and over budget. The Board's response to both reports noted that it had terminated its contract with AMS after the audit reports were finalized and, as a result, some of the description of the replacement TSP system and recommendations thereon may no longer be applicable.

4. <u>Investment policy review</u>.

By memorandum dated July 27, 2001, Mr. Mehle provided the Board members with a report on the performance of the G, C, F, S, and I Funds during the second quarter of 2001. After Mr. Mehle briefed the Board members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Fund, and the International Stock Index Investment Fund are affirmed without change.

5. Review of Arthur Andersen semiannual financial review.

In advance of the meeting, Mr. Mehle provided the Board members with copies of the Board's financial statements and notes for the period ended June 30, 2001, and with a copy of

Arthur Andersen's letter dated July 20, 2001, relating to its review of the financial statements and notes. In the letter, Arthur Andersen outlined the procedures it followed in performing its review and advised that it did not note any material irregularities or unusual items in the review. Mr. Mehle summarized the results of this financial review.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:50 a.m.

MOTION: That this meeting be adjourned.

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Note: A verbatim transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	4/30/01	5/31/01	6/30/01
G Fund	\$36,245	\$36,732	\$36,933
F Fund	5,908	6,102	6,193
C Fund	55,570	55,810	54,544
S Fund	NA	221	522
I Fund	NA	102	207

Returns for Twelve Months Ended

	4/30/01	5/31/01	6/30/01
G Fund	6.01%	5.93%	5.86%
F Fund	12.46%	13.18%	11.31%
C Fund	(12.95%)	(10.55%)	(14.80%)
S Fund	NA	(4.88%)	(13.59%)
I Fund	NA	(17.72%)	(24.00%)

Number of Participants (000's)

	4/30/01	5/31/01	6/30/01
FERS Contributors	1,315	1,310	1,303
FERS Non- contributors	205	206	207
TOTAL	1,520	1,516	1,509
Participation Rate	86.5%	86.4%	86.3%
CSRS Active	. 601	598	594
Inactive	370	371	377
TOTAL ACCOUNTS	2,490	2,485	2,481

Loans

	4/30/01	5/31/01	6/30/01
Number of Loans Outstanding	704,861	706,247	713,869
Loans Outstanding (\$ millions)	3,625	3,655	3,724

EXPENSE RATIOS*

	GF	und	F Fu	ind_	C_Ft	ind	S Fu	ind	<u> </u>	ind
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1996	.10%	.08%	.12%	.10%	.11%	.09%			NA	
1997	.09%	.07%	.10%	.08%	.09%	.07%			NA	
1998	.08%	.06%	.09%	.08%	.08%	.07%		1	NA	
1999	.07%	.05%	.08%	.07%	.07%	.06%]	NA	
2000	.07%	.05%	.08%	.07%	.07%	.06%		}	NA	
2001	(Jan-June).03%	.03%	.04%	.03%	.03%	.03%	.01%	.01%	.01%	.01%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The F, C, S, and I Fund expense ratios include Barclays' investment management fees.



MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 10, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 10, 2001, at 9:00 a.m. Central Standard Time. The meeting was open to the public at the National Finance Center, New Orleans, Louisiana. In attendance were Scott B. Lukins of Washington, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Also in attendance at this meeting were the officials from the National Finance Center and the Board whose names are set out in the attached agenda.

1. Staff briefings.

The members and Mr. Mehle received briefings from the staff of the National Finance Center and the Board on the status of the uniformed services modifications, budget planning, and the new Thrift Savings Plan record keeping system project.

2. Approval of the minutes of the August 13, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the August 13, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection.

MOTION: That the minutes of the Board member meeting held on August 13, 2001, be approved.

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

a. Legislation.

Congress returned from its summer recess on September 7 and has a full legislative agenda, including 13 appropriations bills, before it adjourns. Adjournment is scheduled for October 5, but will likely occur later. The only item potentially of interest to the TSP is possible legislation to authorize additional contributions from persons over 50 years of age. Mr. Mehle advised the Board members that he expected that such a change to FERSA would likely be made, but not before next year.

b. New system development.

Mr. Mehle advised the members of the Board that MATCOM is proceeding with Phase I of its contract to review AMS's work product and advise the Board of the steps needed to complete the project, and that the litigation against AMS is also proceeding.

4. Review of FY 2001 budget and projected expenditures, approval of FY 2002 proposed budget, and review of FY 2003 estimates.

The Board members and Mr. Mehle discussed the expenditures for fiscal year 2001 and the proposed budget for fiscal year 2002, which Mr. Mehle had forwarded to the members by memorandum dated August 24, 2001. Budget estimates for fiscal year 2003 were also presented and discussed, as they are required to be submitted to the Office of Management and Budget for inclusion in the Fiscal Year 2003 Budget of the United States Government. After discussion, the following motion was made, seconded, and adopted by unanimous vote:

MOTION: That the Board members approve the budget for fiscal year 2002 as proposed in the Executive Director's memorandum dated August 24, 2001, which is to be made a part of these minutes and attached hereto, such budget, together with the fiscal year 2003 budget estimates, to be submitted to the Office of Management and Budget for inclusion in the Fiscal Year 2003 Budget of the United States Government.

Whereupon the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:50 a.m.

MOTION: That this meeting be adjourned.

Secretary

Attachments: Boar

Board member meeting agenda.

Note: A verbatim transcript of this meeting was made by Borrello Court Reporters, Inc.

THRIFT SAVINGS FUND STATISTICS

Balances	15	mil	14	onel	ì
Datances	(2	штт		CIIS	

	Datances	4 millions/	
	5/31/01	6/30/01	7/31/01
G Fund	\$36,732	\$36,933	\$37,387
F Fund	6,102	6,193	6,576
C Fund	55,810	54,544	53,852
S Fund	221	522	639
I Fund	102	207	243

Returns	for	Tweltre	Months	Ended
VELTITIE	TOT	TMGTAE	: Months	Lucea

	5/31/01	6/30/01	7/31/01
G Fund	5.93%	5.86%	5.81%
F Fund	13.18%	11.31%	12.78%
C Fund	(10.55%)	(14.80%)	(14.30%)
S Fund	(4.88%)	(13.59%)	(15.56%)
I Fund	(17.72%)	(24.00%)	(22.07%)

Number of Participants (000's)

		orbanco (ooo o)	
	5/31/01	6/30/01	7/31/01
FERS Contributors	1,310	1,303	1,324
FERS Non- contributors	206	207	224
FERS Contributors w/out Agency Contributions	n/a	n/a	12
TOTAL FERS	1,516	1,509	1,560
Participation Rate	86.4%	86.3%	85.6%
CSRS Active	598	594	593
Inactive	371	377	385
TOTAL ACCOUNTS	2,485	2,481	2,538

Loans

	5/31/01	6/30/01	7/31/01
Number of Loans Outstanding	706,247	713,869	722,702
Loans Outstanding (\$ millions)	3,655	3,724	3,787

EXPENSE RATIOS*

	G_	Fund	F Ft	ind	C Ft	ind	S Fu	ind	I Ft	ind
	Gros	s Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1996	.10%	.08%	.12%	.10%	.11%	.09%]	VA	
1997	.09%	.07%	.10%	.08%	.09%	.07%		1	VA	
1998	.08%	.06%	.09%	.08%	.08%	.07%		1	VA	
1999	.07%	.05%	.08%	.07%	.07%	.06%		1	VA	
2000	.07%	.05%	.08%	.07%	.07%	.06%		1	VA	
2001	(Jan-July).04%	.03%	.04%	.04%	.04%	.03%	.02%	.02%	.01%	.01%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The F, C, S, and I Fund expense ratios include Barclays' investment management fees.



MINUTES OF THE MEETING OF THE BOARD MEMBERS

October 9, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on October 9, 2001, at 10:00 a.m. Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the September 10, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the September 10, 2001, Board member meeting as amended by Mr. Mehle. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on September 10, 2001, be approved.

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

a. Legislation.

Congress is discussing the possibility of remaining in session until the next session begins on January 3, 2002, in order to be able to respond to any national emergency. To date, Congress has not taken final action on any of the 13 appropriations bills, but their enactment is expected by the end of the month. There is no pending legislation that would affect the TSP; Mr. Mehle expects Congresswoman Morella to introduce legislation next session authorizing the TSP to accept additional contributions from persons over 50 years of age. The 2001 tax act authorized similar contributions for private retirement plans.

b. New system development.

Mr. Mehle advised the members of the Board that MATCOM is proceeding with Phase I of its contract to review AMS's work product. MATCOM has identified several solutions that will simplify processing and development tasks that had caused problems for AMS. Also, on October 5, the TSP filed its response to AMS's motion to dismiss the Board's pending litigation against AMS.

c. Uniformed Services.

The first open season for the uniformed services begins October 9 and will continue through the end of January. The TSP will begin receiving contributions in January. Mr. Mehle expects that some time will pass before uniformed services participants will be requesting loans or withdrawals, and the National Finance Center is working on plans to phase-in these requirements.

3. Review of KPMG LLP audit reports.

Mr. Mehle briefed the members on the following Department of Labor audit reports, which were provided to them in advance of this meeting:

> "Pension and Welfare Benefits Administration Review of Backup, Recovery, and Contingency Planning of the Thrift Savings Plan at the United States Department of Agriculture, National Finance Center"

"Pension and Welfare Benefits Administration Review of Computer Access Controls and Security Over the Thrift Savings Plan at the United States Department of Agriculture, National Finance Center"

"Pension and Welfare Benefits Administration Review of the System Infrastructure Controls of the Thrift Savings Plan at the United States Department of Agriculture, National Finance Center"

The first audit report addressed backup, recovery, and contingency planning. It concluded that the National Finance Center has established, implemented, and maintains sound backup, recovery, and contingency planning procedures for recovery of the TSP system in the event of operational disruptions.

The second report on access controls and security concluded that the National Finance Center has implemented sufficient procedures and controls to provide a reasonable level of assurance over access to its information systems.

The third audit report concluded that the National Finance Center has in place job scheduling, scheduled maintenance, and CMM Level 2 change control procedures which function as designed. It also concluded that CMM Level 2 procedures were properly followed during the implementation of the S and I Funds.

4. November Board Member Meeting.

The Board members decided to hold the November Board member meeting by telephone at 11:30 a.m. EST.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:33 a.m.

MOTION: That this meeting be adjourned.

Secretary

A verbatim transcript of this meeting was made by BETA reporting services.

Note:



October 26, 2001

MEMORANDUM FOR BOARD MEMBERS ATKINS, LUKINS, MARSHALL,

FINK, AND HARRELL

FROM:

ROGER W. MEHLE

EXECUTIVE DIRE

SUBJECT:

Third Quarter 2001 Performance Review -

G, F, C, S, and I Funds

INTRODUCTION

The purpose of this report is to present key aspects of the third quarter (July-September) investment performance of the G, F, C, S, and I Funds.

TRACKING

F Fund

TOTAL RETURN (%)			TRACKING ERROR (%)
Ba	rclays U.S. Debt	Lehman Brothers U.S.	U.S. Debt Index Fund E
	Index Fund E	Aggregate Bond Index	vs. Index
Third Quarter	4.64	4.61	.03

As shown above, the Barclays U.S. Debt Index Fund E third quarter total return outperformed the LBA index by 3 basis points.

C Fund

TOTAL RETURN (%)		TRACKING ERROR (%)	
	Barclays		Equity Index Fund E
<u>Equit</u>	y Index Fund E	S&P 500 Index	vs. Index
Third Quarter	(14.69)	(14.68)	(.01)

The Barclays Equity Index Fund E third quarter total return underperformed the S&P 500 index by 1 basis point.

S Fund

TOTAL RETURN (%)

Barclays Extended

Market Index Fund E Wilshire 4500

Third Quarter (19.82)

TOTAL RETURN (%)

Extended Market Index

Fund E vs. Index

1.06

The Barclays Extended Market Index Fund E third quarter total return outperformed the Wilshire 4500 index by 106 basis points. This tracking error was primarily attributable to Barclays' current practice of "free float adjustment," which means that the market capitalization of companies included in the index is reduced by the number of outstanding shares that are held by employee stock ownership plans and affiliated companies, and that are part of concentrated holdings, such as holdings by controlling shareholders and large institutional shareholders. (The Wilshire 4500 index is not similarly adjusted.) Barclays has begun phasing out this practice and plans to complete the phaseout by the end of 2001.

I Fund

TOTAL RETURN (%)			TRACKING ERROR (%)
Ва	arclays EAFE		EAFE Equity Index Fund E
Equit	y Index Fund E	MSCI EAFE Free Index	vs. Index
Third Quarter	(13.94)	(14.00)	.06

The Barclays EAFE Equity Index Fund E third quarter total return outperformed the EAFE index by 6 basis points.

TRADING COSTS

The Barclays "E" Funds hold units of their respective master funds (or "A" Funds), which in turn hold the underlying physical securities (directly or indirectly). The E Funds also hold futures contracts (directly or indirectly) to provide liquidity to accommodate daily client cash flows (except in the case of the Barclays U.S. Debt Index Fund, which holds U.S. Treasury securities for liquidity). The trading costs set forth below are, with respect to the E Funds, those associated with the purchase or sale of futures contracts (or Treasuries) related to TSP purchases or sales of E Fund units. When the E Fund subsequently liquidates its futures (or Treasuries) position to buy or sell shares of the master fund, and the master fund buys or sells physical securities, the trading costs associated with those transactions are borne by the E Funds; they are not passed to the individual clients. Thus those trading costs are embedded in the share price of the E Funds, and reflected in the tracking error of the E Funds.

In the case of the I Fund, even the trading costs associated with the purchase or sale of futures contracts are borne by the EAFE Equity Index Fund E rather than passed on to transacting clients. Therefore, the trading costs shown below for the I Fund are estimates of the costs of futures transactions related to TSP purchases or sales of E Fund units. The estimates are derived from Barclays' overall experience for the relevant period in trading the futures contracts held indirectly by the EAFE Equity Index Fund E.

F Fund

		TRADING	COSTS
	AMOUNT TRADED	\$	Basis Points
Third Quarter	1,415,472,799.31	(259,598.42)	(1.8)
YTD 2001	3,215,508,332.38	(144,421.72)	(0.4)

As shown above, total trading costs for F Fund trades during the third quarter and year-to-date are negative. Negative trading costs occur on trades of U.S. Treasury securities when Barclays executes at prices below the closing prices of the securities.

C Fund

		TRADING COSTS	
	AMOUNT TRADED	<u> </u>	Basis Points
Third Quarter	4,733,404,834.26	585,380.88	1.2
YTD 2001	12,134,930,645.40	1,839,716.65	1.5

S Fund

		TRADING COSTS	
	AMOUNT TRADED	<u> </u>	Basis Points
Third Quarter	228,652,230.74	31,574.93	1.4
YTD 2001	729,057,779.34	(8,169.65)	(0.1)

Year-to-date total trading costs for S Fund trades are negative. Negative trading costs occur on trades of futures contracts when Barclays executes at prices below the closing prices of the futures contracts.

I Fund

		<u>ESTIMATED</u>	TRADING COSTS
	AMOUNT TRADED	<u> </u>	Basis Points
Third Quarter	73,970,279.20	7,602.99	1.0
YTD 2001	277,864,478.53	16,486.62	0.6

PERFORMANCE

Attachment 1 shows the G, F, C, S, and I Fund third quarter 2001 and year-to-date total net rates of return, computed in accordance with the Board's earnings allocation procedures. Year-to-date returns for the S and I Funds are composite returns using the related Barclays fund returns for April 2001 and prior months. Attachment 2 compares the third quarter and year-to-date F, C, S, and I Fund net returns to the Barclays U.S. Debt Index Fund, Equity Index Fund, Extended Market Index Fund, and EAFE Equity Index Fund returns. Attachment 3 provides the G, F, C, S, and I Fund total net rates of return and expense ratios for the first through third quarters and year-to-date 2001.

G Fund

The nominal statutory G Fund interest rates (expressed on a per annum basis) for the third quarter were as follows:

July 5.625% August 5.250% September 5.125%

The third quarter G Fund gross return was 1.37%. As reflected in Attachment 4, the spread between nominal G Fund rates and coupon yield equivalents of average daily closing bid yields of 3-month Treasury bills averaged 2.09% in the third quarter.

The third quarter G Fund expense ratio was .01%.

F Fund

The third quarter total gross F Fund return of 4.65% outperformed the Barclays U.S. Debt Index Fund return of 4.64% by 1 basis point.

The third quarter F Fund expense ratio was .01%.

C Fund

The third quarter total gross C Fund return of (14.65%) outperformed the Barclays Equity Index Fund return of (14.69%) by 4 basis points.

The third quarter C Fund expense ratio was .01%.

S Fund

The third quarter total gross S Fund return of (19.72%) outperformed the Barclays Extended Market Index Fund return of (19.82%) by 10 basis points.

The third quarter S Fund expense ratio was .02%.

I Fund

The third quarter total gross I Fund return of (13.82%) outperformed the Barclays EAFE Equity Index Fund return of (13.94%) by 12 basis points.

The third quarter I Fund expense ratio was .02%.

2001 Thrift Savings Plan Monthly Investment Activity

Attachment 5 provides a monthly summary of TSP investment activity, participation rates, and monthly returns in the G, F, C, S, and I Funds.

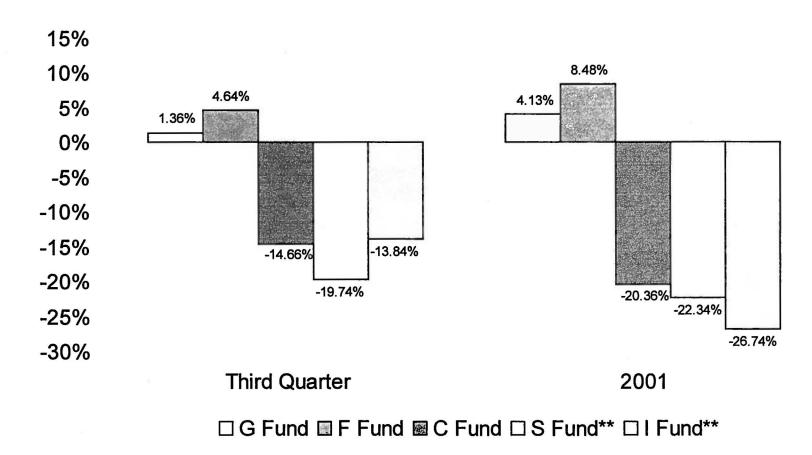
RECOMMENDATION

The Barclays U.S. Debt Index Fund, Equity Index Fund, Extended Market Index Fund, and EAFE Equity Index Fund tracked their respective indexes as we expected, and have incurred low trading costs. Based on the performance of these funds, and the F, C, S, and I Funds' performance discussed above, I recommend reaffirmation of the current F, C, S, and I Fund investment policies.

The G Fund investments produce long-term yields while incurring no market risk. Based on this and the other reasons stated in the April 23, 1993, G Fund investment policy memorandum to the Board members, I recommend reaffirmation of the current G Fund policy to invest solely in short-term maturities.

Attachments

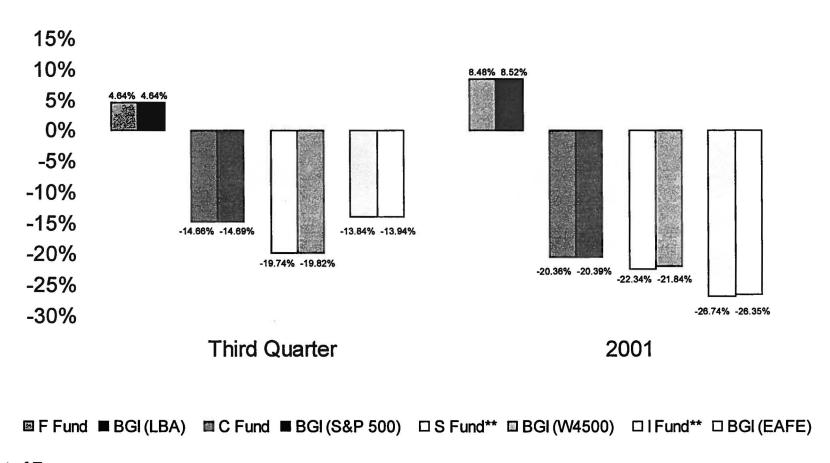
Investment Fund Total Returns* Year-to-Date 2001



^{*}Net of Expenses

^{**}Returns are composite returns using Barclays fund returns for the period before May 2001.

F, C, S, and I Fund Total Returns* vs. Barclays Third Quarter and Year-to-Date 2001



^{*}Net of Expenses

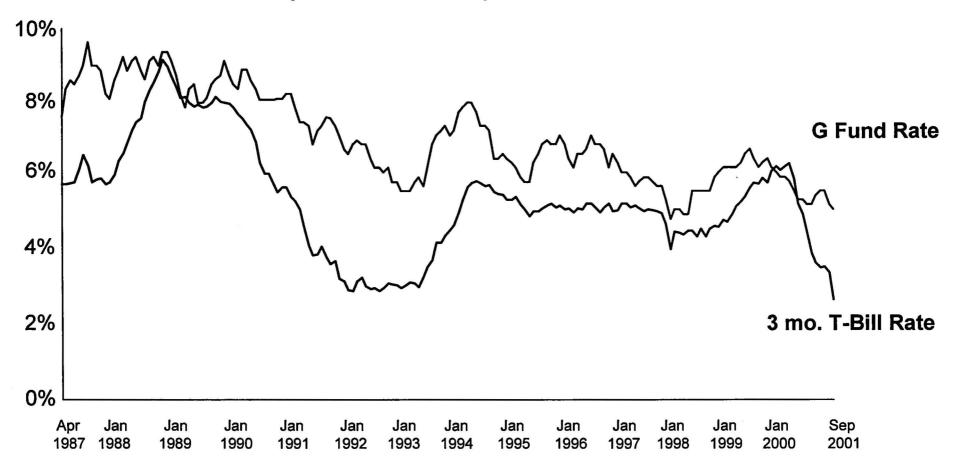
^{**}Returns are composite returns using Barclays fund returns for periods before May 2001.

^{*} net of expenses

^{**} S and I Fund returns are composites, using the Barclays funds' returns for months before May 2001; expense ratios for the S and I Funds are for May through June 2001.

G Fund Yield Advantage

April 1987 - September 2001



2001 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

	FERS Cor with Bal Funds of the G	ances in her than	CSRS Cor with Bal Funds ot the G	ances in her than	Asset All (G/F/C/S	Balance location* S/I Fund) G Fund Only	Ation* Monthly TSP Fund) Contributions					
Month end	# (000s)	%	# (000s)	%	Active FERS Contributors	Active CSRS Contributors	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (SMil)	
01/31/2001	1,135	89%	541	89%	28%/6%/66%	26%/5%/69%	\$187.3	\$37.3	\$483.6			
02/28/2001	1,178	89%	541	89%	30%/6%/64%	28%/5%/67%	\$200.7	\$40.8	\$502.9			
03/31/2001	1,174	89%	536	89%	32%/7%/61%	29%/6%/65%	\$269.4	\$55.2	\$653.6			
04/30/2001	1,168	89%	533	89%	31%/7%/62%	29%/7%/64%	\$199.6	\$41.1	\$494.6			
05/31/2001	1,168	89%	533	89%	31%/7%/62%/0%/0%	29%/6%/65%/0%/0%	\$238.1	\$50.7	\$600.9	\$2.8	\$1.5	
06/30/2001	1,159	89%	528	89%	31%/7%/61%/1%/0%	30%/7%/63%/0%/0%	\$202.6	\$44.2	\$484.5	\$6.5	\$3.3	
07/31/2001	1,154	86%	524	88%	31%/8%/60%/1%/0%	30%/7%/63%/0%/0%	\$214.9	\$47.2	\$483.7	\$9.0	\$4.4	
08/31/2001	1,166	85%	521	88%	33%/9%/57%/1%/0%	32%/8%/60%/0%/0%	\$316.8	\$71.1	\$626.0	\$15.0	\$7.1	
09/30/2001	1,157	84%	515	87%	35%/10%/54%/1%/0%	33%/9%/58%/0%/0%	\$247.2	\$59.6	\$476.6	\$12.0	\$5.8	

2001 THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY, CONT'D.

	Interfund Transfer Activity						Monthly Returns				
Month end	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	# of ITs	G Fund (%)	F Fund (%)	C Fund (%)	S Fund (%)	I Fund
01/31/2001	\$420.1	\$258.6	(\$678.7)			35,737	0.46	1.65	3.55		
02/28/2001	\$60.4	\$193.0	(\$253.4)			29,323	0.42	0.87	(9.12)		
03/31/2001	\$574.1	\$523.0	(\$1,097.1)			52,990	0.45	0.51	(6.33)		
04/30/2001	\$410.2	\$387.5	(\$797.7)			49,449	0.43	(0.42)	7.78		
05/31/2001	(\$124.7)	(\$174.4)	(\$1.9)	\$204.3	\$96.7	41,437	0.47	0.61	0.65	1.42	(4.13)
06/30/2001	(\$68.7)	\$29.5	(\$340.5)	\$279.5	\$100.2	61,755	0.47	0.39	(2.42)	0.66	(3.99)
07/31/2001	\$193.7	\$205.6	(\$558.5)	\$126.7	\$32.5	42,376	0.48	2.22	(0.98)	(4.13)	(1.79)
08/31/2001	\$256.4	\$481.4	(\$795,5)	\$37.2	\$20.5	53,053	0.45	1.20	(6.27)	(4.32)	(2.58)
09/30/2001	\$819.3	\$611.1	(\$1,397.8)	(\$28.6)	(\$4.0)	69,613	0.43	1.15	(8.05)	(12.50)	(9.95)

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	Datanoco (7 mil	110110/	
	6/30/01	7/31/01	8/31/01
G Fund	\$36,933	\$37,387	\$38,066
F Fund	6,193	6,576	7,228
C Fund	54,544	53,852	50,270
S Fund	522	639	667
I Fund	207	243	266

Returns :	For	Twelve	Months	Ended
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	6/30/01	7/31/01	8/31/01
G Fund	5.86%	5.81%	5.74%
F Fund	11.31%	12.78%	12.50%
C Fund	(14.80%)	(14.30%)	(24.35%)
S Fund	(13.59%)	(15.56%)	(27.61%)
I Fund	(24.00%)	(22.07%)	(24.79%)

Number of Participants (000's)

	6/30/01	7/31/01	8/31/01
FERS Contributors w/Agency Contributions	1,303	1,324	1,351
FERS Non-contributors w/Agency Contributions	207	224	211
FERS Participation Rate	86.3%	85.6%	86.5%
FERS Contributors w/out Agency Contributions	n/a	12	28
TOTAL FERS	1,509	1,560	1,590
CSRS Active	594	593	595
Inactive	377	385	384
TOTAL ACCOUNTS	2,481	2,538	2,569

Loans

	6/30/01	7/31/01	8/31/01
Number of Loans Outstanding	713,869	722,702	723,674
Loans Outstanding (\$ millions)	3,724	3,787	3,814

EXPENSE RATIOS*

		G Fu	ind	F Ft	ind	C Ft	ind	SF	und	IF	und
		Gross	Net								
1996		.10%	.08%	.12%	.10%	.11%	.09%		1	AV	
1997		.09%	.07%	.10%	.08%	.09%	.07%		1	AN	
1998		.08%	.06%	.09%	.08%	.08%	.07%		1	AN	
1999		.07%	.05%	.08%	.07%	.07%	.06%		1	AN	
2000		.07%	.05%	.08%	.07%	.07%	.06%			NA	
2001	(Jan-Aug)	.04%	.04%	.05%	.04%	.04%	.04%	.03%	.02%	.03%	.02%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The F, C, S, and I Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 13, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on November 13, 2001, at 11:30 a.m., Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Mr. William Bailey of the Department of Labor, and Ms. Betty Ann Kane and Mr. Julius P. Terrell of the District of Columbia Retirement Board also attended.

1. Approval of the minutes of the October 9, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the October 9, 2001, Board member meeting as amended by Mr. Mehle. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on October 9, 2001, be approved.

2. <u>Thrift Savings Plan activities report by the Executive Director</u>.

a. Legislation.

To date, Congress has not concluded action on all of the 13 appropriations bills and the Government has been operating under a series of continuing resolutions. Based upon the amount of legislation before the Congress, it is likely to stay in session until January 3, 2002, when the second session is scheduled to begin. There is no pending legislation that would affect the TSP; Mr. Mehle expects Congresswoman Morella to introduce legislation next session authorizing the TSP to accept additional contributions from persons over 50 years of age. The 2001 tax act authorized similar contributions for private retirement plans.

b. Uniformed Services.

The first open season for the uniformed services began October 9, and will continue through the end of January. During the first month, more than 30,000 persons enrolled. The National Finance Center's changes to the current record keeping system, which will permit the TSP to accept uniformed services contributions beginning in January, are proceeding on schedule. Changes have already been made to the Thrift-Line and to call center operations that double the present capacity. Also, changes to the TSP Web site are largely complete and the information is available to the uniformed services at this time.

c. New system development.

MATCOM has completed its determination of TSP requirements and is presently reviewing the requirements with Board staff. MATCOM's subcontractor, SunGard, has completed converting the data base which it will use in testing. SunGard's conversion code was originally developed as part of its subcontract with AMS and currently is the only portion of AMS's custom code which appears to be useable.

Oral argument on AMS's motion to dismiss the Board's suit against it is scheduled for November 19 in Federal district court. Mr. Mehle briefed the Board members on recent communications with the Department of Justice about the suit.

3. Review of KPMG LLP audit reports.

Mr. Mehle briefed the members on the following Department of Labor audit reports, which were provided to them in advance of this meeting:

Pension and Welfare Benefits Administration Review of the Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff

Pension and Welfare Benefits Administration Review of Thrift Savings Plan F, C, S, and I Fund Investment Management Operations at Barclays Global Investors, N.A.

The first report concluded that management controls over the TIB's most significant new FY 01 procurement actions, i.e., the selection of investment managers for the S and I Funds,

a service manager for the TSP annuity program, and a contingency contractor for the new TSP record keeping system, satisfactorily comply with FERSA's applicable standards. The report contains no recommendations.

The second audit report concluded that the procedures and associated controls in place at Barclays Global Investors, N.A., effectively safeguard F, C, S, and I Fund assets and ensure that fund contributions are invested accurately and timely. This report also contains no recommendations.

4. Status of audit recommendations.

By memorandum dated October 26, 2001, Mr. Mehle provided the members with the status of audit recommendations. The number of outstanding recommendations for the Board as of October 26, was eight, and for NFC was 14, three of which have since been completed. There are two outstanding joint recommendations. Mr. Mehle foresees no difficulties in the Board's or NFC's resolution of the outstanding recommendations.

5. <u>Investment policy review</u>.

By memorandum dated October 26, 2001, Mr. Mehle provided the Board members with a report on the performance of the G, C, F, S, and I Funds during the second quarter of 2001. After Mr. Mehle briefed the Board members on this report, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index

Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds:

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

6. Annual ethics briefing.

Elizabeth Woodruff, the Board's secretary and general counsel, briefed the members on the applicability of selected Federal ethics regulations to their conduct.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 12:20 p.m.

MOTION: That this meeting be adjourned.

12/10/07

Note: A verbatim transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

	Balances (\$ mi	llions)	
	7/31/01	8/31/01	9/30/01
G Fund	\$37,387	\$38,066	\$39,241
F Fund	6,576	7,228	7,997
C Fund	53,852	50,270	45,281
S Fund	639	667	568
I Fund	243	266	241
R	eturns for Twelve !	Months Ended	
*	7/31/01	8/31/01	9/30/01
G Fund	5.81%	5.74%	5.67%
F Fund	12.78%	12.50%	13.07%
C Fund	(14.30%)	(24.35%)	(26.57%)
S Fund	(15.56%)	(27.61%)	(34.25%)
I Fund	(22.07%)	(24.79%)	(28.84%)
	Number of Participa	ints (000's)	
	7/31/01	8/31/01	9/30/01
FERS Contributors w/Agency Contributions	1,324	1,351	1,348
FERS Non-contributors w/Agency Contributions	224	211	209
FERS Participation Rate	85.6%	86.5%	86.6%
FERS Contributors w/out Agency Contributions	12	28	33
TOTAL FERS	1,560	1,590	1,590
CSRS Active	593	595	593
Inactive	385	384	390
TOTAL ACCOUNTS	2,538	2,569	2,573
	Loans		
	7/31/01	8/31/01	9/30/01
Number of Loans Outstanding	722,702	723,674	728,754
Loans Outstanding (\$ millions)	3,787	3,814	3,871

EXPENSE RATIOS*

		G Fund	F Fund	_ C Fund	S Fund	I Fund
		Gross Ne	t Gross Net	Gross Net	Gross Net	Gross Net
1996		.10% .08	% .12% .10%	.11% .09%		NA
1997		.09% .07	\$.10\$.08\$.09% .07%		NA
1998		.08% .06	8 .09% .08%	.08% .07%		NA
1999		.07% .05	% .08% .07%	.07% .06%		NA
2000		.07% .05	8 .08% .07%	.07% .06%	~	NA
2001	(Jan-Sep)	.05% .04	8 .05% .04%	.05% .04%	.03% .03%	.03% .03%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The F, C, S, and I Fund expense ratios include Barclays' investment management fees.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 10, 2001

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on December 10, 2001, at 10:00 a.m., Eastern Standard Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Ian Dingwall of the Department of Labor also attended.

1. Approval of the minutes of the November 13, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the November 13, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on November 13, 2001, be approved.

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

a. Legislation.

Congress has not yet concluded action on all 13 major appropriations bills and therefore Government has been operating under a series of continuing resolutions. Because of this and other legislative activity, it is likely that Congress will stay in session until just before the second session is scheduled to begin, January 3, 2002.

There are two pieces of pending legislation that would affect the TSP. On November 19, Congresswoman Morella introduced H.R. 3340 that would authorize the TSP to accept catch-up contributions from persons aged 50 and over. On November 27, Congresswomen Morella also introduced H.R. 3354. This bill would create

the same program for TSP catch-up contributions as H.R. 3340, but would also require agencies to provide immediate employer contributions for TSP participants. (Immediate employee contributions are now provided under legislation enacted last year that Ms. Morella also introduced.)

b. Uniformed Services.

The first open season for the uniformed services began October 9 and will continue through the end of January. By December 5, more than 45,000 persons had enrolled. The National Finance Center's changes to the current record keeping system, which will permit the TSP to accept uniformed services contributions beginning in January, are proceeding on schedule.

c. New system development.

MATCOM has completed its documentation of TSP requirements and has begun the design and development phase.
MATCOM's subcontractor, Periphonics, has completed its review of AMS's custom code for the voice response system and computer telephony integration and has concluded that none of the code should be used.

d. Litigation.

On November 30, 2001, the district court granted American Management Systems' motion to dismiss the Board's complaint in Mehle v. American Management Systems, Civ. No. 01-1544. The judge held that only the Administration, through the Department of Justice, and not the Board's fiduciaries, is authorized to bring suit on behalf of the Thrift Savings Fund. An appeal from the decision was filed on December 5. Mr. Mehle briefed the Board members on the decision, the appeal, and recent communications with the Department of Justice.

Mr. Mehle also advised the Board members that on November 27 the Department of Justice filed a motion to dismiss AMS's complaint against the United States in the Court of Federal Claims in American Management Systems v. United States, Ct. Cl. No. 01-586C. The motion is grounded on the court's lack of jurisdiction under the Contract Disputes Act because the Board is a non-appropriated fund instrumentality.

Finally, Mr. Mehle discussed draft legislation which was sent to Congress on December 3 which would expressly authorize the Executive Director upon the approval of the Board

members to bring civil suits when deemed appropriate to discharge the obligation of the six named fiduciaries.

3. Review of KPMG LLP audit reports.

Mr. Mehle briefed the members on the following Department of Labor audit reports, which were provided to them in advance of this meeting:

Pension and Welfare Benefits Administration Review of the Thrift Savings Plan Billing Process at the United States Department of Agriculture, National Finance Center.

Pension and Welfare Benefits Administration Review of the Thrift Savings Plan Annuity Operations at the Metropolitan Life Insurance Company.

The first report dealt with the National Finance Center (NFC) billing process. It concluded that the NFC billed the Board for Thrift Savings Plan services in accordance with the applicable Memorandum of Understanding and reimbursement agreements between the United States Department of Agriculture and the Board.

The second audit report dealt with Thrift Savings Plan annuity operations at Metropolitan Life Insurance Company. It concluded that the operations of the annuity program are functioning effectively and substantially comply with FERSA and with applicable Board policies.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:55 a.m.

MOTION: That this meeting be adjourned.

Secretary

Note:

A verbatim transcript of this meeting was made by BETA reporting services.

THRIFT SAVINGS FUND STATISTICS

Balances (\$ millions)

	8/31/01	9/30/01	10/31/01
G Fund	\$38,066	\$39,241	\$39,955
F Fund	7,228	7,997	8,536
C Fund	50,270	45,281	45,943
S Fund	667	568	613
I Fund	266	241	255

	8/31/01	9/30/01	10/31/01
G Fund	5.74%	5.67%	5.57%
F Fund	12.50%	13.07%	14.70%
C Fund	(24.35%)	(26.57%)	(24.90%)
S Fund	(27.61%)	(34.25%)	(25.53%)
I Fund	(24.79%)	(28.84%)	(25.29%)

Number of Participants (000's)

2	8/31/01	9/30/01	10/31/01
FERS Contributors w/Agency Contributions	1,351	1,348	1,344
FERS Non-contributors w/Agency Contributions	211	209	211
FERS Participation Rate	86.5%	86.6%	86.4%
FERS Contributors w/out Agency Contributions	28	33	39
TOTAL FERS	1,590	1,590	1,594
CSRS Active	595	593	590
Inactive	384	390	393
TOTAL ACCOUNTS	2,569	2,573	2,577

Loans

	8/31/01	9/30/01	10/31/01	
Number of Loans Outstanding	723,674	728,754	726,533	
Loans Outstanding (\$ millions)	3,814	3,871	3,877	

EXPENSE RATIOS*

		G Fu	ind	F Fu	ind	C Fu	ınd	S Fu	ind	I F	und
		Gross	Net								
1996		.10%	.08%	.12%	.10%	.11%	.09%		1	1A	
1997		.09%	.07%	.10%	.08%	.09%	.07%		1	1A	
1998		.08%	.06%	.09%	.08%	.08%	.07%		1	1A	
1999		.07%	.05%	.08%	.07%	.07%	.06%		1	A	
2000		.07%	.05%	.08%	.07%	.07%	.06%		1	1A	
2001	(Jan-Oct)	.06%	.05%	.06%	.05%	.06%	.05%	.04%	.04%	.04%	.04%

^{*}The expense ratios are the administrative charges to TSP participants per dollar invested in the respective funds. The net expense ratios are the result of offsetting gross administrative charges with account forfeitures. The F, C, S, and I Fund expense ratios include Barclays' investment management fees.