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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

October 18, 2004

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on October 18, 2004, at 9:00 a.m., Eastern Daylight Time. The meeting was open to the public at the offices of Spherix, Inc., 12501 Willowbrook Road, Cumberland, MD. In attendance were Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Terrence Duffy of Illinois, member (by telephone); Gary A. Amelio, Executive Director; Elizabeth S. Woodruff, Secretary and General Counsel; David L. Black, Director, Accounting; Susan Smith, Acting Director, Administration; 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 were representatives of the Department of Labor and the Government Accountability Office.

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

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

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

a. Accounting report.

David L. Black, Director, Accounting, advised the Board members that the Department of Treasury's lock box program is still expected to go into effect in February 2005; that, effective November 1st, all reporting between the TSP and its investment manager, Barclays Global Investors, will be automated;

that Deloitte & Touche will begin its yearly financial audit in early November; that the Agency has not yet received the final invoice from the National Finance Center for fiscal year 2004, although the Agency has received invoices for October 2003 through August 2004, and that he was not sure when the final fiscal year 2004 invoice would be received. Finally, Mr. Black advised the Board members that on October 14, 2004, the Secretary of the Treasury had advised the Agency that, due to the Congressionally-mandated debt limit, the Treasury was suspending issuance of securities to the G Fund; however, FERSA requires that the G Fund be made whole at such time as the suspension is lifted. Mr. Black further advised that this debt suspension was the ninth or tenth suspension in the history of the TSP and that the TSP has always been made whole, as required by statute.

Mr. Fink asked how the Agency monitored and protected accounts in which there was no activity, such as those belonging to participants for whom the TSP has no current address. After a discussion, Mr. Saul requested that the staff prepare a report for the next Board meeting.

b. Administration report.

Susan Smith, Acting Director, Administration, advised the Board members that Robert Battersby, the Agency's new contracting officer, was reporting to work that day. She also reported that the construction on the renovation of the Agency's facilities had been completed, but that the project was in suspense until certain finishes could be received and installed.

c. Automated Systems report.

Lawrence E. Stiffler, Director, Automated Systems, reported that the new Reston data center was made operational on September 27 and experienced only minimal, brief connectivity issues that had been anticipated. Although participants will not see much difference, the new data center has cut processing times by two-thirds, with the primary impact being on the background processing. Mr. Amelio advised the Board members that he was making plans for a site visit by the Board members in connection with a future Board meeting.

d. Benefits Services report.

Pamela-Jeanne Moran, Director, Benefits Services, discussed the work metrics for the call centers and operations, the number of telephone calls the TSP was receiving, as well as

the number of forms being processed. Mr. Amelio advised the Board members of a recent trip to review the operations of Fidelity Investment. Mr. Amelio explained that the visit demonstrated that the TSP's operations were competitive with those of the largest plan administrators.

Mr. Fink questioned whether there was any way to determine the number of participants who actually review their statements on the web. Mr. Stiffler explained that it was not; Ms. Moran suggested that such an inquiry might be added to the TSP participant survey that she was planning.

e. External Affairs report.

Thomas J. Trabucco, Director, External Affairs, advised the Board members that Congress had not yet acted on either of the bills that would eliminate TSP open seasons. He reported that the primary distinction between the Senate and House bills was the cost of accelerating matching contributions. Mr. Saul asked whether the Board members should take any action to ensure that elimination of open seasons not lose momentum because of the cost of accelerating matching contributions. Mr. Trabucco promised to convey the Board's concern to the respective committee chairs.

f. Comments by Spherix CEO.

Richard Levin, Chief Executive Officer of Spherix, Inc., welcomed the Board members and FRTIB staff to Spherix's call center operations and explained the history of the company. Spherix's Cumberland, Maryland, facility has been performing call center services for the TSP since July 2004. Following the meeting, the Board members were given a tour of the facility.

3. Investment policy review.

By memorandum dated October 8, 2004, Mr. Amelio provided the Board members with a report on the performance of the G, C, F, S, and I Funds during the third quarter of 2004. At Mr. Amelio's request, James B. Petrick, Director, Investments, briefed the Board members on the Funds' performance, including Barclays' second quarter proxy voting report.

After this discussion, the members made, seconded, and adopted the following resolution by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. §§ 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund and shall review the performance of investments made for the Thrift Savings Fund (5 U.S.C. § 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance of the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

4. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting for discussions of procurement and internal personnel matters. Present during the closed portion of the meeting concerning procurement were the Board members, Mr. Amelio, Ms. Woodruff, Ms. Moran, Mr. Black, Mr. Stiffler, Mr. Petrick, and Ms. Smith. Present during the closed portion of the meeting concerning personnel matters were the Board members, Mr. Amelio, and Ms. Woodruff.

During the closed session, Mr. Whiting questioned what practices the Agency followed to determine that a contractor continued to be financially sound during the contract period.

Mr. Saul and Mr. Whiting expressed their opinions that the Agency should be actively engaged in reviewing the financial records of selected contractors. Ms. Woodruff explained that this discussion should be conducted in an open meeting. Mr. Saul asked that Agency staff consider the inquiry and prepare a policy memorandum for the Board members to consider during an open meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 11:40 a.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff
Secretary

Nov. 15, 2004

NOTE: Tri State Reporters, Inc., made a verbatim transcript of this meeting.