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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 23, 2004

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on August 23, 2004, 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 Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Terrence A. Duffy of Illinois, member; Gary A. Amelio, Executive Director; Elizabeth S. Woodruff, Secretary and General Counsel; David L. Black, Director, Accounting; Susan Smith, Acting Deputy Director, Administration; Lawrence E. Stiffler, Director, Automated Systems; James B. Petrick, Director, Benefits & Investments; and Pamela-Jeanne Moran, Deputy Director, External Affairs. Also in attendance were representatives of the Department of Labor and the Government Accountability Office.

1. Approval of the minutes of the July 19, 2004, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the open portion of the July 19, 2004, 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 19, 2004, be approved.

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

a. Proposed 2005 Meeting Calendar.

Mr. Amelio provided the Board members with proposed meeting dates for 2005. The Board members discussed whether to conduct a site visit in 2005 to Metropolitan Life Insurance Company (MetLife) and to SI, International (MATCOM). The general consensus was that the Board's May meeting would be held in Atlanta at MetLife.

b. Hardship withdrawals.

Mr. Amelio advised the Board members that he was exploring proposed regulatory changes to the TSP's hardship withdrawal program. Mr. Amelio explained that he believed changes were warranted because of a pattern of abuse by TSP participants.

c. Undeliverable mail.

Mr. Amelio advised the Board members that he was also investigating whether the Agency could save money on the way it handles mail that is returned as undeliverable.

d. Accounting report.

David L. Black, Director, Accounting, advised the Board members that the Agency expected to spend approximately $102.5 million during fiscal year 2004, which would be $4.4 million less than that which was budgeted for the year. Mr. Amelio explained that most of the savings was due to fewer mailing costs than anticipated.

Mr. Black also discussed the meeting held with the Department of Treasury to discuss the Agency's use of Treasury's lock box program. In addition, Treasury offers a program whereby a participant could electronically authorize a loan payment from a bank account. Mr. Black explained that these services would expedite the processing of loan payments and is provided, without cost, by the Treasury Department.

Mr. Black explained that he had recently received a proposed FY 2005 budget from the National Finance Center, that it was substantially in excess of that requested by the Agency, and that he and Mr. Stiffler intended to review it and revise it. The revised budget will be presented for discussion at the Board's meeting in September. Mr. Saul requested that the proposed FY 2005 budget clearly outline all costs and explain any that differ from the FY 2004 budget.

e. Administration report.

Susan Smith, Acting Deputy Director, Administration, advised the Board members that the October Board meeting would be held in Cumberland, MD, at Spherix's call center. Also, following the Board meeting on November 15th, the Center for Fiduciary Training will provide fiduciary training for the

Board members and staff members with continuing education requirements.

f. Automated Systems report.

Lawrence E. Stiffler, Director, Automated Systems, explained that all of the new mainframe equipment had been installed and was undergoing testing. All software and the database would be moved to the Virginia site and there would be no further need for the hardware at NFC. Mr. Stiffler also advised the Board members that Mark Hagerty, the new Deputy Director, Automated Systems, was starting work at the Agency today and would be introduced to the Board members at their September meeting.

g. Benefits & Investments report.

James B. Petrick, Director, Benefits & Investments, briefed the Board members on July contribution rates and participation rates. In particular, he pointed out that, during the last open season, the uniformed services grew to 428,000 participants for an 18.2 percent participation rate. Mr. Amelio advised the Board members that he had been invited to meet with the deputy undersecretary and personnel chiefs on September 20th to discuss the uniformed services' participation in the TSP.

Mr. Petrick also explained that the procurement for a lifecycle fund vendor was on schedule.

h. Client Services report

Pamela-Jeanne Moran, Deputy Director, External Affairs, discussed the numbers of phone calls, forms, and checks received by the record keeper during July. All production numbers continued to be below anticipated volume. She explained how call volumes were being adjusted so that the parallel call center was receiving the proper number of calls.

i. External affairs report.

Mr. Amelio advised the Board members that there had been no legislative activity since the last Board meeting. He described a proposal that was circulating among Congressional staff to add a REIT fund to the TSP and that he had been invited to a meeting to explain the Agency's position on the addition of such a fund.

3. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting for discussions of internal personnel matters and pending litigation. Present during the closed 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 11:30 a.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff
Secretary

9/21/04

NOTE: Beta Court Reporting made a verbatim transcript of this meeting.