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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 24, 2003

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on July 24, 2003, at 3:00 p.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, 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; Thomas J. Trabucco, Director, Office of External Affairs; Veda R. Charrow, Director, Office of Communications; and Thomas K. Emswiler, Associate General Counsel. Attached is an agenda for the meeting.

1. Approval of the minutes of the June 16, 2003, Board member meeting.

Chairman Saul entertained a motion for approval of the minutes of the open portion of the June 16, 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 June 16, 2003, be approved

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

a. Status of new record keeping system.

Mr. Amelio and Mr. Saul discussed their testimony that was delivered earlier in the day to the House Committee on Government Reform regarding the status of the new record keeping system. They explained that they had advised the Committee that

the system was sound and its integrity was acceptable. However, problems had arisen shortly after implementation on June 16th that slowed access to the web site and created a paper backlog for a variety of transactions, principally loans and rollovers. The Agency and the National Finance Center have been adding and shifting resources to eliminate this backlog. The backlog of loans should be eliminated by the end of the day. Mr. Fink asked if the Committee members expected any followup after the meeting and Mr. Amelio explained that Committee staff asked the Agency to investigate five specific participant complaints, which it had done and that Agency staff was in the process of reporting the results of that investigation to the Committee.

Mr. Saul also described his recent meetings with Secretary of Agriculture Ann Veneman and CFO Edward McPherson. NFC had experienced difficulties with the call center due to the number of calls from participants unable to access the web site. Secretary Veneman assured Mr. Saul that NFC would provide the personnel and hardware necessary to meet the TSP's needs. Mr. Sanchez asked if Mr. Saul was satisfied that the changes promised at NFC would be made and Mr. Saul said that he was.

Lawrence Stiffler, Director, Automated Systems, and the new system project manager, explained in more detail the problems encountered during the implementation of the new system. He explained that access to the loan module via the web had been slow, which was exacerbated by the fact that the volume of loans being processed via the web site had more than tripled over those similarly processed in the legacy system. This, in turn, created a backlog of loan repayment checks awaiting data entry; these checks had been deposited into the Thrift Savings Fund and, thus, had cleared participants' bank accounts but had not yet been transferred to individual accounts. With the addition of NFC and contractor personnel over the weekend, this backlog had been eliminated. A backlog in paper loan requests had also been eliminated. In contrast, the posting of contributions and earnings on a daily basis had proceeded without incident.

Mr. Fink asked when the Agency anticipated that the main bugs in the web access would be solved; Mr. Stiffler explained that work on the main bugs had been completed and that MATCOM was now working on minor bugs. Mr. Duffy pointed out that this would be an ongoing process because, with a system of this size, it was impossible to eliminate all bugs. Mr. Saul commented that the unacceptable part of the implementation was not in the software but on the human side. He pointed out that

the call center was also overloaded, in part, because of a limitation on the number of telephone lines into the NFC.

Mr. Saul noted that the Committee members were principally concerned with participants who had suffered some monetary loss as a result of the delay caused by the backlog; he wondered if the Board should consider assuming responsibility for such damages. Mr. Whiting stated that he would like to know what the private sector did in such a situation. Mr. Fink agreed and stated that he would also like to know more about what kinds of problems participants had encountered and how many people were affected. Mr. Whiting suggested that Agency staff research whether there was a problem and the extent of the problem, and present the findings to the Board for discussion at the August meeting. The Board members agreed that Agency staff would research the extent of the problem and the Agency's legal authority to pay damages.

Mr. Saul also requested that Agency staff research the cost and feasibility of setting up a second call center outside of New Orleans. The Board members agreed.

b. Meeting with Department of Labor.

Mr. Amelio advised the Board members that he had met earlier in the week with Ann Combs, Assistant Secretary, Employee Benefits Security Administration, Department of Labor, and her senior staff. This meeting was, in part, to reinforce the Board's efforts to repair the recent degradation in relations between the two agencies. Mr. Amelio reported that he was very satisfied with the current relationship.

c. Information on Fund statistics, participation rates, contribution deferral rates, and expenses.

Mr. Amelio discussed data requested by various members at prior Board meetings that was provided to the Board members by memoranda dated July 15 and 23 (attached). With respect to expenses, Mr. Amelio reminded the Board members that he would present the Agency's fiscal year 2004 budget for their approval at the September Board member meeting.

d. Legislation.

Mr. Amelio advised the Board members that the Agency had also been asked by the House Committee on Government Reform to comment on two pieces of proposed legislation. The

first would eliminate open seasons for contribution elections, thus permitting participants to start, stop, or change contributions at any time. He stated that Mr. Saul advised the Committee in his written remarks that the Agency supported such an amendment because it should increase participation and contribution rates. The second proposal would permit the employing agencies to automatically increase contribution rates for participants who elected this option. Mr. Amelio explained that such an option could prove to be administratively impracticable and that it was likely the issue could be more easily solved by eliminating open seasons.

e. Meeting schedule.

The Board members agreed to conduct a telephonic meeting on August 18, 2003, and to meet in person on September 15, 2003.

3. Closed session.

On a unanimous vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of a draft request for proposals for audit services. Present during the closed portion of the meeting were the Board members, Mr. Amelio, Mr. Black, and Ms. Woodruff. There being no pending business, there was no discussion of personnel matters or litigation.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 4:40 p.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff

Aug. 18, 2003

Attachments

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