



MINUTES OF THE QUARTERLY BOARD MEETING
DEFENSE BUSINESS BOARD
APRIL 22, 2010

The Defense Business Board (DBB) is a federal advisory committee within the Department of Defense (DoD) pursuant to the Federal Advisory Committee Act of 1972, the Government in Sunshine Act of 1976 and other appropriate federal regulations. The DBB meets quarterly and held its second public session for the fiscal year 2010 on April 22, 2010 from 12:30 PM to 1:30 PM.

DBB Members Present

Amandi, Fernando
Bayer, Michael (Chairman)
Brown, Owsley
Chao, Pierre
Cohen, Bonnie
Goodman, John (Vice Chairman)
Hamid, Wahid
Immergut, Mel
Jennings, Madelyn
Langstaff, David
Levin, Lon
Spencer, Richard
Stein, Bobby
Vashista, Atul
Walker, Kevin
Wright, Joe
Zakheim, Dov
Zoeller, Jack

Also observing were Gene Dodaro, Acting Comptroller General for the Government Accountability Office (GAO), Janet St. Laurent and Leigh Warner.

Also observing were **DBB Senior Fellows:**

Albert, Neil
Barrett, Barbara
Bovin, Denis
Cook, Fred
Kimsey, Jim
Phillips, Bill
Punaro, Arnold

DBB Staff in attendance:

Ferguson, Phyllis, Executive Director
Van Niman, Kelly, Deputy Director
Bohn, Michael (CAPT, USN) DBB Military Assistant



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Lewis, Ron (COL, USA) DBB Military Assistant
Sakura, Kathleen (Col, USAF) DBB Military Assistant
Duffy, Debora, Staff Assistant
Spivey, Anthony, Contractor
Bisett, Christopher, Contractor

Public Session Attendees:

Appleby, Christopher, Office of the Director of Administration and Management
Baker, David, The Rehancement Group, Inc.
Bennett, John, Defense News
Clampitt, Michelle, Deputy Director Program Executive Office, Executive Lifecycle Management
Davis, Rick, Defense Finance and Accounting Service (DFAS)
Eherton, Jon, Eherton and Associates, Inc.
Fitzgerald, Marilee, Acting Director, Civilian Personnel Policy (OSD)
Kessler, Kimberly, Office of the Under Secretary of Defense for Personnel and Readiness, Civilian Personnel Policy
Rude, David, Office of the Under Secretary of Defense for Personnel and Readiness, Civilian Personnel Policy
Sheikh, Fawzia, Inside the Pentagon
Whittemore, Ariane, Director Program Executive Office, Executive Lifecycle Management

PUBLIC SESSION

Copies of the final reports will be available at the DBB website (<http://dbb.defense.gov>).

At 12:33 PM Mr. Bayer opened the public session by providing opening remarks. Ms. Phyllis Ferguson, the Designated Federal Officer officially opened the meeting by introducing the guests.

12:37 PM *Financial and Strategic Analysis to the Department of Defense (DoD) Investment Board*

Mr. Phillips, the Task Group Chair, presented the briefing and highlighted the draft findings and recommendations. The group examined two investment funds of the DoD: the Military Retirement Fund and the Medicare-Eligible Retiree Health Care Fund. Both funds represent \$1.7 trillion in liability. These funds are unique to DoD. The mechanism of investing in the funds is guided by US Treasury. 90% of the investments are currently in Treasury Inflation Protection Securities (TIPS). 10% are in conventional instruments. DFAS is currently diversifying the maturity of the portfolio through a laddering approach. When a security has matured, the DoD is guaranteed the face value of the investment plus inflation for TIPS securities. No outside expertise is currently utilized by DFAS. Recommendations of the Task Group: review current investment strategy; establish an Investment Advisory Board; utilize



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modeling techniques to assess investment alternatives; and rename the current investment board to something more appropriate (e.g., Oversight Committee).

Mr. Bayer invited comments from the Board.

Various members of the Board expressed interest in the need for professional financial advisors, effective planning, and liability reduction.

Mr. Bayer called for a motion to approve the recommendations and asked if there were any abstentions. With no abstentions, the DBB passed the recommendations unanimously.

12:55 PM *Enhancing the Department's Management Capabilities*

Mr. Cook, the Task Group Chair, presented the draft findings and recommendations. The DoD is approximately 800,000 people—military and civilian workforce. Regarding the civilian members, the principle issue is one of supervisory excellence, and the promotion of greater effectiveness of supervisory excellence. There are 1,200 Senior Executive Service (SES) in DoD, of which approximately 450 SES are in the “Fourth Estate”. SES members tend to possess functional expertise, and are expected to provide continuity during the transition of political leadership. The themes for achieving excellence in supervision are: Measure—the effectiveness of leaders in supervising their people; Train—supervisors in supervisory skills; Reward—supervisors for supervisory excellence; Organize—to enhance excellence in supervision. What is critical is the breakdown of the “old stovepipe” model of SES which sought to promote deep functional expertise.

Mr. Cook called for feedback or questions.

Mr. Bayer mentioned that should the document be approved, he would like to have the Task Group go to the White House to meet with a similar group pursuing the same goal in the Executive Branch. Mr. Dodaro said at GAO, individuals are selected for SES training. Dr. Zakheim said the practice of selecting SES is often based on a recommendation of another SES (who might not be a good supervisor); and asked how the recommendations would avoid this form of favoritism and perpetuation of poor supervisors. Mr. Cook said excellence in supervisory skills must be the criterion for promotion to SES. Mr. Walker asked if there is a basic definition of supervisory excellence. Mr. Cook responded that there are seven or eight characteristics for consideration in developing a definition.

Mr. Bayer called for a motion to approve the recommendations and asked if there were any abstentions. With no abstentions, the DBB passed the recommendations unanimously.

1:15 PM *Assessing DoD's Study Information Gap: Optimizing the Electronic Management of DoD Related Studies*



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Mr. Vashistha, the Task Group Chair, presented the briefing and highlighted the draft findings and recommendations to identify an effective system of electronic records management for DoD funded or related studies. There is no central database for such records. The Defense Technical Information Center (DTIC) is currently focused on scientific and technical records. The Task Group looked to private sector companies to find best practices. The recommendations of the Task Group fundamentally require that all records or studies will be deposited in a single archive (the Task Group recommended the name ATHENA) building on the capabilities within DTIC with a fully functional and expandable search engine.

Mr. Vashistha invited other members of the Task Group to comment. The other members remarked about the short amount of time to develop this report and echoed the comments of Mr. Vashistha.

Mr. Bayer invited comments from the Members.

Mr. Dodaro endorsed the briefing and stated that it made imminent sense. He is willing to work with the Department and there is a lot of potential benefit beyond DoD.

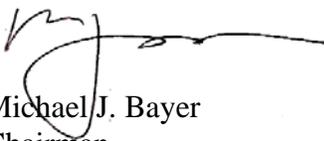
Dr. Zakheim stated there were a number of records management systems available. Mr. Amandi noted the tremendous expense to the Government (\$62 million) for studies.

Mr. Bayer called for a motion to approve the recommendations and asked if there were any abstentions. There was one abstention from Mr. Goodman. Besides the abstention, the DBB passed the recommendations unanimously.

ADJOURNMENT

Mr. Bayer adjourned the DBB's April 22, 2010 public session at 1:30 PM.

I hereby certify, to the best of my knowledge, the foregoing minutes are accurate and complete.


Michael J. Bayer
Chairman
Defense Business Board