



MINUTES OF THE QUARTERLY BOARD MEETING
DEFENSE BUSINESS BOARD
July 21, 2011

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 third public session for the fiscal year 2011 on July 21, 2011 from 09:30 AM to 11:45 AM.

DBB Members Present

Brown, Owsley
Chao, Pierre
Goodman, John (Chairman)
Gross, Pat
Immergut, Mel
Langstaff, David
Levin, Lon
Odeen, Phil
Ronald, Mark (Vice Chairman)
Spencer, Richard
Stein, Robert
Toll, Bob
Vashistha, Atul
Wright, Joe
Zoeller, Jack

DBB Senior Fellows Present

Albert, Neil
Bovin, Denis
Jennings, Madelyn
Kimsey, James
Phillips, Bill
Zakheim, Dov

Consultants Present

O'Connor, John
Warner, Leigh

Observers Present

St. Laurent, Janet, Government Accountability Office (GAO)

DBB Staff Present

Ferguson, Phyllis, Director
Bohn, Michael, Deputy Director
Carr, Ronald (CAPT, USN), Military Assistant
Curran, John (COL, USA), Military Assistant
Graham, Matt, Intern
Lengel, Ed (LtCol, USAF), Military Assistant



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Duffy, Debora, Staff Assistant
Whittington, Catherine, Intern

Public Session Attendees:

Bush, Tom, QRMC
Cordell, Ronald, Deloitte Consulting LLP
Dussault, Kathleen RADM, OPNAV/N41
Eherton, Jon, Eherton and Associates, Inc.
Fletcher, Scott COL, HQDA, DCS G-4
Graham, Jason, Métier
Hargis, Alan, Compensation Policy, HQ Marine Corps, M&RA (MPO)
Hayden, Michael F., MOAA
Kozloski, Robert, DUSN/DCMO
McGee, Gary, ODASD(MPP)
Meredeth, Thomas, OUSD (Comptroller)
Muchmore, Tim, HQDA, DCS G8
Nagy, James, DLA
Odom, Phil, MOAA
Penrod, Vee, DASD Mil Personnel Policy
Robbins, Kristine, AF Assoc
Rooney, Jo Ann Dr., PDUSD P&R
Shaw, Ryan, ROA
Simpson, Lynn, Chief of Staff, USD(P&R)
Snider, Annie, Green Wire
Tilgham, Andrew, Military Times
Vickers, Bryan, Pace LLP
Weisgeber, Marcus, Pentagon News

PUBLIC SESSION

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

At 09:30 AM, Phyllis Ferguson, the Designated Federal Officer, officially opened the public session.

Deliberation of Task Group Recommendations

Modernizing the Military Retirement System, Richard Spencer

John Goodman, Chairman, chaired the discussion.

Mr. Spencer began with the terms of reference and outlined the methodology for reaching the Task Group's findings.



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The Task Group recommended a change in the structure of military retirement, moving from defined benefit to a government-funded defined contribution plan. The most flexible and readily available plan would be based on the existing Uniformed Military Personnel Thrift Savings Plan (TSP). The new plan would provide a more fair and flexible structure at a lower overall cost.

Ms. Janet St. Laurent of the Government Accountability Office (GAO) stated that the Task Group's analysis is consistent with GAO studies. DoD and Congress should consider total compensation costs. GAO found that deferred benefits are a significant aspect of these costs.

Mr. Goodman asked for a motion to vote and received a motion and a second. There was no opposition or abstentions and the Board Members approved the recommendations.

Re-examining Best Practices for DoD Fuel Acquisitions, Denis Bovin

Mr. John Goodman, DBB Chairman, having previously recused himself from this Task Group, stepped out of the meeting delegating the chairmanship to Mr. Mark Ronald, DBB Vice Chairman, who introduced Mr. Denis Bovin.

Mr. Bovin began by introducing the Task Group members and explained the previous DBB study on fuel hedging. Mr. Bovin then reviewed current best practices. Mr. Bovin outlined who the TG had interviewed and met with during this study and during the previous study in 2003. Mr. John O'Connor then identified the current best practices in industry for fuel purchasing. Mr. Bovin then outlined the objectives of using price protection techniques that are used by the commercial sector and noted that DoD is not price protected.

The Task Group considered five recommendations. The TG concluded that three recommendations are low risk and provide price protection.

Ms. Janet St. Laurent stated that GAO has looked at how DoD should curb its energy demand, but it has not specifically analyzed this study. USD(C) is committed to this study and modification of the current system.

Mr. Ronald asked for a motion to vote and received a motion and a second. There was no opposition or further abstentions and the Board Members approved the recommendations.

Global Logistics Management, Phil Odeen

John Goodman, Chairman, chaired the discussion.

Mr. John Goodman introduced Mr. Phil Odeen, who outlined the terms of reference. Mr. Odeen then outlined the methodology of reaching the Task Group's findings. Mr. Odeen explained the three options that the TG examined.

The Task Group recommended implementing the third option to create a single Defense Logistics Organization (DLO). Mr. Odeen then identified the benefits and challenges of this



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third option. However, DoD would need to address a number of critical issues to implement a change of this magnitude.

Ms. Janet St. Laurent stated that GAO studies supply chain management. The execution of the vision statement is a challenge and the vision needs to be implemented.

Mr. Goodman asked for a motion to vote and received a motion and a second. There was no opposition or abstentions and the Board Members approved the recommendations.

Corporate Downsizing Applications for DoD, Joe Wright

John Goodman, Chairman, chaired the discussion.

Mr. Joe Wright outlined the terms of reference. Mr. Wright provided background on the topic and then addressed the findings of the TG and the downsizing principles that the TG learned from the private sector. He then outlined the recommendations and the process for the Department's downsizing effort.

Ms. Janet St. Laurent stated that GAO has studied some of the SECDEF efficiency tasks. Leadership involvement in the beginning and monitoring the execution is necessary. There is a role for the Service Chief Management Officers (CMO) to play in the execution process.

Comments were made that there is a fundamental difference between commercial practices and what is done in the Department and that the culture for change has to be in place in the Department.

Mr. Goodman asked for a motion to vote and received a motion and a second. There was no opposition or abstentions and the Board Members approved the recommendations.

Task Group Updates

Re-engineering the Requirements Process, Bill Phillips

Mr. Phillips outlined the terms of reference of the Task Group and the purpose of reviewing the military requirements process. He also outlined the roadmap of the Task Group. The group will provide its recommendations during the January 2012 meeting.

Information Technology Modernization, David Langstaff

Mr. Langstaff outlined the terms of reference and identified the members of the Task Group. He outlined the roadmap of the Task Group. The Task Group will provide its recommendations during the October 2011 meeting.

Phyllis Ferguson DFO Announcements



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END OF PUBLIC SESSION

ADJOURNMENT

Mr. Goodman adjourned the DBB's July 21, 2011 public session at 1:45PM.

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

A handwritten signature in black ink that reads "John B. Goodman".

John Goodman
Chairman
Defense Business Board