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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 15, 2003

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 15, 2003, at 9:00 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 Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez, of Florida, member; Terrence A. Duffy of Illinois (by telephone), 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; James B. Petrick, Director, and Richard White, Office of Benefits and Investments; and Thomas J. Trabucco, Director, Office of External Affairs. An agenda for the meeting is attached.

1. Approval of the minutes of the August 18, 2003, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the open portion of the August 18, 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 August 18, 2003, be approved.

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

a. Employee Thrift Advisory Council meeting

Mr. Amelio advised the Board members that the Employee Thrift Advisory Council had requested a meeting on September 23, 2004. In anticipation of that meeting, he had personally visited with approximately twelve of the fifteen members in order to give each information on the current status of the TSP and the Agency's plans for the future. He reported that

both he and his message had been well received. Mr. Saul stated that he intended to personally attend the Council meeting.

b. Life cycle funds.

Mr. Amelio advised the Board members that Agency staff is investigating the prudence of adding a life cycle fund to the TSP's current investment vehicles. Such a fund would invest in the five TSP funds that are currently available and would offer participants asset allocation based upon their projected retirement date and periodic rebalancing. The Board members discussed how such a fund would operate and whether there is a need for such a fund. After the discussion, the following motion was made, seconded, and adopted without objection:

> MOTION: That the Executive Director research and prepare a recommendation for the Board whether a life cycle fund should be added to the TSP's investment choices.

c. Loan program.

Mr. Amelio discussed with the Board members various possibilities for streamlining the loan process in order to lessen the data processing problems that arose during the new record keeping system implementation. The changes he outlined were: (1) instituting a waiting period between the time a participant pays off a loan and the time he or she becomes eligible for another loan, (2) imposing a user fee on loan applications, and (3) permitting a participant to have only one general purpose loan and one residential loan at any given time. After the discussion, the following motion was made, seconded, and adopted without objection:

> MOTION: That the Executive Director research and prepare a recommendation to the Board for revising the TSP's loan program.

d. Participant statements.

Mr. Amelio advised the Board that participant statements will be mailed beginning in late October and will cover all transactions that occurred between June 1 and September 30, 2003. Subsequent participant statements will be made available on a quarterly basis, as opposed to the current semi-annual schedule. Mr. Amelio explained that, because the change in the number of statements will significantly increase costs,

the Agency was planning to advise participants that all future statements will be provided on the TSP web site; however, if a participant wants to continue to receive a paper statement, he or she may request one using the web site or the ThriftLine. At the Board's suggestion, Mr. Amelio also agreed to include, with the October statement, a request for a paper statement that can be returned to the Service Office by mail.

e. Fiduciary insurance.

Mr. Amelio reported to the Board members that the TSP's current fiduciary insurer had declined to renew the policy after it expires in December 2003. Mr. Saul asked whether this was the time to consider the Fund becoming a self-insurer; Mr. Fink reminded the members that such a change would require an amendment to FERSA. Mr. Amelio agreed to investigate the feasibility of such an amendment.

f. Legislation.

Mr. Amelio advised the Board that Senator Collins, Chairwoman of the Senate Committee on Governmental Reform, had asked the Committee staff to conduct an investigation into the Agency's handling of its contract with American Management Systems, Inc. He explained that the Agency had provided all the records that the staff had requested. In addition, the Agency is providing technical assistance to House staff preparing legislation that would eliminate TSP open seasons and that would accelerate the rate at which contributions may be made.

g. Status of new record keeping system.

At Mr. Amelio's request, Lawrence Stiffler, Director, Automated Systems, and the new system project manager, advised the Board regarding the status of the conversion to the new record keeping system. Mr. Stiffler reported that the paper backlog of forms and checks had been cleared; that NFC was routinely processing between 15,000 and 16,000 items each day; that the system had processed over 53,000 loans in August against a former record of just under 28,000; that the system had processed over 72,000 withdrawals in August against a former record of 39,000; that the PSRs were handling approximately 8,000 calls each day against a former average of 3,700, and that the maximum number of calls received was 82,000 on August 12th. In addition, the TSP web site continues to handle a record number of transactions, such as on September 7th when over 800,000 transactions were processed on the web. Mr. Sanchez asked what plans had

been made to handle participant inquires regarding the October account statement; Mr. Amelio explained a multi-pronged approach including providing information in a cover letter and an explanatory brochure accompanying the statement, increased NFC staffing, additional messages on the ThriftLine and web site, and specific training for employing agency representatives.

h. Information on investment returns, Fund statistics, and participation rates.

At Mr. Amelio's request, James Petrick, Director, Benefits and Investments, advised the Board regarding Fund data for August that was provided to the Board members by memorandum dated September 5, 2003.

i. Meeting schedule.

Mr. Amelio advised the Board member that the October meeting would take place at the National Finance Center. Mr. Saul asked that the proposed meeting calendar for 2004 be revised to provide for more than six in-person meetings: Mr. Fink expressed his opinion that there was no need for an in-person meeting unless there was something substantive for the Board to consider. Mr. Sanchez and Mr. Whiting expressed their support for an off-site training session at one of the meetings. The Board decided that the November meeting would be an in-person meeting in Washington, that the December meeting would be by telephone, and that the decision regarding which meetings for 2004 would be held in-person would be made at a later date.

3. Review of KPMG LLP audit reports.

Mr. Amelio 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 the 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 Administrative staff's general plan administration, procurement practices, and ADP operations function efficiently and effectively and 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 contain no recommendations.

4. Review of FY 2003 budget and projected expenditures, approval of FY 2004 proposed budget, and review of FY 2005 estimates.

The Board members and Mr. Amelio discussed the expenditures for fiscal year 2003 and the proposed budget for fiscal year 2004, which Mr. Amelio had forwarded to the members by memorandum dated September 5, 2003. Budget estimates for fiscal year 2005 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 2004 Budget of the United States Government. The Board members asked that all reasonable efforts be made to transfer the system operations and software maintenance from MATCOM to NFC as soon as possible so that the contractor costs could be reduced.

As part of the discussion, Mr. Amelio and Mr. Stiffler presented three additional items not included in the budget: an alternate call center, an 800 telephone number for use by participants, and a new mainframe computer. The Board authorized additional funding for the alternate call center and the mainframe.

After the discussion, the following motion was made, seconded, and adopted by unanimous vote:

> MOTION: That the Board members approve the budget for fiscal year 2004 as proposed in the Executive Director's memorandum dated September 5, 2003, which is to be made a part of these minutes and attached hereto, and as amended by voice vote taken during the meeting, such budget, together with the fiscal year 2005 budget estimates, to be submitted to the Office of Management and

Budget for inclusion in the Fiscal Year 2004 Budget of the United States Government.

5. 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 following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 2:30 p.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff
Secretary

Oct. 20, 2003

Attachments

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