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

THRIFT SAVINGS PLAN

MINUTES OF THE MEETING OF THE BOARD MEMBERS

April 28, 2003

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on April 28, 2003, 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 (by telephone); Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; James B. Petrick, Acting Executive Director; and Elizabeth S. Woodruff, Secretary. Other agency representatives attending were Lawrence Stiffler, Director, Automated Systems; Thomas J. Trabucco, Director, External Affairs; and David L. Black, Director, Accounting. Kevin Davis and Trey Block of Ernst & Young also attended. I have attached an agenda for the meeting.

1. Approval of the minutes of the March 31, 2003, Board member meeting.

Chairman Saul entertained a motion for the approval of the minutes of the open portion of the March 31, 2003, Board member meeting. Members made, seconded, and adopted the following motion without objection:

> MOTION: That the minutes of the open portion of the Board member meeting held on March 31, 2003, be approved.

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

a. Legislation.

Mr. Petrick reported that the Senate Subcommittee on Financial Management, the Budget, and International Security was expected to schedule, during the week of May 12, 2003, a hearing on Terrance Duffy's nomination

to serve as a member of the Federal Retirement Thrift Investment Board.

b. Investment policy review.

By memorandum dated April 11, 2003, Mr. Petrick provided the Board members with a report on the performance of the G, C, F, S, and I Funds during March 2003. Mr. Petrick also briefed the Board members on the funds' performance during the first quarter of 2003, after which members made, seconded, and adopted the following resolution 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 (5 U.S.C. § 8472(f)(1) and (2)); and
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> WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Fund, and the International Stock Index Investment Fund; and
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> WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;
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> NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income 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.

Mr. Petrick also reviewed with the Board members the contribution and interfund transfer history of the funds during the past ten years.

c. Participation review.

Mr. Petrick reviewed for the Board members TSP quarterly participation and contribution rates for the quarters beginning January 1993.

3. Review of Ernst & Young annual financial audit.

Kevin Davis and Trey Block of Ernst & Young LLP, presented the results of their firm's annual financial audit of the Thrift Savings Fund (the Fund), which covered calendar year 2002. I have attached a copy of the audit report and of Ernst & Young's presentation.

Mr. Davis noted that Ernst & Young's audit resulted in an unqualified opinion that the Fund had fairly presented, in accordance with auditing standards generally accepted in the United States, its financial statements.

Mr. Davis and Mr. Block commended Mr. Black, the Board's Director of Accounting, 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.

Mr. Saul asked Mr. Davis if Ernst & Young still believed that the Agency's decision to delay allocation of the $41 million in costs incurred on American Management Systems, Inc.'s record keeping system contract until resolution of the litigation between the parties was reasonable and met applicable accounting standards. Mr. Davis said that, after consulting with Ernst & Young's defined contribution plan experts, he did believe that the Agency's approach is reasonable and meets applicable standards.

Mr. Saul also noted that Ernst & Young had directed its audit report to the Executive Director, rather than to the Board members, and asked whether Ernst & Young had uncovered anything of which they should make the Board members aware. Mr. Davis said that there was nothing to discuss with the Board members but that he would bring any future discoveries to the attention of the Board.

Mr. Saul requested that the Agency's General Counsel advise the Board whether there was a reason Ernst & Young should not direct future audit reports to the Board members, rather than to the Executive Director, and what was

the practice in other agencies. He also instructed the Executive Director to ensure that the Board members have an opportunity to meet with the Agency's auditors in executive session at least twice a year to discuss the Agency's governance.

4. New system development.

The Agency's Director of Automated Systems, Lawrence Stiffler, discussed the status of the new record keeping system's development. Mr. Stiffler advised the Board members that MATCOM, the Agency's contractor, had completed another conversion, and that testing to date had uncovered only minor cosmetic defects. Barring any unforeseen problems, Mr. Stiffler stated that the software would be ready to implement in June. He also stated that training for National Finance Center personnel had begun and would continue through June and that it was his opinion that NFC personnel would be ready to provide all necessary operational support in June.

Mr. Saul asked when the Agency would advise participants of the implementation. Mr. Stiffler explained that the Agency would mail each participant his or her regular semi-annual statement in May, followed by a close-out statement after implementation. The close-out statement will contain a notice that the new system is now operational and an explanation of the new features that are available. Mr. Whiting asked if the Agency had given any consideration to providing information by electronic mail and Mr. Stiffler said that the Agency had discussed and rejected the idea because of the difficulty of maintaining correct e-mail addresses. He added, however, that the Agency did plan, in the new system, to give participants the option of receiving statements electronically, rather than by mail.

5. Litigation.

The Board closed the meeting for a discussion of pending litigation, on a vote taken by the Secretary before the meeting. The Board members voted unanimously to close this portion of the meeting. Present during this portion of the meeting were the Board members, Mr. Petrick, Ms. Woodruff, Stuart Schiffer, Deputy Associate Attorney General, U.S. Department of Justice, Michael F. Hertz, Director, Civil Fraud Division, DOJ, Brian M. Simkin, Assis-

tant Director, Commercial Litigation Division, DOJ, and Thomas Bondy, Appellate Division, DOJ.

6. Personnel matters.

Prior to the meeting on a vote taken by the Secretary, the Board members voted unanimously to close the meeting for a discussion of personnel matters. The Board members voted unanimously on Monday, April 28, to defer this discussion to Tuesday, April 29, at 4:00 p.m. The Board reconvened Tuesday, April 29, at 3:30 p.m. to complete its business and determined that there were no personnel matters that warranted discussion at that time.

Whereupon, there being no further business, the members made, seconded, and adopted the following motion without objection, and Chairman Saul adjourned the meeting at 3:35 p.m.:

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff
May 12, 2003

Attachments

NOTE: BETA Reporting Services made a verbatim transcript of this meeting.