



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 29, 2005

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 29, 2005, 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, DC 20005. In attendance were Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member (by telephone); Terrence A. Duffy, member (by telephone); Gary A. Amelio, Executive Director; Elizabeth S. Woodruff, Secretary and General Counsel; Mark Hagerty, Chief Information Officer; Pamela-Jeanne Moran, Director, Benefits Services; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; and Thomas J. Trabucco, Director, External Affairs. Also in attendance were a representative of the Department of Labor and representatives of Deloitte & Touche.

1. Approval of the minutes of the October 19, 2005, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the open portion of the October 19, 2005, 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 October 19, 2005, be approved as amended.

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

a. Meeting calendar.

Mr. Amelio reviewed with the Board members the meeting calendar for the next several months. December's meeting will be telephonic unless the staff recommends a significant change to the statement of work for the investment fund manager.

b. Lifecycle Funds.

Mr. Amelio announced that since August 1, 2005, over 192,000 participants had moved more than \$6.8 billion into the Lifecycle Funds. Mr. Amelio suggested that this level of success can be attributed to the Agency's new education materials.

Mr. Saul asked whether the staff could quantify the effect of the informational DVD. Pamela-Jeanne Moran, Director of Benefits Services, explained that she could not make that determination at this point; however, she noted that the DVDs were mailed to participants in waves and, since the TSP had seen a steady increase in participation, she believed that the DVDs had had an effect. Mr. Saul suggested that the relationship may be more apparent as the Agency begins to mail the L Fund DVDs to members of the uniformed services.

Mr. Whiting questioned whether the demographics established how participants were using the L Funds. Ms. Moran explained that this could not be determined from the information that we have, however, she plans to survey participants and that the information might be forthcoming. Ms. Moran explained that the survey would be part of a larger effort to determine the effectiveness of a continuing educational campaign.

Mr. Duffy questioned how the TSP, with \$170 billion, measured up to private plans. Mr. Amelio noted that it is the largest defined contribution plan in the world and the third largest qualified retirement plan, behind CALPERS and the Dutch government's plan. Mr. Duffy expressed concern about the concentration of assets. Mr. Amelio stated that the Plan had not experience any problems with liquidity but he recognized that a large movement out of either the S or I Funds might take several days to liquidate. Mr. Saul recommended that the investment consultant be asked to look at this issue.

Mr. Duffy also asked whether the TSP had an educational program for its participants. Mr. Amelio described the extensive educational program performed by Ms. Moran's staff.

c. Legislation.

Thomas J. Trabucco, Director of External Affairs, advised the Board members of two pieces of legislation that would potentially affect retirement policy. One includes a safe harbor for automatic enrollment in a tax qualified plan; al-

though the bill is not applicable to the TSP directly, it is an item of interest to the Agency. Mr. Trabucco explained that, given the other business of the Congress, neither piece of legislation is likely to be taken up this calendar year.

Mr. Saul noted that the Executive Director has raised a number of proposals for changes to the TSP that would require Congressional action. He explained that the Board members would like to hear staff's recommendations on these items and requested that Mr. Amelio formalize the Board's upcoming agenda to include discussions of these issues. Mr. Saul suggested that Mr. Amelio prioritize his proposals and present a plan at either the December or January meeting to move forward with the discussions. Mr. Fink requested that the plan include a written discussion addressing the pros and cons of each proposal.

d. Monthly TSP performance report.

Tracey Ray, Chief Investment Officer, discussed her memorandum to the Executive Director dated November 18, 2005, regarding the October 2005 investment performance of the G, F, C, S, and I Funds. She noted that, while October had been a bad month for all asset classes, the trend in November was much more positive. Mr. Amelio added that, although not included in the report, the overall number of loans continued to decrease in October, after a temporary spike in September. He also noted that the TSP's shift to paperless participant statements continues to save the Plan money.

3. Old business.

a. Resolution concerning Executive Director's authority.

Mr. Fink renewed his resolution to require the Board's prior review of any decision of the Executive Director that would have a monetary value equal to or greater than 10% of the Agency's budget or that a majority of the Board or the Executive Director considered to be a major action. After a discussion, the vote failed to receive a second.

b. Response to Hurricane Katrina.

Mr. Saul asked for an update on the effects of Hurricane Katrina on the TSP and its record keeper, the National Finance Center. Mr. Amelio stated that service to the participants continued relatively unaffected using a combination of the

NFC staff and other contractors. The building in New Orleans that had housed the TSP operations has been declared a total loss and is scheduled to be razed; the NFC is planning on moving TSP operations into the main NFC building and is in the process of outfitting that space.

c. Status of RFPs.

Mr. Saul also asked about the status of the Agency's contracting plans. Mr. Amelio explained that proposals had been received for the annuity provider and that the technical review panel, chaired by Ms. Moran, had begun to review those responses. Proposals are due by December 9th for printing and mailing services, and a request for proposals for incoming mail handling and data entry should be ready for release soon.

In addition, the evaluation criteria for the investment funds' managers should be ready for the Board's review and approval at the January Board meeting; the Board may be asked to vote in December on a proposal to change one of the indexes, however, this is dependent upon the recommendation of the Agency's investment advisor. Mr. Saul requested that the investment advisor, Ennis Knupp & Associates, be present at the January Board meeting.

4. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of internal personnel matters and for a presentation by Deloitte & Touche. Present for the discussion of personnel matters were the Board members, Mr. Amelio, and Ms. Woodruff. Present for the presentation by Deloitte & Touche were the Board members, Mr. Amelio, Ms. Woodruff, Mr. Petrick, and representatives of Deloitte & Touche, Melissa Krause, Dennis Duquette, Kevin Monroe, and Kristen Wulff.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Mr. Saul adjourned the public portion of the meeting at 12:00 noon.

MOTION: That this meeting be adjourned.

A handwritten signature in cursive script, appearing to read "Elizabeth S. Woodruff".

Elizabeth S. Woodruff
Secretary

December 19, 2005

NOTE: Ace-Federal Reporters, Inc., made a verbatim transcript of this meeting.