



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 20, 2006

Thomas A. Fink of Alaska, Member of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on March 20, 2006, at 9:02 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 Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Gary A. Amelio, Executive Director; Thomas K. Emswiler, Acting Secretary and Acting General Counsel; Robert Battersby, Contracting Officer; Mark Hagerty, Chief Information Officer; Pamela-Jeanne Moran, Director, Participant Services; James B. Petrick, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; and Thomas J. Trabucco, Director, External Affairs.

1. Approval of the minutes of the February 21, 2006, Board member meeting.

Mr. Fink entertained a motion for approval of the minutes of the February 21, 2006, 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 February 21, 2006, be approved.

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

a. National Finance Center (NFC) Budget.

Mr. Amelio reported that the Agency had made a \$27.564 million payment to the NFC for 2005 services/expenses. This amount was \$1.024 million less than the Agency had budgeted. He noted that despite coming in under budget, he still expected that participants would be charged 5 basis points for administrative expenses in 2005.

b. Interagency Agreement with the Department of Agriculture.

Mr. Amelio reported that the Chief Financial Officer of the Department of Agriculture (USDA) had written to the Agency to give notice that it was terminating its interagency agreement with the Agency effective June 9, 2005. The USDA was terminating its agreement because it needed additional personnel to perform other services at the NFC due to vacancies resulting from employees who did not return to New Orleans following Hurricane Katrina. Since we planned on soliciting competitive bids for these services anyway, USDA wanted to allow its employees who previously worked on TSP related projects to apply for vacancies associated with tasks that the NFC would continue to perform indefinitely.

Mr. Amelio reported that Agency staff is working with contractor personnel to determine who could take over this work. The Agency expects the transition from the NFC to a new contractor(s) to be seamless.

c. Phishing.

Mr. Amelio reported on an e-mail scam that took place on March 16, 2006. Some TSP participants received an e-mail purporting to be from the TSP. The e-mail asked for confirmation that the person had added an e-mail address to his or her TSP account. The link in the e-mail took the person to a bogus version of the TSP's account access screen where it asked for the person's Social Security number and PIN. It then took the person to another screen where it asked for credit card and banking information. He explained that the e-mail and phony web pages were external to the TSP; the TSP system was not breached by this scam. Mr. Amelio noted that the Agency had immediately contacted the FBI and that the FBI was investigating the matter.

Ms. Moran remarked that the Agency had received approximately 500 calls regarding the e-mail on March 16th. The Agency immediately issued warnings on the account access and home page of the Agency's web site and provided information on the scam to the Agency's call centers. The Agency also suspended transactions from about 6:00 p.m. March 16 to 3:00 p.m. March 17. SI International has been reviewing requests for transactions to determine if any are coming from suspicious internet provider addresses. If none are coming from suspicious addresses, the Agency will resume full services today. The phony web site closed down on Friday, March 17th, but

the FBI still hopes to determine who set it up. It did not appear that the scammers had e-mail addresses for TSP participants (the Agency does not maintain e-mail addresses). Instead, the e-mails were sent randomly with the hope of reaching TSP participants. Participants and non-participants who received the e-mail have been helping the Agency and providing information to the FBI.

Mr. Fink asked whether the scammers could, since they had the participants' Social Security number and PIN, withdraw funds from the TSP? Ms. Moran explained that it would be difficult because additional information was required.

Mr. Sanchez praised the Agency's response and noted that members of the Florida Bankers Association (FBA) have been hit by similar scams. He commented that the FBA does its best to educate customers about scams and that the Agency might consider similar educational efforts.

Mr. Fink asked for a report at the April Board Member meeting regarding whether SI International found any suspicious activity. He was promised that the information would be provided.

d. Phone Inquiry Report.

Ms. Moran reported on the types of inquiries received by the call centers in 2005 and in February 2006. Questions on withdrawals and loans each made up approximately one-third of the inquiries. The remaining third will vary depending upon events. With regard to the July-December 2005 customer satisfaction survey, all categories of inquiries rated 90 percent or higher. These results were especially good in view of the disruption caused by Hurricane Katrina and the need to open the Clintwood call center ahead of schedule. Only 0.56% of calls were escalated to a supervisor or to the Agency. This too, was very low, especially since we were still engaged in hurricane recovery and the nature of the questions were, consequently, non-routine and frequently unique.

Mr. Fink asked about the category labeled "Participant Statements" and was told that this reflected participants who were either asking for a statement or who had questions regarding their statements. Mr. Sanchez asked about the category called "Agency-Related" and was told this reflected calls from agency representatives.

e. Investment Activity Report.

Ms. Ray reported that investment fund tracking errors were again minimal (the small-cap fund was again a little higher because it does not include all stocks in the index). Trading costs were also minimal. The February performance of the stock market and our funds were lackluster but were positive for the year due to good returns in January. The G Fund and the 3-month T-Bill were about the same at 4 5/8%.

CSRS employees have 5% of their account balances invested in the L Funds; FERS employees have 6% of their account balances invested in the L Funds; and members of the Uniformed services have 7% of their account balances invested in the L Funds.

Mr. Sanchez asked whether Agency staff were satisfied with the amount transferred to the L Funds. He was told that Agency staff are very pleased; we had expected it would take two years to get to this point. Mr. Amelio pointed out that the Agency is trying to publicize this outstanding success. Of the over-250,000 participants in the L Funds, approximately 100,000 participants are invested in the L Fund that is appropriate for their age bracket. Private vendors would expect participants to be invested in several L Funds rather than the one that is appropriate for them. That TSP participants have selected the appropriate L Fund for them demonstrates how outstanding our educational efforts have been.

f. Legislation.

Mr. Trabucco reported that Congress had raised the debt limit and that the G Fund would be back to normal this week. Mr. Amelio noted that we had been posting interest to participants' accounts all along because Congress was required to make the G Fund whole and that everything would have appeared normal to participants even before Congress took this action.

Mr. Trabucco noted that the Employee Thrift Advisory Counsel (ETAC) had passed a resolution urging Congress not to add a REIT fund in response to pressure from lobbyists. The subcommittee had discussed holding a mark-up session for the REIT bill, but had not yet scheduled it.

Mr. Fink asked whether the Congressional staff members commented on the ETAC resolution? Mr. Trabucco responded that he expected staff members to consider both the

resolution and the REIT legislation during the current Congressional recess.

The Department of Labor's TSP auditors met with Congress this month regarding its audit of the TSP and had only positive things to report.

Mr. Sanchez remarked how impressed he was that approximately 50 percent of Navy active duty personnel had TSP accounts. While other services have also increased their participation rates, the 50 percent rate in the Navy was worth noting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Mr. Fink adjourned the meeting at 9:35 a.m.

MOTION: That this meeting be adjourned.

A handwritten signature in black ink, appearing to read "Thomas K. Emswiler". The signature is written in a cursive style with a horizontal line underneath it.

Thomas K. Emswiler
Acting Secretary

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