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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 15, 2003

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on December 15, 2003, at 11:45 a.m., Eastern 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; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the November 17, 2003, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the open portion of the November 17, 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 November 17, 2003, be approved.

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

a. 2004 Board member meeting schedule.

Mr. Amelio reviewed a revised calendar showing the Board's meeting schedule for 2004. Currently, the schedule includes nine in-person meetings and three telephonic meetings. Two of the in-person meetings will be held at Barclays and the National Finance Center, respectively.

b. Lifestyle/lifecycle funds.

Mr. Amelio advised the Board members that the Agency received 16 responses to the Request for Information on lifestyle/lifecycle funds. Of these, ten met the minimum criteria (seven managers and three consultants) and will be inter-

viewed in January and February. Once this process is completed, Mr. Amelio expects to make a recommendation to the Board on what might be appropriate to add to current TSP investment mechanisms.

c. Participant statements.

Mr. Amelio advised the Board members that a total of 3,211,483 participant statements for the third quarter had been printed and mailed at a cost of $2.24 million. The TSP will begin printing and mailing fourth quarter statements in mid-January. Approximately 407,000 participants have requested to receive printed statements in the future.

d. Open audit recommendations.

At the November Board meeting, the Board members expressed a desire that the Agency and the Department of Labor's auditors reach an agreement on the number of open audit recommendations. Mr. Amelio advised the Board members that, on December 12, the Office of Benefits and Investments sent a full explanation to KPMG explaining the Agency's position why certain items should be closed.

e. Parallel call center RFP.

Mr. Amelio explained that responses from interested vendors to the Request for Proposals (RFP) for a parallel call center were due by December 15. The length of the evaluation and selection process will depend upon the number of responses the Agency receives. The parallel call center could be operational as early as July.

f. Selection of new mainframe computer.

Mr. Amelio described three alternatives the Agency might pursue and said that he was in the process of determining what purchase method would best benefit the Plan participants. At Mr. Whiting's request, Mr. Amelio agreed to attempt to finalize a contract for the new computer by the end of the year.

g. Selection of firm for financial audit.

Mr. Amelio advised the Board members that Deloitte Touche had been selected following a competitive procurement to perform the statutory independent financial audit.

The parties have signed a contract for three years with two one-year options. The audit will be substantially more complex than in prior years.

h. Conversion planning.

Mr. Amelio reviewed with the Board members the progress the Agency and NFC had made in their plan for the transfer from MATCOM to NFC of responsibility for maintenance of the new system. Training began at NFC during the week of December 1st and continued in Washington during the week of December 8th. Mr. Amelio said that the training had been well received and he expected NFC to begin the takeover in stages beginning in March 2004.

Mr. Saul asked about the status of personnel changes at NFC. Mr. Amelio explained that a vacancy announcement for a Director, Thrift Savings Plan Division, had been posted and that he had agreed to Jerry Lohfink's request that he participate in the final interviews.

i. Fiduciary insurance.

Mr. Amelio advised the Board that AIG had renewed the Agency's fiduciary insurance at a lower rate and with greater coverage than the policy issued last year. Mr. Saul and Mr. Whiting urged that the Agency continue its study of a legislative change that would allow the Fund to self-insure. Mr. Amelio agreed to provide a report to the Board on the question later next year.

j. Uniformed services participation.

Mr. Amelio described his visit on December 5th with the Chiefs of Compensation for the Department of Defense and various uniformed services. He explained that his intent is to develop strategies to increase the participation rates in the uniformed services. Mr. Saul questioned whether eliminating open seasons would help increase participation and urged the Agency to redouble its efforts to effect this statutory change.

k. Legislation.

Mr. Amelio informed the Board members that the Senate Subcommittee on Civil Service, Non-Proliferation, and Financial Services, had scheduled an oversight hearing for late January 2004. Expected to testify would be the Board's Chair-

man, the Executive Director, the Chairman of the Employee Thrift Advisory Council, and representatives from the Department of Labor and Barclays Global Investors.

1. Personnel.

Mr. Amelio advised the Board members that 38 persons had submitted applications for the position of Deputy Director, Automated Systems. In addition, a request for proposals for an executive search firm to assist the Agency in filling three new positions has been issued and will close on December 22.

3. ISS report on proxy voting.

Mr. Fink asked that Mr. Amelio provide the Board members copies of ISS's audit of Barclays proxy voting record. Mr. Saul questioned whether the Board members' fiduciary duty required the Board members to review this report periodically. The General Counsel will provide a legal opinion on that question at the January Board member meeting.

4. Executive compensation.

After discussion, the Board members passed the following resolution:

RESOLUTION

> The Board of the Federal Retirement Thrift Investment Board is aware that, unlike most Executive Schedule employees, the Agency's Executive Director is subject to the leave provisions of Chapter 5 of the United States Code because he is not a Presidential appointee. The Board recognizes that Executive Director Gary A. Amelio spends many hours in excess of his scheduled tour of duty in activities benefiting the Agency. His success in these activities is evidenced by the recent achievement award the Board passed and requested that the Office of Personnel Management approve.
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> Inasmuch as the Office of Personnel Management failed to approve this achieve-

ment award in the amount suggested by the Board and in further appreciation for Mr. Amelio's commitment to the Federal Retirement Thrift Investment Board, the Board hereby resolves to award Mr. Amelio 80 hours of annual leave to be used in calendar year 2003 as a time-off award.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 1:00 p.m.

MOTION: That this meeting be adjourned.

for Elizabeth S. Woodruff
Secretary

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