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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 17, 2004

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on February 17, 2004, at 9:00 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 (by telephone); Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Terrence A. Duffy of Illinois, member (by telephone); Gary A. Amelio, Executive Director; Elizabeth S. Woodruff, Secretary; James B. Petrick, Director, Benefits and Investments; Thomas J. Trabucco, Director, External Affairs; Lawrence Stiffler, Director, Automated Systems; and Pamela J. Moran, Deputy Director, External Affairs.

1. Approval of the minutes of the January 20, 2004, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the open portion of the January 20, 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 January 20, 2004, be approved.

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

a. 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 March 1, 2004. Expected to testify are the Board's Chairman, the Executive Director, the Chairman of the Employee Thrift Advisory Council, and representatives from the Department of Labor and Barclays Global Investors. Mr. Amelio provided the Board members with draft testimony for comment.

b. Lifestyle/lifecycle funds.

Jim Petrick, Director, Benefits and Investments, summarized for the Board members his office's activities over the past month in interviewing firms that responded to the Agency's request for information on life funds. He outlined his plan to present a draft policy paper to the Board members for their initial consideration at the March Board meeting and a final policy paper at the April Board meeting. The Board members discussed preliminary ideas how a life fund could be constructed and whether placing restrictions on participants' use of a life fund was reasonable. The Board members agreed that the decision to add a life fund was a major decision and that Agency staff should continue the work it had begun.

c. Parallel call center RFP.

Larry Stiffler, Director, Automated Systems, briefed the Board members on the status of the Agency's search for a parallel call center vendor. The evaluation process has almost been completed and Mr. Stiffler expects that a selection will be made before the end of the month. He also expects the parallel call center to be operational as early as July.

The Board members also had a number of questions concerning the current service levels being provided by the National Finance Center's (NFC's) call center. Penny Moran, Deputy Director, External Affairs, described the current volume of calls being handled by NFC.

d. New mainframe computer.

Mr. Amelio explained that the Agency had run into a number of roadblocks from NFC that had prevented the installation of the TSP's new mainframe computer. He advised that, rather than have the computer sit idle, he had instructed Larry Stiffler to prepare a request for quotations (RFQ) to seek another vendor to house the mainframe operations. Mr. Amelio expects to issue the RFQ by the end of the month and to have the mainframe moved, installed, and in operation by late May.

Mr. Amelio described his recent discussion with the Acting Director, TSP Division, NFC, in which he stated that he expected NFC to improve its service to the Agency and cut its costs. With respect to costs, he explained that it had recently become apparent that NFC would not be prepared to take over software maintenance from the Agency's contractors this year.

Mr. Amelio stated that he had therefore suspended training for NFC personnel involved in software development and was considering conducting a competitive procurement for these services. The Board members expressed their unanimous support for Mr. Amelio's plan.

The Board members expressed their concern that the mainframe had been sitting at NFC since mid-January and was not yet installed. They also discussed their dissatisfaction with the level of service the Agency was receiving from NFC on both the mainframe operations and takeover of software maintenance from MATCOM. Following the discussion, the Board members instructed the Board's Secretary to draft a letter to the Secretary of the Department of Agriculture for the Board members' signatures that explained the Board's dissatisfaction with the level of service it was receiving from NFC.

e. 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. Shortly thereafter, Jim Petrick provided the Department of Labor documentation supporting the agency's position that most of the open items should be closed. Mr. Amelio advised the Board members that the Department of Labor had responded. In its response, the DOL explained that how quickly the items can be closed is a budgetary matter and that the DOL would try to close the open items as quickly as it could schedule the items for reaudit.

f. Financial audit.

Mr. Amelio explained that because the Agency had a new audit team and because the Agency's financial audit would be more extensive than in the past, the auditor's report would not be available for the April Board meeting as in the past. He proposed that the report be discussed at the June meeting instead.

g. Board member training.

Mr. Amelio described three options for fiduciary training for the Board members. After a discussion, the Board members indicated that they preferred training that was customized for the TSP and that could be delivered in Washington in conjunction with a Board meeting.

h. Investment results.

Jim Petrick presented the investment results for the month ending January 31, 2004. Investment returns for all of the funds are positive for the 12 months ending in January. The Board members discussed trends in contributions and inter-fund transfers.

3. Closed session.

On a unanimous vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of internal personnel matters. Present during this portion of the closed meeting were the Board members, Mr. Amelio, Ms. Woodruff, and, for part of the closed session, Mr. Stiffler.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 12:10 p.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff
Secretary

March 15, 2004

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