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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

May 12, 2003

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 12, 2003, at 9:15 a.m., Eastern Daylight Time. The meeting was open to the public at the Board's offices at 1250 H Street, N.W., Washington, D.C. In attendance were Scott B. Lukins of Washington, member; Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; James B. Petrick, Acting Executive Director; and Elizabeth S. Woodruff, Secretary. Other agency representatives attending were Lawrence Stiffler, Director, Automated Systems; Thomas J. Trabucco, Director, External Affairs; and Richard White, Office of Benefits and Investments. Attached is an agenda for the meeting.

1. Approval of the minutes of the April 28, 2003, Board member meeting.

Chairman Saul asked for a motion for the approval of the minutes of the open portion of the April 28, 2003, Board member meeting. Mr. Whiting proposed amending the first sentence of the last paragraph of section three to read: "Mr. Saul requested the Agency's General Counsel to advise the Board whether there was a reason Ernst & Young should not direct future audit reports to the Board rather than to the Executive Director."

The following motion was made, seconded, and adopted without objection:

> MOTION: That the first sentence of the last paragraph of section three of the minutes of the open portion of the Board member meeting held on March 31, 2003, be amended in the manner proposed.

Chairman Saul then entertained a motion for approval of the minutes, as amended, of the open portion of the April 28, 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 March 31, 2003, be approved as amended.

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

a. Legislation.

Mr. Petrick reported that the Senate Committee on Governmental Affairs had scheduled a May 15th hearing on Terrence Duffy's nomination to serve as a member of the Federal Retirement Thrift Investment Board.

b. Investment report and participation review.

By memorandum dated May 8, 2003 (attached), Mr. Petrick provided the Board members with a report on the performance of the G, F, C, S, and I Funds during April 2003. He noted that all five funds had a positive performance in April. Chairman Saul pointed out that it is unusual for equity funds and bond funds to have positive performances in the same month.

Mr. Petrick reviewed TSP participation and contribution rates for April 2003. He noted that participation rates continue to be high and that they are much higher than those associated with 401(k) plans. The members discussed the advantages and disadvantages of open seasons for accepting new participants. Mr. Sanchez suggested that the Agency urge Congress to eliminate the statutory open seasons. Mr. Saul stated that this was a topic for immediate consideration and study by the new Executive Director.

3. New system development.

The Director of Automated Systems, Lawrence Stiffler, discussed the status of the new record keeping system's development. Mr. Stiffler advised the Board members

that MATCOM, the new system contractor, had completed another conversion cycle ahead of schedule. He also advised that MATCOM would continue testing but that its testing efforts to date had uncovered no major defects that would prevent implementation of the new system in June. He stated that training for National Finance Center (NFC) personnel was continuing and that NFC personnel were enthusiastic.

Mr. Saul asked how the system would handle a surge in participant usage after implementation. Mr. Stiffler explained that we could not know what the actual traffic would be immediately after implementation but that he had added sufficient servers to handle an increase of 25 percent over the existing maximum capacity. Mr. Whiting asked whether there were any plans to train the agency TSP liaisons on the capabilities of the new system. Mr. Stiffler explained that the Agency has held one training session for agency TSP representatives and that there would be several more. He explained that the Agency had also published numerous bulletins explaining the new functions in detail and that these bulletins are also posted on the TSP Web site.

4. Mid-Year Budget Review.

The Agency's budget for fiscal year 2003 and estimates for fiscal year 2004 were set out for the Board members in the Acting Executive Director's memorandum of May 2, 2003 (attached).

The Board members discussed NFC's costs and the possibility of asking for competitive bids for record keeping services in the future. Mr. Saul asked that the new Executive Director revisit this issue at an appropriate time in the next budget cycle. The Board members also discussed the costs associated with mailing participant statements and possible alternatives. Mr. Saul asked that the new Executive Director undertake a complete review of these costs after implementation of the new record keeping system. The Board members discussed the costs for Agency services such as those provided by GSA for personnel and payroll services, by Barclays for investment management services, and by the Prison Industries for printing. Mr. Saul suggested that the Board members consider policies that promote competition among vendors for all services. Finally, the Board members discussed Agency salaries, vacan-

cies, and bonuses. All of the Board members expressed a desire for a greater understanding of how and what bonuses are given to employees. Mr. Fink also stated that he wanted to look at the growth of administrative expenses since 1986. Mr. Saul asked that the new Executive Director add these items to those already designated for review.

After the Board members discussed the proposed budget revisions, the following motion was made, seconded, and adopted by unanimous vote.

> Motion: That the Board members approve the updated budget for fiscal year 2003 as presented in the Acting Executive Director's May 2, 2003 memorandum (together with the updated 2004 estimate).

5. Litigation.

On a unanimous vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of pending litigation. Present during this portion of the meeting were the Board members, Mr. Petrick, and Ms. Woodruff.

6. Personnel matters.

Prior to the meeting, on a vote taken by the Secretary, the Board members voted unanimously to close the meeting for a discussion of personnel matters. Present during this portion of the meeting were the Board members and Ms. Woodruff. The Board members reviewed the candidates for Executive Director and unanimously selected their top candidate. They agreed to issue a press release on May 19, 2003, announcing this selection (a copy of press release is attached).

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Saul adjourned the meeting at 3:40 p.m.:

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff

June 16, 2003

Attachments

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