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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 20, 2004

Thomas A. Fink, ranking member of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on December 20, 2004, at 10:00 a.m., Eastern Time. The meeting was open to the public at the Board's offices at 1250 H Street, NW, Washington, DC 20005. In attendance were Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Terrence Duffy of Illinois, member; Gary A. Amelio, Executive Director; Elizabeth S. Woodruff, Secretary and General Counsel; David L. Black, Director, Accounting; Lawrence E. Stiffler, Director, Automated Systems; Pamela-Jeanne Moran, Director, Benefits Services; Thomas J. Trabucco, Director, External Affairs; and James B. Petrick, Director, Investments. Also in attendance was a representative of the Department of Labor.

1. Approval of the minutes of the November 15, 2004, Board member meeting.

Mr. Fink entertained a motion for approval of the minutes of the open portion of the November 15, 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 November 15, 2004, be approved.

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

a. 2005 Board member meeting calendar.

Mr. Amelio advised the Board members that he expected to announce the communications vendor for the life cycle funds and discuss the procurement plan for all TSP services at the Board member's January 19, 2005, meeting. He also reminded the Board members that the Agency would be conducting fiduciary training at the meeting scheduled for February 22, 2005.

Mr. Sanchez raised a question whether the date for the June meeting could be changed since he would be out of the country and unable to attend. Mr. Amelio suggested that the June meeting be held in Pittsburgh so that the members could view the back-up recovery facility. The Board members agreed to take up this question in January.

b. Legislation.

Thomas J. Trabucco, Director, External Affairs, advised the Board members that the President had not yet signed the bill that passed Congress on December 7, 2004, eliminating TSP open seasons. However, Mr. Trabucco expects the bill to be signed by the close of business Wednesday, December 22nd.

Mr. Amelio suggested that there might be three items of legislative interest to the FRTIB in 2005. First, Representative Tom Davis has stated that he intends to introduce a bill that will advance the employer match, with no waiting period. Second, Mr. Amelio stated that he planned to refer to the Board the possibility of asking Congress to make the life cycle fund a default option for TSP participants, rather than the G Fund. Finally, Mr. Amelio advised the Board members that Agency staff was looking into whether the Board should request a change to FERSA to allow the Agency to insure itself from a fiduciary breach using the insurance fund, rather than purchasing commercial insurance.

Mr. Whiting asked Mr. Trabucco about Senator Akaka's amendment to the recently passed open season legislation that would have required the FRTIB to provide for the retirement education of TSP participants. Mr. Trabucco explained that originally Senator Akaka had wanted the FRTIB to be responsible for employees' financial literacy; however, Senator Akaka later changed his amendment to require the Office of Personnel Management to perform this service since it is a service traditionally performed by employers, and the FRTIB would assist with the TSP portion of the effort. The bill that passed the Congress imposed this requirement.

c. GAO draft report.

Mr. Amelio advised the Board members that the Government Accountability Office (GAO) allegedly made minor modifications in its report but was not willing to provide the Agency with a copy for further comment. He has therefore sched-

uled a meeting with a GAO representative for December 21st, so that he can receive a verbal report.

d. Fees.

Mr. Amelio reported that he expected the final cost accounting in 2004 to show that participants' fees for the year were 6 basis points. The average cost per participant for 2004 is expected to be $31, which is less than private sector plans.

e. Automated systems report.

Mr. Amelio explained that, in the past month, the Agency and NFC had been moving equipment from the National Finance Center to the back-up data recovery site in Pittsburgh. Mr. Amelio advised that he and Lawrence E. Stiffler, Director, Automated Services, visited the back-up facility last week and were satisfied with the site. The facility is still expected to be operational in January 2005.

f. Life cycle funds.

Mr. Amelio announced that he and James B. Petrick, Director, Investments, were meeting December 21st, ahead of schedule, with Mercer Investment Consulting, Inc., to receive Mercer's initial report on its development of life cycle funds for the TSP.

g. Accounts of participants with no current contributions.

At the October Board meeting, Mr. Fink had asked whether TSP accounts should escheat to the states after a period of inactivity. Mr. Sanchez had questioned what effort the Agency made to locate participants before determining that their accounts should be abandoned and, thus, forfeited to the Plan.

Elizabeth S. Woodruff, General Counsel, discussed the opinion issued by her office that the Federal Employees' Retirement System Act preempted state escheat laws and that, under FERSA, TSP participant accounts were properly forfeited to the Plan, rather than to the states. Pamela-Jeanne Moran, Director, Benefits Services, explained that the TSP has instituted a procedure whereby each participant whose account was forfeited due to inactivity would, after 6 months, receive a registered letter advising the participant of his/her right to reclaim the ac-

count. Her intent is that, if the account still remains unclaimed after receipt of this letter, to attempt again to contact the participant regarding the status of the account.

Both Mr. Fink and Mr. Sanchez were satisfied with the Agency's response. However, Mr. Fink asked that, in performing its financial 2004 audit, Deloitte & Touche review and specifically comment on the security of participants' accounts that showed no recent activity. David L. Black, Director, Accounting, assured Mr. Fink that this would be included in the audit report.

3. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of procurement 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 Mr. Fink adjourned the meeting at 10:45 a.m.

MOTION: That this meeting be adjourned.

Thomas R. Crowley for
Elizabeth S. Woodruff
Secretary

NOTE: Ace-Federal Reporters, Inc., made a verbatim transcript of this meeting.