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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 18, 2003

Thomas A. Fink, acting for Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on August 18, 2003, at 10:00 a.m., Eastern Daylight Time. The meeting was open, in part, to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Gordon J. Whiting of New York, member; Alejandro M. Sanchez, of Florida, member; Gary A. Amelio, Executive Director; and Elizabeth S. Woodruff, Secretary. Agency staff attending were Lawrence Stiffler, Director, Office of Automated Systems; David L. Black, Director, Office of Accounting; and Thomas J. Trabucco, Director, Office of External Affairs. Attached is an agenda for the meeting.

1. Approval of the minutes of the July 24, 2003, Board member meeting.

Mr. Fink entertained a motion for approval of the minutes of the open portion of the July 24, 2003, Board member meeting.

The following motion was made, seconded, and adopted without objection:

> MOTION: that the minutes of the open portion of the Board member meeting held on July 24, 2003, be approved.

2. Review of Ernst & Young semiannual financial report.

In advance of the meeting, Ernst & Young provided the Board members with a copy of its letter dated July 16, 2003, relating to its semiannual review of the Agency's financial statements and notes. Kevin Davis and Trey Block of Ernst & Young presented the results of the review; David L. Black, the Agency's Director of Accounting, was in attendance for this presentation.

Mr. Davis described the procedures performed during the semiannual review, which are less extensive that those done during a full annual audit. Mr. Block explained that they had looked with particularity at the settlement of the AMS litigation and the charging to participant accounts of the remaining $36 million in costs for the new record keeping system. Mr. Davis stated that, based on their review, Ernst & Young was not aware of any material modifications that should be made to the June 30, 2003, financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

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

a. Status of new record keeping system.

Mr. Amelio explained that the paper backlog that created the service center phone problems in June and July had been virtually eliminated. Also, the web access problem had been eliminated with an adjustment to the connection between the mainframe and the network. He advised the Board members that he had visited the National Finance Center twice since the last Board meeting and was pleased with what he had seen. He recognized that there was still a participant service representative access problem which he hoped would be corrected by a change to the ThriftLine which would require callers to go through the voice response system before talking to a PSR.

b. Costs.

Mr. Amelio advised the Board members that he expected costs to increase in the daily environment and that he intended to offer a detailed discussion of costs at the September Board meeting when he would present the budget for fiscal year 2004. He explained that Agency staff were already looking into the cost of upgrades such as an 800 telephone number and the payment of surcharges. With respect to surcharges, he stated that the Agency would continue its past practice of paying lost earnings due to Board or record keeper errors but that the Agency was not responsible for other, "consequential," damages. Ms. Woodruff advised the Board members that the Office of General Counsel had completed its review of the law and had concluded that this position was consistent with FERSA.

Mr. Amelio explained that the TSP's practice of permitting two concurrent loans was responsible for much of the recent backlog problems and much of the costs of plan administration. He advised that Agency staff is currently reviewing options that might lower these costs and remove some of the administrative difficulties associated with this type of transactional activity. He suggested that possible options included eliminating the ability to pay off a loan and immediately take out another one and, perhaps, eliminating altogether the possibility of taking a second loan. Each of the Board members expressed his support of Mr. Amelio's review of administrative costs and urged that he consider methods of lessening those costs.

c. Education and communication.

Mr. Amelio described for the Board members how most participants were investing their monies and explained his concern that participants should be receiving further education regarding asset allocation. He explained that one of his first focuses was to upgrade and simplify TSP forms and written materials in order to make the Plan's communications more simple, clear, and user-friendly. He used the participant statement as an example of one of the forms which needs to be simplified and explained that Agency staff was looking at ways to accomplish this. He explained that streamlining participant statements or eliminating their mailing by offering access via the web could also save mailing costs, which are significant.

d. Meeting schedule.

Mr. Amelio proposed that the Board member meetings for September and October be in-person, that the October meeting take place at the National Finance Center, and that the November and December meetings be telephonic. He also advised the Board members that he would make a formal proposal at the September meeting to revise substantially the meeting calendar for 2004 to include six in-person meetings, including one at the National Finance Center and one at a training site, with the other six meetings to be telephonic.

4. New Record Keeping System.

Lawrence Stiffler, Director, Automated Systems, and the new system project manager, discussed the current status of transaction processing in the new environment. He affirmed that the paper backlog had been cleared and explained that the NFC

and contractor staff were now working on a few thousand transactions that had been placed in suspense in conformance with various business rules. He also explained that the difficulty in contacting the service center by telephone was cleared up when Bell South removed its restrictions on the number of calls allowed through to the service center. Since the restrictions were lifted, record numbers of calls were received in both July and August (to date).

5. Investment policy review.

By memorandum dated July 24, 2003, Mr. Amelio provided the Board members with a report on the performance of the G, F, C, S, and I Funds during the second quarter of 2003. After Mr. Amelio 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 of the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income 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 Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the

International Stock Index Investment Fund are affirmed without change.

6. Closed session.

On a unanimous vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of internal personnel matters. Present during the closed portion of the meeting were the Board members, Mr. Amelio, and Ms. Woodruff.

Whereupon, there being no further business, the flowing motion was made, seconded, and adopted without objection and Mr. Fink adjourned the meeting at 11:45 a.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff

Attachments

9/15/03

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