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

THRIFT SAVINGS PLAN

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 16, 2002

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on December 16, 2002, at 2:14 p.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 (by telephone); Thomas A. Fink of Alaska, member; Alejandro Sanchez of Florida, member; Gordon J. Whiting of New York, member; James B. Petrick, Executive Director; and David L. Hutner, Secretary. Also attending were Elizabeth S. Woodruff, General Counsel, Thomas J. Trabucco, the Board's Director of External Affairs, Ian Dingwall, U.S. Department of Labor, Stephen Barr of the Washington Post, and J.J. Wuerthener, of the public. An agenda for the meeting is attached.

1. Approval of the minutes of the November 18, 2002, Board member meeting.

Mr. Petrick explained that the minutes of the November 18, 2002, Board member meeting had been approved by a majority of the Board members between November 25 and 26, and needed no further approval.

2. New Board members.

On November 19, 2002, the Senate confirmed the President's nominations of three new Board members to replace members whose terms had expired. On November 26, 2002, the President signed the commissions for Andrew M. Saul of New York, to replace James H. Atkins of Arkansas, as chairman; Alejandro M. Sanchez of Florida, to replace Sheryl R. Marshall of Massachusetts; and Gordon J. Whiting of New York, to replace Don W. Harrell of New York. The new Board members took their seats at the December 16 meeting.

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

a. Legislation.

Mr. Petrick reported that the legislation to permit catch-up contributions by TSP participants who are 50 years of age and older (H.R. 3340), had been signed by the President on

November 27, 2002. TSP rules are now conformed with those in the private sector and Board staff will begin the work needed to implement the change in mid-2003.

b. New system development.

Mr. Petrick explained that the MATCOM team has begun the redesign and software development of the new system components to accommodate a five database file split. Most of the conversion problems appear to be fixed and a full reconversion of the most recent three years of history has been completed.

c. Fiduciary insurance.

Mr. Petrick advised the Board members that a contract had been signed with AIG to provide fiduciary liability insurance but that the cost for a one-year period was $500,000. Only two firms were interested in discussing this insurance with the Board and AIG's proposal was the most reasonable. Because of the high cost and the lack of interest, Mr. Petrick suggested that the Board members consider asking Congress for a statutory amendment to FERSA that would allow the TSP to use the monies in the TSP insurance fund to pay claims directly, without the need for insurance. Mr. Saul suggested that before the TSP seeks legislation, staff should survey the market and see if a better quote is available.

d. GAO audit.

Mr. Petrick advised the Board members that GAO has begun an audit that will concentrate primarily on the agency's relationship with the Department of Labor, but will also include a review of the agency's hiring of outside counsel, the accounting for the $41 million loss on the AMS contract, and the statute of limitations applicable to the AMS law suit. Mr. Petrick pledged that the staff would give the GAO whatever cooperation it requested and that the Board members would be notified promptly of any major findings.

e. Board member meeting schedule.

The Board members discussed a draft meeting schedule for 2003 and decided to have in-person meetings rather than telephone meetings for the foreseeable future. Also the Board members advised the Executive Director that they would like to see monthly reports on investments and participation rates. For the January 21, 2003, meeting, the Board members requested

the Executive Director to invite Ann Combs, the Assistant Secretary for Pension and Welfare Benefits, Department of Labor, to attend and make the presentation she requested in her September 26, 2002, letter to the Chairman.

4. Review of DOL's Executive Summary of FY 2002 audit program.

Mr. Petrick reviewed with the Board members the Department of Labor's audit process and its summary of the fiscal year 2002 audit program for the agency.

5. Litigation.

The meeting was closed for a discussion of pending litigation, on a vote taken by the Secretary before the meeting, with only Mr. Fink having voted against closure of this portion of the meeting.

6. Personnel Matter.

The meeting was closed for a discussion of a personnel matter, on a vote taken by the Secretary before the meeting, with the Board members having voted unanimously to close this portion of the meeting. After this closed portion of the meeting, the Chairman announced that Mr. Petrick had resigned as Executive Director but had accepted the Board members' request that he continue as the Director, Benefits and Investments, and that he assume the duties of acting Executive Director until the Board members can appoint a new Executive Director. Mr. Saul also announced that the agency would shortly issue a request for proposals seeking an executive search firm to assist the Board members in filling this position.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Saul adjourned the meeting at 7:51 p.m.:

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff

Jan. 21, 2003

Attachment

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