



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

October 17, 2005

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on October 17, 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 (by telephone); Gordon J. Whiting of New York, member (by telephone); Alejandro M. Sanchez of Florida, member; 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; Theresa A. Ray, Chief Investment Officer; and Thomas J. Trabucco, Director, External Affairs. Also in attendance were representatives of the Department of Labor and representatives of Deloitte & Touche.

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

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

2. Review of Deloitte & Touche semiannual financial report.

In advance of the meeting, Deloitte & Touche provided the Board members with a copy of its report dated August 17, 2005, regarding its semiannual review of the Agency's financial statements. Melissa Krause presented the results of the review; James B. Petrick, the Agency's Chief Financial Officer, assisted in the presentation.

Mr. Saul began by questioning how the scope of Deloitte & Touche's audit was different from prior years.

Ms. Krause explained that she did not believe there had been a change in the scope for the financial statement audit but that, due to the heightened interest in internal controls following enactment of the Sarbanes-Oxley Act, Deloitte had included in its management letter a recommendation that the Agency document its internal controls and risk assessment processes. Mr. Saul questioned whether this comment was in response to the Agency's movement into the private sector to accomplish the Plan's record keeping requirements. Ms. Krause explained that this was a consideration but that a more important concern was Deloitte's belief that the Agency should better understand and document its control processes, roles, and responsibilities. Mr. Petrick explained that a new Office of Finance was being set up and that providing for appropriate internal controls was one of his priorities. Mr. Saul stated that he expected to see progress in this area by the time of the year-end audit.

Mr. Sanchez and Mr. Whiting questioned the extent to which Deloitte relies on service providers' audit reports in their review of the Agency's contractors. Ms. Krause explained that Deloitte relied on such reports if the auditor was qualified and a report existed for the appropriate time period.

Ms. Krause advised the Board members that Deloitte would begin its end of year audit in November. Mr. Saul requested that the audit work ensure that the controls are sufficient to permit the Agency to operate in its new business environment. Ms. Krause explained that Deloitte's engagement did not cover an audit of internal controls and that the Board members should consider whether this was an additional level of assurance that it wanted to adopt. Mr. Saul invited Ms. Krause to request another meeting with the Board members whenever she believed it to be necessary.

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

a. Lifecycle Funds.

Mr. Amelio announced that since August 1, 2005, over 138,000 participants had moved more than \$4.3 billion into the Lifecycle Funds. Mr. Amelio also discussed the demographics, which suggest that the Agency's new education materials are having their intended effect.

Mr. Saul asked the status of the informational DVD about the Lifecycle Funds. Ms. Moran explained that the

DVDs were being mailed to participant in waves, so as not to overwhelm the call centers or the record keeping system, and that the strategy had been successful. Mr. Saul praised Ms. Moran for her management of such a major education campaign.

b. Employees' Thrift Advisory Council meeting.

Thomas J. Trabucco, Director of External Affairs, reported on the ETAC meeting held on October 14, 2005. In particular, he described for the Board members the efforts the ETAC members' organizations had been making to extend information on the Plan's new Lifecycle Funds to their members.

c. Hurricane Katrina recovery.

Mr. Amelio brought the Board members up to date on the Agency's disaster recovery activities since Hurricane Katrina. Due to the fact that the Agency had already moved its data center out of New Orleans, the Hurricane's impact on the Plan was minimal. The Agency was also able to keep up participant services by using available NFC staff, contractors, and Agency staff to pick up daily operations. At this time, the NFC is operating from a disaster recovery site in Smyrna, GA, and there is no date set for a return to the New Orleans site.

At the last Board meeting Mr. Saul inquired whether there was any insurance coverage for the furniture and equipment at the NFC facility. Mr. Petrick reported that there was not. Mr. Saul requested that Mr. Petrick review the Agency's needs for both casualty and liability insurance for the Plan's new equipment and facilities.

4. Investment policy review.

By memorandum dated October 7, 2005, Mr. Amelio provided the Board members with a report on the performance of the G, C, S, and I Funds during the third quarter of 2005. At Mr. Amelio's request, Tracey A. Ray, the Agency's new Chief Investment Officer, briefed the Board members on the Funds' performance, including Barclays' second quarter 2005 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 (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 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.

Mr. Amelio also discussed with the Board members the Plan's participation rates, particularly those for the uniformed services.

5. Quarterly report on vendors' financial status.

Mr. Petrick discussed with the Board members his memorandum to the Executive Director dated October 6, 2005. Mr. Petrick concluded that SI International continued to be very prosperous. The financial standing of Spherix's information division, InfoSpherix, had improved since December 2004. Mr. Petrick noted that, while Spherix's stockholders had voted to establish InfoSpherix as a wholly-owned subsidiary, it had not yet completed the transfer. He anticipated that the transfer will be completed by the end of the year. Mr. Petrick also explained that he had not yet been able to

perform a financial status review on Switch and Data, another of the Agency's contractors, because it was not a publically-traded company. Mr. Petrick stated that he intended to expand the scope of the January quarterly review to include Switch and Data and possibly other vendors.

6. Old business.

a. Resolution concerning Executive Director's authority.

Mr. Fink requested that a vote be deferred to the November meeting on 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.

b. Vendor expenses.

In response to Mr. Fink's request at the September Board meeting, Mr. Amelio provided to the Board members in a memorandum dated October 7, 2005, detail costs that budgeted for the Agency's major vendors for FY 2006. Mr. Fink questioned the status of FY 2005 billing from the National Finance Center and Mr. Petrick advised that none had been received. There followed a discussion of NFC's billing practices and the rules applicable to services provided by one Federal agency to another under the Economy Act.

7. New business.

Mr. Amelio explained to the Board members that Agency staff, with assistance from the Department of the Interior's National Business Center, was preparing a plan whereby the Agency could offer voluntary separation incentives and early retirement to eligible Agency employees. Mr. Amelio stated that he had advised the employees of this plan at an "all hands" meeting on October 4th and that his presentation had been well-received. However, before such a plan can become effective, the Office of Personnel Management and the Office of Budget and Management must give their approval. Mr. Amelio expects to submit the plan to OMB by the end of the month.

8. Closed session.

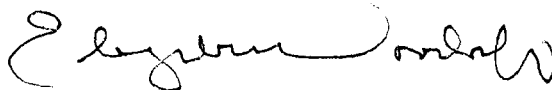
On a vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of procurement matters and internal personnel matters. Present for the discussion of procurement matters were the Board members, Mr. Amelio, Ms. Woodruff, Mr. Hagerty, Ms. Moran, and Mr. Petrick. Present for the discussion of personnel matters were the Board members, Mr. Amelio, and Ms. Woodruff.

9. Meeting calendar.

Following the closed session, the Board members returned to the public meeting for a discussion of the Board members' meeting calendar. The members agreed that the November Board meeting should be moved to November 29th.

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 12:15 p.m.

MOTION: That this meeting be adjourned.



Elizabeth S. Woodruff
Secretary

11/29/05

Attachment

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