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Description of document: **Meeting minutes of the Federal Retirement Thrift Investment Board (Agency) for 2002**

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Title of Document: Minutes of the Meeting of the Board Members, January 22, 2002, February 19, 2002, March 18, 2002, April 15, 2002, May 20, 2002, June 17, 2002, July 15, 2002, August 19, 2002, September 17, 2002, October 21, 2002, November 18, 2002, December 16, 2002

Source of document: FOIA Officer
Federal Retirement Thrift Investment Board
1250 H Street, N.W.
Washington, D.C. 20005-5985

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

August 22, 2008

I am responding to your request, dated August 10, 2008, to the Federal Retirement Thrift Investment Board (Agency) in which you made a request for records under the Freedom of Information Act (FOIA), 5 U.S.C. 552, as amended. Your request and our response are set forth below:

REQUEST

An electronic (not paper) copy of the 2002 meeting minutes of the Federal Retirement Thrift Investment Board, by e-mail, CD or DVD.

RESPONSE

Your request is granted. Enclosed is a CD containing the Board meeting minutes from January 2002 through December 2002.

Please contact me if you have any questions regarding your FOIA request. I can be reached at amanda.martz@tsp.gov or (202) 942-1660.

Sincerely,

A handwritten signature in black ink that reads "Amanda P. Martz". The signature is written in a cursive, flowing style.

Amanda P. Martz
FOIA Officer

Enclosure



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

January 22, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on January 22, 2002, at 10:00 a.m., Eastern Standard 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director, Elizabeth S. Woodruff, Secretary; and Thomas J. Trabucco, Director, External Affairs. William Bailey of the Department of Labor and Mary Rose Papandrea, Williams & Connolly, also attended.

1. Approval of the minutes of the December 10, 2001, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the December 10, 2001, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on December 10, 2001, be approved.

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

a. Legislation.

Congress adjourned December 20, 2001, and will return for the second session of the 107th Congress on January 23, 2002. The President will give the State of the Union address on January 29, and will release his budget for fiscal year 2003 on February 4.

Mr. Mehle advised the Board members that on December 3, 2001, he sent to the House and Senate proposed legislation to clarify the authority of the Board to bring suit. On January 8, he sent a letter to Senator Stevens asking that he introduce the legislation.

Senator Akaka has introduced S. 1821 and S. 1822, companion bills to H.R. 3340 and H.R. 3354 authorizing the TSP to accept catch-up contributions from persons aged 50 and over, and requiring agencies to provide immediate employer contributions for TSP participants.

b. Uniformed Services.

The first open season for the uniformed services began October 9 and will continue through the end of January. By January 18, more than 120,000 uniformed services members had enrolled. The National Finance Center's (NFC) changes to the current record keeping system were successful and the TSP has begun to accept uniformed services contributions. NFC will continue to make the changes needed to support additional transactions such as loans and withdrawals.

c. New system development.

MATCOM's work on the design and development phase is continuing without a problem. MATCOM's contract requires completion in July; based on its performance to date, Mr. Mehle advised the Board members that he expects the new system to be implemented in the second half of 2002. The specific date will be announced in the Highlights issued for the May - July open season.

d. Litigation.

The Board members voted unanimously to close the meeting so that they might receive information from Mr. Mehle regarding the suit against AMS.

3. Review of KPMG Peat Marwick audit reports.

Mr. Mehle briefed the members on the following Department of Labor report, which was provided to them in advance of this meeting:

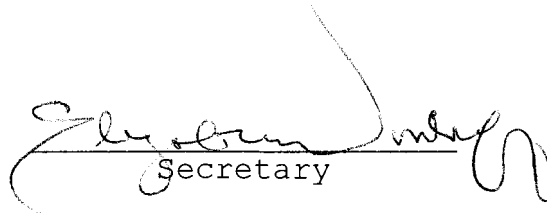
Executive Summary of the Fiduciary Oversight Program for the Thrift Savings Plan as of September 30, 2001, United States Department of Labor, Pension and Welfare Benefits Administration.

In the executive summary's overall assessment, the Department of Labor noted:

Since the Department of Labor (DOL) began its annual fiduciary compliance audits of the Thrift Savings Plan (TSP) 14 years ago, we have consistently reported that TSP assets have been reasonably safeguarded and that appropriate steps have been taken by all TSP fiduciaries to comply with FERSA.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:37 a.m.

MOTION: That this meeting be adjourned.


Secretary

9/19/02

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 19, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on February 19, 2002, at 10:00 a.m., Eastern Standard 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary.

1. Approval of the minutes of the January 22, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the January 22, 2002, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on January 22, 2002, be approved.

2. Labor Department audit briefing.

William H. Bailey, Jr., Senior Auditor, FERSA Compliance, attended the meeting as the representative of the Department of Labor. Also in attendance were representatives from the accounting firm of KPMG LLP, the Department's contract auditor, and Board staff. A list of attendees is attached.

Mr. Bailey provided the members with an overview of the Department's fiduciary compliance audit program for fiscal year 2001 and discussed some of the fiscal year 2001 audit findings. Diane Dudley, Partner, KPMG LLP, discussed the scope of the fiscal year 2002 audit program, which has already begun. In particular, the Department of Labor reported that TSP assets were reasonably safeguarded during FY 2001, and that appropriate steps had been taken by all TSP fiduciaries to comply with FERSA.

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

a. Legislation.

Mr. Mehle advised the Board members that on February 5, 2002, the Department of Justice sent a letter to the House and Senate stating that the Administration strongly opposed the Board's proposed legislation to clarify the authority of the Board to bring suit. On February 14, Mr. Mehle sent copies of the Board's proposed legislation to the chairmen and ranking members of the committees and subcommittees in the House and Senate with jurisdiction over the TSP to urge the legislation's passage.

Also before the House and Senate are bills authorizing the TSP to accept catch-up contributions from persons aged 50 and over, and requiring agencies to provide immediate employer contributions for TSP participants. Congressional action on these is expected in the forthcoming months.

b. New system development.

MATCOM has completed work on the design and development of several elements of the new record keeping system and has turned them over to Board staff for review. The NFC re-development team, under the leadership of Ed McManus, continues to do an outstanding job of balancing all the requirements given to it. Mr. Mehle announced, with regret, that Mr. McManus intends to retire in May.

c. Litigation.

The Department of Justice has filed a motion to intervene and a motion to dismiss in Mehle v. American Management Systems, Inc., Civ. No. 01-1544 (D.C. Cir.). In the same action, AMS filed a motion to dismiss and a motion for summary affirmation. Mr. Mehle advised the Board members that the agency's response would be filed today.

On February 8, the 14 Federal and Postal employee unions and associations that make up the Employee Thrift Advisory Council filed a motion in the Court of Appeals requesting leave to file an amicus curiae brief supporting the Board's position. The court is unlikely to act on this motion until the other outstanding motions are decided.

On February 6, the Department of Justice filed a reply brief in the Court of Federal Claims, completing the

briefing on the government's motion to dismiss AMS's complaint for lack of jurisdiction. On February 12, Judge Miller sua sponte entered an order recusing herself from the case on the ground that she is a TSP participant. The case has been re-assigned to Senior Judge James F. Merow.

4. Investment policy review.

By memorandum dated February 1, 2002, Mr. Mehle provided the Board members with a report on the performance of the G, C, F, S, and I Funds during the fourth quarter of 2001. After Mr. Mehle briefed the Board members on this report, the following resolution was made, seconded, and adopted 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 and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock 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 Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:17 a.m.

MOTION: That this meeting be adjourned.


Secretary
8/18/2002

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 18, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on March 18, 2002, at 10:00 a.m., Eastern Standard 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. William Bailey of the U.S. Department of Labor and Robert Westerbrook of KPMG also attended.

1. Approval of the minutes of the February 19, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the February 19, 2002, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on February 19, 2002, be approved.

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

a. Legislation.

Mr. Mehle advised the Board members that on March 14, 2002, the House Committee on Government Reform approved H.R. 3340, the bill introduced by Congresswoman Morella that would allow the TSP to accept catch-up contributions from persons aged 50 and older. The bill now goes to the House floor for a vote; however, that vote has not been scheduled. A similar bill is pending in the Senate; Mr. Mehle expects the Senate Committee to act on its bill soon.

b. New system development.

MATCOM plans to complete most of the software development for the new record keeping system by the end of March and to begin testing in April. Board staff, NFC, and MATCOM have developed a conversion plan that calls for the TSP to begin

production with the new system on August 12. This date will have to be confirmed after new system testing in early April. Mr. Mehle advised the Board members that announcement of the implementation date will be made in the Highlights which will be sent to all participants with their semiannual account statements in May.

Mr. Mehle also advised the Board members that the Government is again approaching the outstanding debt limit. The effect on the TSP is that the Treasury may not issue securities to the G Fund that would cause the statutory limit to be exceeded. This has happened five times in the past and each time the G Fund has been made whole, as required by legislation enacted in 1987.

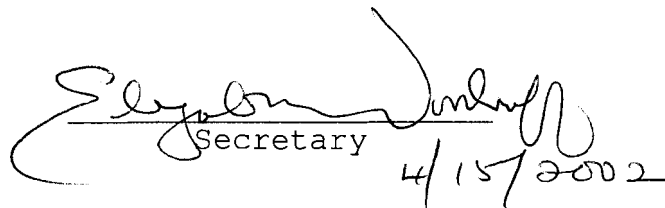
c. Litigation.

Mr. Mehle advised the Board members that the status of the actions pending in the Court of Appeals for the District of Columbia Circuit and in the Court of Federal Claims remains the same as described at the last Board member meeting, with one exception; on February 27, the Court of Appeals granted the motion of the Employee Thrift Advisory Council to file an amicus curiae brief supporting the Board's position.

Mr. Mehle also advised the Board members of the effect of a recent indictment filed by the Department of Justice against Arthur Andersen, the Board's auditor. Because of the indictment, the General Services Administration has suspended the firm from doing any new business with Federal Government agencies. This means that the Board will need to begin a procurement action to secure the services of an auditor for the Board's 2002 financial statements.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:25 a.m.

MOTION: That this meeting be adjourned.


Secretary 4/15/2002

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

April 15, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on April 15, 2002, at 10:00 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. William Bailey of the U.S. Department of Labor also attended.

1. Approval of the minutes of the March 18, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the March 18, 2002, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on March 18, 2002, be approved.

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

a. Legislation.

Mr. Mehle advised the Board members that both the House Committee on Government Reform and the Senate Committee on Governmental Affairs have approved bills that would allow the TSP to accept catch-up contributions from persons aged 50 and older. The bills will next go to their respective chambers for a vote; however, those votes have not been scheduled.

b. New system development.

MATCOM is currently testing the software developed for the new record keeping system and is on schedule for a July 31, 2002, delivery. Board staff plans to convert the existing data in July and to run both the new and existing systems in August for final testing. Mr. Mehle advised the Board members that he intends to announce that the new system will be

implemented in September in the Highlights, which will be sent to all participants with their semiannual account statements in May.

Mr. Mehle also advised the Board members that the Government has again approached the outstanding debt limit. Consequently, beginning April 4, 2002, the Treasury has not accepted for investment all monies in the G Fund. This has allowed the Treasury to stay under the statutory limit. Mr. Mehle expects that the G Fund will be made whole, as required by legislation enacted in 1987, when Congress raises the debt limit or the Treasury otherwise has sufficient headroom beneath the debt limit fully to invest monies in the G Fund (with accrued interest).

c. Litigation.

Mr. Mehle advised the Board members that the status of the actions pending in the Court of Appeals for the District of Columbia Circuit and in the Court of Federal Claims remains the same as described at the last Board member meeting.

d. Recognition of service of retiring Director of Office of Administration.

Mr. Mehle advised the members that Strat D. Valakis will retire on May 3, 2002, after 15 years with the Board and nearly 33 years with the Federal Government. The following resolution recognizing Mr. Valakis' tenure at the Board was made, seconded, and adopted by unanimous vote:

RESOLUTION FOR MR. VALAKIS

WHEREAS Strat D. Valakis has served as the first Director of the Office of Administration of the Federal Retirement Thrift Investment Board, from 1987 to 2002; and

WHEREAS Strat D. Valakis also has served as the first Chief Operating Officer of the Board from 1993 to 2002; and

WHEREAS Strat D. Valakis has made outstanding contributions to the development of administrative policies and program operations of the Thrift Savings Plan; and

WHEREAS the Thrift Savings Plan has been a highly successful, cost-effective retirement savings program for over two and one-half million Federal civilian employees and members of the uniformed services, in large measure because of the excellence of its administrative program and operations; and

WHEREAS Strat D. Valakis is retiring from Federal Government employment after nearly 33 years of faithful civilian and military service; and

WHEREAS the Federal Retirement Thrift Investment Board wishes to recognize Strat D. Valakis for his service to the Board;

NOW THEREFORE BE IT RESOLVED that the Federal Retirement Thrift Investment Board expresses its deep appreciation to Strat D. Valakis for his outstanding contribution to the effective development and efficient operation of the Thrift Savings Plan.

3. Review of Arthur Andersen annual financial audit.

Steven Stanton and Trey Block of Arthur Andersen, LLP, presented the results of their firm's annual financial audit of the Thrift Savings Fund, which covered calendar year 2001. David Black, the Board's Director of Accounting, was in attendance for this presentation.

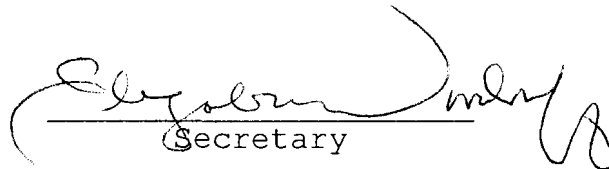
Mr. Stanton noted that Arthur Andersen's audit resulted in an unqualified opinion that the Board's financial statements were fairly presented in accordance with auditing standards generally accepted in the United States. Mr. Stanton and Mr. Block commended Mr. Black and his staff for their cooperation, and gave assurances on the state of the Board's financial accounting processes and its control procedures over the Thrift Savings Fund.

Mr. Stanton also discussed the possibility that many of Arthur Andersen's Chesapeake Region auditing staff would

soon be moving to a new firm, and that the firm might be prepared to honor Arthur Andersen's current auditing contract with the Board.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:38 a.m.

MOTION: That this meeting be adjourned.


Secretary
5/20/02

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

May 20, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 20, 2002, at 9:00 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. Also in attendance during the course of this meeting were senior staff of the Board. William Bailey of the U.S. Department of Labor also attended the portions of the meeting that were open to the public.

A. Staff Presentations.

The purpose of this part of the meeting was to provide the Board members with a comprehensive review of Board operations during the past year, as well as information regarding future Board activities. After a brief introduction by the Executive Director, the Board members received briefings from senior staff of the Board regarding their areas of responsibility. Each briefing and question period lasted between 20 and 30 minutes; they are recorded in the written transcript. The charts used as briefing graphics by Board staff are attached to these minutes. The senior staff who presented briefings and their areas of responsibility are:

1. NFC Record Keeping and New TSP System.

Lawrence Stiffler, Director
Office of Automated Systems and
Project Manager for System Replacement

2. Congressional/Agency/Participant Liaison.

Thomas Trabucco, Director
Office of External Affairs

Pamela-Jeanne Moran
Deputy Director

3. Benefits and Investments.

James Petrick, Director
Office of Benefits and Investments

4. Participant Communications.

Veda Charrow, Director
Office of Communications

B. Business Session.

1. Approval of the minutes of the April 15, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the April 15, 2002, Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting held on April 15, 2002, be approved.

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

Mr. Mehle stated that the relevant staff presentations in the morning session would take the place of his report on the status of the new TSP system and legislation.

a. Debt Limit

Mr. Mehle advised the Board members that the Treasury had again reached the debt limit and had declined to invest a portion of the monies available for investment in the G Fund. He pointed out that this would continue until Congress raised the debt limit and that, by statute, participants will be made whole by the Treasury for lost earnings at that time.

b. Successor to Arthur Andersen. Ernst & Young has taken over Arthur Andersen's Chesapeake Region practice (Washington, Baltimore, and Richmond), including the staff who have worked on the Board's audit, with the exception of Steve Stanton, the Arthur Andersen partner. The firm has also agreed to undertake the Board's 2002 mid-year review and annual audit on the same terms and conditions as the Board's contract with Arthur

Andersen. The Board can then proceed with a procurement for a new auditor in 2003 on the normal procurement schedule.

c. Litigation.

The meeting was closed for a discussion of pending litigation with American Management Systems, Inc.

3. Approval of the Update of the FY 2002 Budget and FY 2003 Estimates.

The Board's budget for fiscal year 2002 and estimates for fiscal year 2003 were set out for the Board members in the Executive Director's memorandum of May 3, 2002. A decrease of \$2.7 million is expected for fiscal year 2002 expenditures from the budget approved in September of 2001. The major cause of this decrease was a change in printing costs due to deferral of publication of Plan summaries and to lower-than-anticipated costs for Plan materials for the uniformed services. Offsetting the decrease was an increase in new TSP system contract expenditures for added functionality.

The current estimate for fiscal year 2003 is that expenditures will exceed the estimate that was made in September of 2001 by \$3.1 million, due largely to a rescheduling of certain contract deliverables and to deferred printing costs.

After Mr. Mehle briefed the Board members on 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 2002 as presented in the Executive Director's May 3, 2002, memorandum (together with the updated 2003 estimate).

4. Investment policy review.

By memorandum dated May 3, 2002, Mr. Mehle provided the Board members with a report on the performance of the G, F, C, S and I Funds during the first quarter of 2002. After Mr. Mehle briefed the Board members on this report, the following resolution was made, seconded, and adopted 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, and the Fixed Income Index Investment Fund, as well as the investment policies for the Government Securities Investment Fund (established at its January 23 and August 24, 1987, meetings), the Common Stock Index Investment Fund (established at its meeting on May 29, 1987), the Fixed Income Index Investment Fund (established at its meetings on June 22 and July 27, 1987, and May 21, 1990), the Small Capitalization Stock Index Fund (established at its meeting on May 15, 1995), and the International Stock Index Investment Fund (established at its meeting on May 15, 1995); and

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

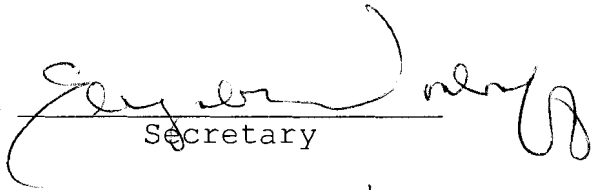
NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Fund, and the International Stock Index Investment Fund are affirmed without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

5. Status of audit recommendations.

By memorandum dated May 3, 2002, Mr. Mehle provided the Board members with the status of audit recommendations. Mr. Mehle briefed the Board members on this memorandum.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 1:30 p.m.

MOTION: That this meeting be adjourned.


Secretary
June 17, 2002

Note: A verbatim transcript of the portions of this meeting that were open to the public was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 17, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on June 17, 2002, at 10:00 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. William Bailey of the U.S. Department of Labor also attended.

1. Approval of the minutes of the May 20, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the open portion of the May 20, 2002, 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 May 20, 2002, be approved.

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

a. Legislation.

Congress has been preoccupied with organization of the executive branch to include a Department of Homeland Security. No action has been taken on the issues of interest to the TSP, which are the Board's independent litigating authority, the over-50 catch-up contributions, and raising the statutory debt limit.

b. New system development.

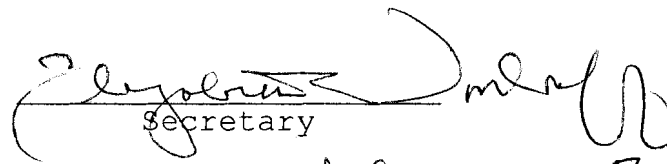
MATCOM is on schedule for delivery of the new system software on July 31, 2002, and its implementation on September 16, 2002. Board staff began conversion of existing data in early June. All remaining hardware was also installed in early June. Integration testing has begun and will continue until user acceptance testing begins on July 8.

c. Litigation.

The meeting was closed for a discussion of pending litigation with American Management Systems, Inc., on a four to one vote, with Mr. Fink voting "no."

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:30 a.m.

MOTION: That this meeting be adjourned.


Secretary
July 15, 2002

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 15, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on July 15, 2002, at 10:00 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and Elizabeth S. Woodruff, Secretary. William Bailey of the U.S. Department of Labor also attended.

1. Approval of the minutes of the June 17, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the open portion of the June 17, 2002, Board member meeting. Mr. Fink asked that the minutes be amended to state that he had voted against closure to the public of the meeting's discussion of litigation. The following motion was then made, seconded, and adopted without objection:

MOTION: That the minutes of the open portion of the Board member meeting held on June 17, 2002, be approved, with Mr. Fink's amendment.

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

a. Legislation.

The Joint Committee on Taxation has confirmed that the cost of expanding over-50 catch-up contributions to TSP participants was assumed in the revenue estimate associated with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Mr. Mehle expects that Congress will take up the pending legislation to permit TSP catch-up contributions before the end of the current session.

Congress took action on June 27, 2002, to raise the debt limit by \$450 billion, which should last until next year. All accrued interest has been credited to the G Fund.

b. New system development.

MATCOM is on schedule for delivery of the new system software on July 31, 2002, and its implementation on September 16, 2002. User acceptance testing began on July 10 and will continue through the end of the month. MATCOM and its subcontractors have also begun training NFC personnel for the production environment.

c. Litigation.

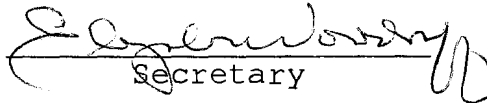
The meeting was closed for a discussion of pending litigation with American Management Systems, Inc., on a vote taken by the Secretary before the meeting, with only Mr. Fink voting against closure.

3. Miscellaneous.

Mr. Fink moved that the Chairman call a special meeting with the Department of Labor pursuant to the June 25 letter of Ann Combs to the Chairman. Mr. Atkins ruled the motion out of order, the same matter having been raised and disposed of in the closed portion of the current meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:43 a.m.

MOTION: That this meeting be adjourned.


Secretary

Aug. 19, 2002

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 19, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on August 19, 2002, at 10:00 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; David L. Hutner, Head, Investments and Program Analysis Section; and Elizabeth S. Woodruff, Secretary. William Bailey of the U.S. Department of Labor also attended.

1. Approval of the minutes of the July 15, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the open portion of the July 15, 2002, Board member meeting. The following motion was then made, seconded, and adopted without objection:

MOTION: That the minutes of the open portion of the Board member meeting held on July 15, 2002, be approved.

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

a. Miscellaneous.

Mr. Atkins called to the Board members' attention the cover story of the August 19, 2002, edition of Newsweek magazine, written by Jane Bryant Quinn, which cites favorably the TSP's choices of investment funds.

Mr. Mehle introduced to the Board members David L. Hutner, Head of the Investments and Program Analysis Section, Office of Benefits and Investments, who will replace Elizabeth Woodruff as the Secretary of the Board, effective with the next Board member meeting, in September. The change was made to increase the time Ms. Woodruff has to devote to the demands of the pending litigation against American Management Systems and the management of her office.

b. Legislation.

Congress is in recess until Labor Day, so there will be no activity until next month. Mr. Mehle expects that, before the end of the current session, Congress will take up the pending legislation to permit catch-up contributions by TSP participants who are over 50 years of age.

c. New system development.

Mr. Mehle reported that the replacement TSP record keeping system will not be ready for September implementation as previously scheduled. The primary reason for the delay is that the conversion of data from the old system to the new system, which commenced in early August, has taken longer than expected. Although there remain issues to resolve to ensure that all of the data have been converted correctly, the conversion has now been completed to the point that "catch-up" processing of August contribution transactions has begun. Catch-up processing is necessary to test both that the new system can process contributions accurately and that it can do so in a timely manner. After the catch-up processing is completed and its results are validated, testing of the new system will be expanded to "money-out" transactions, such as loans and withdrawals.

Despite the data conversion difficulties, Mr. Mehle continues to have confidence in the MATCOM team, which has been responsive in addressing issues as they have arisen. Chairman Atkins, Ms. Marshall, and Mr. Harrell indicated that they are pleased that the MATCOM team has progressed as far as it has before encountering any problems in implementation of the new system.

Sufficient information is not yet available to establish a new implementation date. Since TSP participants must be advised of the delay soon, an announcement thereof may occur before a new implementation date can be established, in which case the announcement will advise participants that a new implementation date will be forthcoming. Mr. Mehle will keep the Board members apprised of significant developments relating to establishment of a new implementation date.

3. Investment policy review.

By memorandum dated August 2, 2002, Mr. Mehle provided the Board members with a report on the performance of the G, F, C, S and I Funds during the second quarter of 2002. After Mr. Mehle briefed the Board members on this report, the following resolution was made, seconded, and adopted 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. Ernst & Young semiannual financial review

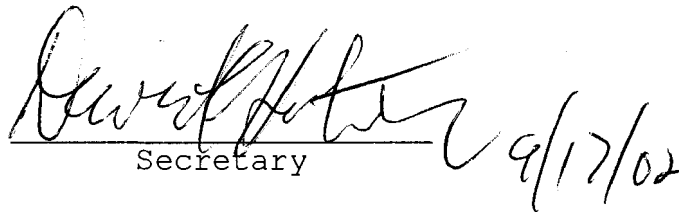
Ernst & Young has replaced Arthur Andersen as the independent financial auditor of the Thrift Savings Fund. In a letter dated July 19, 2002, Kevin Davis, the Ernst & Young engagement partner, described the procedures performed during the semiannual review, which are less extensive than those done during a full annual audit. Ernst & Young stated that, based on its review, it was not aware of any material modifications that should be made to the June 30, 2002, financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

5. Litigation.

The meeting was closed for a discussion of pending litigation with American Management Systems, Inc., on a vote taken by the Secretary before the meeting, with only Mr. Fink having voted against closure of this portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:58 a.m.

MOTION: That this meeting be adjourned.


Secretary 9/17/02

Note: A verbatim transcript of this meeting was made by BETA reporting services.

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



MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 17, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 17, 2002, at 9:00 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 (by telephone), member; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and David L. Hutner, Secretary. William Bailey of the U.S. Department of Labor also attended. An agenda for the meeting is attached.

1. Approval of the minutes of the August 19, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the open portion of the August 19, 2002, Board member meeting. The following motion was then made, seconded, and adopted without objection:

MOTION: That the minutes of the open portion of the Board member meeting held on August 19, 2002, be approved.

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

a. Legislation.

Mr. Mehle reported that Congress is expected to be in session until early October and that it is also expected that there will be a lame duck session after the November elections. None of the 13 major appropriations measures have yet passed, so there will have to be continuing resolutions to keep the Federal Government functioning.

The legislation to permit catch-up contributions by TSP participants who are 50 years of age and over is still pending.

There are two additional pieces of proposed legislation affecting the TSP. First, a bill that has been proposed in the

Senate as S. 2707 would change the order of precedence for payment of TSP death benefits by making the surviving spouse first in the order of precedence, even ahead of any beneficiaries designated by the participant. Under current law, designated beneficiaries have priority over surviving spouses, so this would be a significant change. The Board has no objection to the legislation, but has requested that the period for implementation be extended to one year (instead of 90 days) and has sought clarification regarding applicability of the measure to common law spouses.

Second, legislation is under consideration to provide additional relief for those injured in the September 11 attacks. Under current law, persons receiving workers' compensation cannot contribute to the TSP from such payments. The Virginia delegation is particularly interested in this limitation, and legislation to address it may well be introduced.

b. New system development.

Mr. Mehle recounted that at the August Board member meeting he had reported that the new TSP record keeping system would not be implemented in September 2002, but that a new date had not then been set. In an August 20 press release, it was announced that the new target date, although not a firm commitment, was November 2002. On September 16, Mr. Mehle met with the chief executive officer of MATCOM and the vice-president of SunGard Employee Benefit Systems, as well as others involved in the project, to discuss progress that had been made to date. While a November implementation is still possible, there are several issues that must be resolved no later than October 4 in order for the November date to be met.

Of primary concern is the conversion of data from the old system to the new system. There are approximately 1250 data elements for each account that must be mapped and properly converted to the new system. In order to correct the problems that were identified in the August conversion, the MATCOM team has created a subset of the entire TSP database. Conversion of this subset can be accomplished much more quickly than can that of the complete database (which contains some 2 billion records), thereby providing more frequent opportunities to verify fixes made to the conversion programming.

It must also be demonstrated that crediting of contributions can be accomplished within a five- to six-hour nightly "window" (contribution cycles have been taking more than 12 hours), and that "money-out" transactions (i.e., loans, withdrawals, and interfund transfers), system reporting, and system ac-

counting are working properly. Testing of these functions can also be accomplished on the database subset.

There is also a potential IBM operating system issue that has caused the mainframe sporadically to delay processing jobs. The MATCOM team has called in an IBM mainframe specialist to review and attempt to resolve this problem. Although the team is confident that this problem can be resolved, it may take some time.

In sum, Mr. Mehle indicated that, given the number of issues that must be resolved by October 4, he is doubtful about a November implementation date.

3. FY 2003 and 2004 Budgets

Mr. Mehle and the Board members discussed the projected actual expenditures for fiscal year 2002, the proposed budget for fiscal year 2003, and the budget estimates for fiscal year 2004, which Mr. Mehle had forwarded to the Board members by memorandum dated August 30, 2002.

Mr. Mehle reviewed the current projections of actual expenditures for FY 2002, which are approximately \$9 million less than was budgeted last May. He identified the primary components of the \$9 million reduction.

Mr. Mehle presented the proposed FY 2003 budget and noted that it is less than the projected FY 2002 actual expenditures. He identified the primary component of this difference as the \$15 million spent for development of the new record keeping system in FY 2002, which will not be spent in FY 2003.

Mr. Mehle presented the first FY 2004 budget estimate and noted that it is less than the proposed FY 2003 budget. This difference is largely attributable to FY 2003 expenditures related to the new record keeping system that will not be necessary in FY 2004.

After discussion, the following motion was made, seconded, and adopted by unanimous vote:

MOTION: That the Board approve the budget for fiscal year 2003 as proposed in the Executive Director's memorandum dated August 30, 2002, which is to be made a part of these minutes and attached hereto, such


budget, together with the fiscal year 2004 budget estimates (also set forth in the August 30 memorandum), to be submitted to the Office of Management and Budget for inclusion in the fiscal year 2004 Budget of the United States Government.

4. Litigation.

The meeting was closed for a discussion of pending litigation with American Management Systems, Inc. (including a presentation by Elizabeth S. Woodruff, General Counsel, on the status of the litigation) on a vote taken by the Secretary before the meeting, with only Mr. Fink having voted against closure of this portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 11:48 a.m.

MOTION: That this meeting be adjourned.


Secretary 10/21/08

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

October 21, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a telephone meeting of the Board members on October 21, 2002, at 10:00 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member; Roger W. Mehle, Executive Director; and David L. Hutner, Secretary. William Bailey of the U.S. Department of Labor, Stephen Barr of The Washington Post, and Thomas J. Trabucco, Director of the Board's Office of External Affairs, also attended. An agenda for the meeting is attached.

1. Approval of the minutes of the September 17, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the open portion of the September 17, 2002, Board member meeting. The following motion was then made, seconded, and adopted without objection:

MOTION: That the minutes of the open portion of the Board member meeting held on September 17, 2002, be approved.

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

a. Legislation.

Mr. Mehle reported that Congress has adjourned until the lame duck session, which is expected to commence on November 12, 2002, and continue for several days thereafter. There may be another lame duck session after that, since there are many appropriations bills that have not yet been passed.

The legislation to permit catch-up contributions by TSP participants who are 50 years of age and older has passed the

House unanimously. It is expected that the Senate will act favorably on the House's version in the lame duck session.

The death benefits legislation pending in the Senate (S. 2707), which would give spouses of deceased TSP participants priority over a beneficiary designated by the participant, is still pending. The provision is to apply only to statutory spouses, not common law spouses. It does not appear likely that this legislation will pass in 2002, but it may be reintroduced in 2003.

At the last Board member meeting, it was noted that legislation was being considered to permit those injured in the September 11 attacks to contribute to the TSP from workers' compensation payments, which is not permitted under current law. A different solution is now under consideration, which would increase the accrual of benefits under the FERS or CSRS basic annuity for the period an employee is receiving workers' compensation. That approach would not affect the TSP.

b. New system development.

Mr. Mehle noted that on October 11, 2002, the Board had announced that it would not be able to implement the new TSP record keeping system by the November date that had been set as a target (but not firm) date. He stated that the conversion of three years of historical data from the old to new system had now been successfully completed; this will facilitate ongoing "parallel testing."

There is a 12-hour daily processing window during which the new system must be able to process incoming contributions and other transactions. Since testing has revealed that large agency payroll submissions are taking too long to process within this window, the MATCOM team is evaluating splitting the database into five separate databases (sorted by participants' Social Security numbers) which would process simultaneously. Preliminary testing with the database split in half has indicated that processing times have been cut in half. The Board is awaiting a written proposal from MATCOM concerning the suggested split into five databases, including how long it would take to implement such an approach.

Mr. Mehle stated that MATCOM continues to be in control of the software and the project. The Board remains committed to ensuring that the new system is not implemented before it is proven that it will work well.

3. Litigation.

The meeting was closed for a discussion of pending litigation with American Management Systems, Inc., on a vote taken by the Secretary before the meeting, with only Mr. Fink having voted against closure of this portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 10:45 a.m.

MOTION: That this meeting be adjourned.


Secretary

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 18, 2002

James H. Atkins, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 18, 2002, at 9:56 a.m., Eastern Standard 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; Sheryl R. Marshall of Massachusetts, member; Thomas A. Fink of Alaska, member; Don W. Harrell of New York, member (by telephone); Roger W. Mehle, Executive Director; and David L. Hutner, Secretary. Also attending were Thomas J. Trabucco, the Board's Director of External Affairs, and Tamara Cross, Jason Holsclaw, and Han Tran, of the public. An agenda for the meeting is attached.

1. Approval of the minutes of the October 21, 2002, Board member meeting.

Chairman Atkins entertained a motion for the approval of the minutes of the open portion of the October 21, 2002, Board member meeting. The following motion was then made, seconded, and adopted without objection:

MOTION: That the minutes of the open portion of the Board member meeting held on October 21, 2002, be approved.

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

a. Legislation.

Mr. Mehle reported that the legislation to permit catch-up contributions by TSP participants who are 50 years of age and older (H.R. 3340), which had previously been passed by the House, has now been passed by the Senate by unanimous consent. The President is expected to sign the legislation into law, which will conform the TSP rules to those of the private sector.

The death benefits legislation pending in the Senate (S. 2707), which would give spouses of deceased TSP participants priority over a beneficiary designated by the participant, is still pending. The provision is to apply only to statutory

spouses, not common law spouses. It does not appear likely that this legislation will pass in the current lame duck session, but it may be reintroduced in the 108th Congress.

At the last Board member meeting, it was noted that legislation was being considered to provide relief for Federal employees injured in the September 11, 2001, attacks. Legislation has now passed the Senate which would increase the accrual of benefits under the FERS or CSRS basic annuity for the period an employee is receiving workers' compensation. The TSP is unaffected by the legislation.

On November 15, 2002, the Senate Governmental Affairs Committee held hearings on the confirmation of three new Board members, Messrs. Saul, Sanchez, and Whiting. The committee is expected to act favorably on the nominations and it is likely that they will be confirmed by the Senate before the lame duck session is concluded, although an adjournment date has not yet been set. After Senate confirmation, the nominations will be transmitted to the President, who must execute the new Board members' commissions. The three nominees will replace Chairman Atkins, Ms. Marshall, and Mr. Harrell. The President has also announced his intention to nominate Mr. Terence Duffy to replace Mr. Lukins. That nomination will not likely be acted upon in the current lame duck session, but rather will be addressed by the Senate in 2003.

b. New system development.

Mr. Mehle asked Lawrence Stiffler, Director of the Office of Automated Systems, to give a presentation on the status of the new system development. (A copy of Mr. Stiffler's briefing materials are attached to these minutes.)

Mr. Stiffler reviewed the history of the MATCOM system development effort to date, including the delivery of the system on July 31, 2002, the conversion and performance problems that were subsequently discovered during testing, and some of the proposed solutions to those problems that are being implemented. To simplify the conversion, only three years of transaction history has been converted, rather than converting all transaction history dating to the inception of the TSP, as originally planned. About 640 data conversion problems have been fixed, the most recent data conversion appears to have been successful, and "catchup" processing has begun.

With respect to system performance, testing revealed that, as originally conceived with one database, the system could not meet the nightly 12-hour processing window. Mr. Stiffler re-

viewed some of the alternative solutions that were considered and then described the proposed solution to split the TSP database into five separate databases, each with a civilian and uniformed services component. Because the five databases (or "filesets") can process transactions concurrently, this approach enables the system to process transactions in much less time. Using five databases, the system will be able to meet the nightly processing window with extra time to re-run jobs that might encounter problems. For a relatively heavy processing night, the system should be able to complete the nightly processing in just over 6 hours.

The use of five filesets can be accomplished using COTS software, unlike the AMS proposals for splitting certain agencies into multiple filesets, which relied heavily on custom coding rather than COTS software. The switch to five filesets will require about six months of work, during which "parallel testing" of the new system, using actual data that is being submitted by employing agencies, will continue. Mr. Stiffler presented a revised schedule for the project, which calls for parallel testing to continue through April 2003, with system implementation sometime thereafter.

Mr. Stiffler presented revised project costs, which include approximately \$4.42 million above the amount budgeted for FY 2003, for the redesign using five filesets, and an additional \$3.59 million above that budgeted for FY 2003 for additional parallel testing of the system. Mr. Fink questioned whether MATCOM should be required to absorb the additional costs, since the charges to the Board under the original base contract were not to exceed \$22 million. Mr. Mehle responded that the additional charges to the Board are appropriate because both MATCOM and the Board had relied on the validity of the SunGard benchmarking that had indicated that the nightly window could be met without using five filesets, but that turned out not to be the case.

After further discussion, a motion was made, seconded, and unanimously approved to provide budget authority for the additional \$8.01 million.

b. Department of Labor audit program.

Mr. Mehle reviewed with the Board members the overall findings and recommendations contained in the five audit reports that were produced by the Department of Labor (through its contractor, KPMG LLP) during its FY 2002 program of fiduciary compliance audits. The five reports were: System Enhancements and Software Change Controls; Review of the TSP Legacy System Subsystems; Pre-Implementation Review of the New TSP Record Keeping

System; Review of U.S. Treasury Operations Relating to the TSP Investments in the G Fund; and Preliminary Report on the TSP's Retention of the NFC as Record Keeper. Mr. Mehle noted that the Board and the NFC have concurred with the few recommendations that were included in the reports, some of which have already been closed.

Mr. Mehle reviewed his November 1, 2002, memorandum to the Board members setting forth the status of all open audit recommendations directed to the Board, to NFC, and to the Board and NFC jointly.

3. Presentation by the Department of Labor and KPMG LLP.

The Department of Labor (DOL), along with its contract auditor, KPMG LLP, appeared before the Board members to present the results of DOL's FY 2002 fiduciary compliance audit and to discuss its plans for the FY 2003 audit program. Present from the Department of Labor were Ian Dingwall, Chief Accountant; William H. Bailey, Senior Auditor, FERSA Compliance; and Timothy Hauser, Associate Solicitor, Plan Benefits Security Division. Present from KPMG LLP were John Hummel, Client Service Partner; Diane Dudley, Engagement Partner; Heather Flanagan, Senior Manager; Felipe Alonso, EDP Partner; and Don Farineau, Computer Systems Analyst. A copy of the DOL briefing materials are attached to these minutes.

Mr. Dingwall stated that although the DOL budget for FY 2003 has not been finalized, he believed he had a good indication of the level of funding that would be available, and thus the audits that would be performed in FY 2003. He stated that there was constructive cooperation between the auditors and the Board staff on the FY 2002 audit program.

Mr. Bailey and Ms. Dudley reviewed the findings from the FY 2002 audit program and the plans for FY 2003. The overall assessment is that the TSP assets are reasonably safeguarded and that there is a high rate of participation by Federal employees in the TSP (87% of FERS employees).

For its FY 2003 audit program, DOL plans to review the new record keeping system (adequacy of controls, functionality, and compliance with FERSA), the implementation of the uniformed services, the investment operations at Barclays Global Investors, the functions of the Board staff (including the 2001 write-off of \$41 million of expenses associated with the AMS contract that have not yet been charged against participant accounts and the hiring of private counsel to represent the Board in the AMS liti-

gation), and the audit done by the CIA's Office of the Inspector General. Other audits may be added if funding permits.

In the past, audits have been done of the TSP-related functions of 41 employing agencies, covering more than 85% of the civilian employees. If funding permits, DOL/KPMG plan to review some of the uniformed services as part of the FY 2003 audit program, and may also revisit some of the employing agencies previously audited.

Mr. Dingwall concluded by stating that the audit program has been a constructive process over the years and remains so.

4. Annual Ethics Briefing

Elizabeth Woodruff, the Board's General Counsel, presented the annual ethics briefing to the Board members. Ms. Woodruff stated that the 1999 Standards of Ethical Conduct book is still a valid source of information. Ms. Woodruff discussed the distinction between the Board members' fiduciary duties and their ethical duties as Federal Government employees. Ms. Woodruff then reviewed the requirements of five provisions of Federal criminal law that address ethical obligations of Federal employees.

5. Litigation.

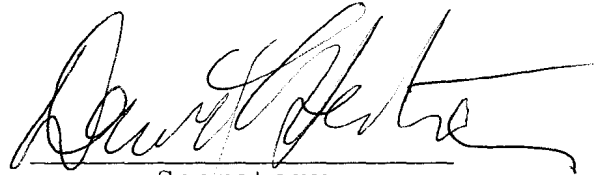
The meeting was closed for a discussion of pending litigation, on a vote taken by the Secretary before the meeting, with only Mr. Fink having voted against closure of this portion of the meeting.

6. Personnel Matter

The meeting was closed for a discussion of a personnel matter, on a vote taken by the Secretary before the meeting, with the Board members having voted unanimously to close this portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Atkins adjourned the meeting at 12:16 p.m.:

MOTION: That this meeting be adjourned.


Secretary 12/11/02

Note: A verbatim transcript of this meeting was made by BETA reporting services.



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 16, 2002

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on December 16, 2002, at 2:14 p.m., Eastern Standard 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 (by telephone); Thomas A. Fink of Alaska, member; Alejandro Sanchez of Florida, member; Gordon J. Whiting of New York, member; James B. Petrick, Executive Director; and David L. Hutner, Secretary. Also attending were Elizabeth S. Woodruff, General Counsel, Thomas J. Trabucco, the Board's Director of External Affairs, Ian Dingwall, U.S. Department of Labor, Stephen Barr of the Washington Post, and J.J. Wuerthener, of the public. An agenda for the meeting is attached.

1. Approval of the minutes of the November 18, 2002, Board member meeting.

Mr. Petrick explained that the minutes of the November 18, 2002, Board member meeting had been approved by a majority of the Board members between November 25 and 26, and needed no further approval.

2. New Board members.

On November 19, 2002, the Senate confirmed the President's nominations of three new Board members to replace members whose terms had expired. On November 26, 2002, the President signed the commissions for Andrew M. Saul of New York, to replace James H. Atkins of Arkansas, as chairman; Alejandro M. Sanchez of Florida, to replace Sheryl R. Marshall of Massachusetts; and Gordon J. Whiting of New York, to replace Don W. Harrell of New York. The new Board members took their seats at the December 16 meeting.

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

a. Legislation.

Mr. Petrick reported that the legislation to permit catch-up contributions by TSP participants who are 50 years of age and older (H.R. 3340), had been signed by the President on

November 27, 2002. TSP rules are now conformed with those in the private sector and Board staff will begin the work needed to implement the change in mid-2003.

b. New system development.

Mr. Petrick explained that the MATCOM team has begun the redesign and software development of the new system components to accommodate a five database file split. Most of the conversion problems appear to be fixed and a full reconversion of the most recent three years of history has been completed.

c. Fiduciary insurance.

Mr. Petrick advised the Board members that a contract had been signed with AIG to provide fiduciary liability insurance but that the cost for a one-year period was \$500,000. Only two firms were interested in discussing this insurance with the Board and AIG's proposal was the most reasonable. Because of the high cost and the lack of interest, Mr. Petrick suggested that the Board members consider asking Congress for a statutory amendment to FERSA that would allow the TSP to use the monies in the TSP insurance fund to pay claims directly, without the need for insurance. Mr. Saul suggested that before the TSP seeks legislation, staff should survey the market and see if a better quote is available.

d. GAO audit.

Mr. Petrick advised the Board members that GAO has begun an audit that will concentrate primarily on the agency's relationship with the Department of Labor, but will also include a review of the agency's hiring of outside counsel, the accounting for the \$41 million loss on the AMS contract, and the statute of limitations applicable to the AMS law suit. Mr. Petrick pledged that the staff would give the GAO whatever cooperation it requested and that the Board members would be notified promptly of any major findings.

e. Board member meeting schedule.

The Board members discussed a draft meeting schedule for 2003 and decided to have in-person meetings rather than telephone meetings for the foreseeable future. Also the Board members advised the Executive Director that they would like to see monthly reports on investments and participation rates. For the January 21, 2003, meeting, the Board members requested

the Executive Director to invite Ann Combs, the Assistant Secretary for Pension and Welfare Benefits, Department of Labor, to attend and make the presentation she requested in her September 26, 2002, letter to the Chairman.

4. Review of DOL's Executive Summary of FY 2002 audit program.

Mr. Petrick reviewed with the Board members the Department of Labor's audit process and its summary of the fiscal year 2002 audit program for the agency.

5. Litigation.

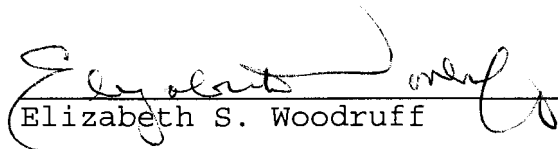
The meeting was closed for a discussion of pending litigation, on a vote taken by the Secretary before the meeting, with only Mr. Fink having voted against closure of this portion of the meeting.

6. Personnel Matter.

The meeting was closed for a discussion of a personnel matter, on a vote taken by the Secretary before the meeting, with the Board members having voted unanimously to close this portion of the meeting. After this closed portion of the meeting, the Chairman announced that Mr. Petrick had resigned as Executive Director but had accepted the Board members' request that he continue as the Director, Benefits and Investments, and that he assume the duties of acting Executive Director until the Board members can appoint a new Executive Director. Mr. Saul also announced that the agency would shortly issue a request for proposals seeking an executive search firm to assist the Board members in filling this position.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection, and Chairman Saul adjourned the meeting at 7:51 p.m.:

MOTION: That this meeting be adjourned.


Elizabeth S. Woodruff

Attachment

Jan 21, 2003

Note: A verbatim transcript of this meeting was made by BETA reporting services.