



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

May 16, 2006

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 16, 2006, at 9:10 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 Thomas A. Fink of Alaska, member; Gordon J. Whiting of New York, member (by telephone); Alejandro M. Sanchez of Florida, member (by telephone); Terrence A. Duffy of Illinois, member (by telephone); Gary A. Amelio, Executive Director; Thomas K. Emswiler, Secretary and Acting General Counsel; Mark A. Hagerty, Chief Information Officer; Gregory T. Long, Director of Product Development; 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 April 17, 2006, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the April 17, 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 April 17, 2006, be approved.

Mr. Saul congratulated Mr. Emswiler on his selection to be the Agency's General Counsel and noted that he had big shoes to fill in replacing the Agency's outstanding prior General Counsel, Elizabeth Woodruff. Mr. Amelio remarked that Mr. Emswiler would continue to serve as the Acting General Counsel until the Office of Personnel Management approves the selection.

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

a. Transfer of Work to SI.

Mr. Amelio reported that the National Finance Center (NFC) had given notice that it intended to cease performing all remaining functions, including accounting, case processing, agency payroll processing, and rollover processing for the Agency effective June 9, 2006. As a consequence, the Agency used emergency contracting procedures to award a contract to perform these services to SI International. He reported that he is very comfortable with the way the transition is progressing and that the NFC personnel have been very helpful in assisting during the transition. We will transfer these functions before June 9, 2006, and NFC personnel will continue to assist with the transition until June 9th. He noted that we are automating more processes and that he expected SI International to perform these services at a lower cost than did the NFC.

Mr. Saul asked for input on the transition from Mr. Hagerty and Ms. Moran. Mr. Hagerty reported that all is going very well on the IT side and that a number of the changes they were making would allow for even more automation in the future.

Mr. Saul then asked whether some agencies were still using tape to submit data to the TSP. Ms. Moran reported that almost all agencies make electronic or web-based submissions. A handful of small agencies still use diskettes, but we are converting them to the web. She also reported that they are automating more processes such as submission of journal vouchers.

Mr. Petrick reported that the transfer of the accounting function is going very well. He expects SI can perform accounting with fewer people and at a lower cost. SI and NFC are running parallel accounting procedures and checking to ensure there are no differences.

b. Legislative Update.

Mr. Trabucco reported that he and Mr. Amelio testified at a Congressional hearing on the role of the Employee Thrift Advisory Council (ETAC) with regard to investment policy and management. He noted that everything they reported showed that the ETAC was functioning as the law intended. He also reported that he had spoken with an expert on advisory committees at the General Services Administration and was told that the Agency had fully complied with the Federal Advisory Committee Act. The hearing also focused on the legislative proposal to add a REIT fund to the TSP. He and Mr. Amelio testified that

the Agency is proceeding in the manner outlined in the August 11, 2005, letter from the Agency's fiduciaries to Congress. That is, that the Agency would use Ennis Knupp to study the possibility of adding other funds to the TSP, but that it would not do so until after the Plan's asset manager was selected.

Mr. Saul asked how the program to allow certain members of the Army to receive matching TSP contributions was progressing. Mr. Trabucco reported that Congress had authorized the Army to set-up a test matching program as a recruiting incentive. Ms. Moran added that the Army has only authorized matching to recruits in critical specialties. At present, about 300 soldiers are signed up for the program and the Agency is ready to accept these contributions.

Mr. Saul then asked what will come after the test. Ms. Moran told him that the Army will assess the effect matching had on recruiting and report to Congress. Mr. Saul said that the Agency should encourage the extension of matching throughout the uniformed services because it would increase participation rates. He asked Mr. Trabucco to give him regular reports on the test program.

Mr. Fink noted there had been many reports in the press regarding our plan to study adding new funds to the TSP after Congress adjourns. He asked whether the legislative proposal to add a REIT fund had been scheduled for mark-up and was told that it had not. Mr. Fink added that the Chairman of our Congressional oversight committee seemed very unhappy that we would not complete the study until after Congress adjourns and asked whether we intended to expedite the study to accommodate the Chairman's concerns. Mr. Saul remarked that we are going forward exactly as we have repeatedly told Congress over the last two years. The most pressing issue for the TSP and its participants is selection of fund managers. Once that is completed, the Agency will turn to the question of whether it is appropriate to add new funds. He noted that he didn't understand why some members of Congress were pressing the Agency to move more quickly. The FRTIB is a small Agency and is moving as quickly as possible in accordance with the most pressing priorities. He concluded by saying the Board is committed to doing what is best for the participants. We want to make this a better plan and will be receptive to adding new funds if the facts establish that doing so is in the best interest of participants.

Mr. Amelio then complimented Agency employee Gisile Goethe who was recently called to Active Duty with the Army

and will deploy to the Middle East. The Agency received an award from the National Guard for being a good employer in connection with Major Goethe's military service. Mr. Amelio noted that what the Agency did for Major Goethe was nothing compared with her service to the country and remarked that she should have received an award. He concluded by stating what an outstanding employee she is and noting that her efforts have led to the rise in TSP participation rates among members of the uniformed services.

c. Monthly Investment Activity Report.

By memorandum dated May 5, 2006, Ms. Ray provided the Board members with a report on the performance of the G, F, C, S, and I Funds during April 2006.

Mr. Amelio reported that the number of outstanding TSP loans continues to decline from about one million when he first arrived at the Agency to approximately 773,000 currently. He added that he expected that the charge to plan participants for administrative expenses would be 4 basis points for the year and Mr. Saul remarked on what a great benefit that is for plan participants; private plans charged significantly more than that. Mr. Amelio commented on how the plan continues to run more efficiently. The Plan's budget was \$109 million when he arrived and is only \$89 million this year. L Fund participation has exceeded his highest expectations with approximately 305,000 participants (approximately 8 percent) already investing in the L Funds.

Ms. Ray told the Board that the request for proposals for the investment manager was released on May 1st. She reported that she expected there to be robust bidding.

At the conclusion of the report, Mr. Saul asked Mr. Emswiler to draft a proposed Board member meeting schedule for the approval of the members.

Mr. Fink then asked about the schedule for the planned participant survey. He was told we expect to have the survey completed by the end of 2006. He also asked if the Board members would see the survey before it was issued and was told that they would. Mr. Saul remarked how important a well-done survey would be to the TSP.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 10:05 a.m.

MOTION: That this meeting be adjourned.

A handwritten signature in cursive script, reading "Thomas K. Emswiler", written over a horizontal line.

Thomas K. Emswiler
Secretary

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