



MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 18, 2022

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 18, 2022, at 10:00 a.m., Eastern Daylight Time. The meeting was held virtually and was open to the public. In attendance were Dana K. Bilyeu of Oregon, member; Leona M. Bridges of California, member; Stacie Olivares of California, member; Ravindra Deo, Executive Director; Dharmesh Vashee, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer and Deputy Executive Director; Kimberly A. Weaver, Director, Office of External Affairs; Susan Crowder, Chief Financial Officer; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Communications and Education; McCaffrey, Chief Investment Officer; Vijay Desai, Chief Information Officer; and Thomas Brandt, Chief Risk Officer.

Welcome and Introductions.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:02 a.m. and welcomed everyone present to the meeting.

1. Approval of the Minutes of the October 25, 2022, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the October 25, 2022, Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on October 25, 2022, be approved.

2. Monthly Reports.

Mr. Deo gave opening remarks, including a brief summary of the agenda of the meeting.

a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Thrift Savings Fund Statistics October 2022" (attached). He reported that call volume decreased by 10 percent in October and was roughly half of August's volume. Mr. Courtney stated that participants continue to use new communication channels offered through Converge. Email inquiries to the ThriftLine were up 13 percent in October, and Live Chats increased by 29 percent. He closed by marking that this October was two years since the beginning of automatically enrolling new participants at the full matching

rate of five percent of salary. Since automatic enrollment began two years ago, the percentage of participants receiving the full match has increased more than 10 percent, and now exceeds 85 percent.

b. Investment Report

Mr. McCaffrey reviewed the monthly investment performance report. See “October 2022 Investment Program Review” (attached). For the month of October, BlackRock’s performance for the F Fund exceeded the Fixed Income Index by four basis points, primarily due to securities lending. Performance for the C Fund was in line with the Large Cap Index. Performance for the S Fund exceeded the Small Mid Cap Index by seven basis points, primarily due to securities lending. Performance for the I Fund was ahead of the International Index by 60 basis points, primarily due to fair value pricing.

State Street’s October performance for the F and C Funds was in line with the Funds’ respective indices. S Fund performance was ahead of the Small Mid Cap Index by four basis points, primarily resulting from futures mistracking.

In October, inflation concerns persisted in markets, but equity bullishness prevailed as many investors found reasons for optimism, which likely included corporate earnings that exceeded expectations. The C, S, and I Funds posted significant gains, but the F Fund experienced a loss, at least in part due to rising interest rates. All L Funds finished higher.

Mr. McCaffrey then discussed year-to-date performance. BlackRock’s F Fund performance was ahead of the Fixed Income Index return by 44 basis points primarily due to securities lending. In addition, the C Fund outperformed the Large Cap Index by four basis points and the S Fund exceeded the Small Mid Cap Index by 35 basis points, both primarily due to securities lending. The I Fund was ahead of the International Index by 31 basis points primarily due to tax advantage.

For the year-to-date, State Street outperformed the Fixed Income Index for the F Fund by six basis points due to securities lending. C Fund performance was in line with the Large Cap Index, and the S Fund outperformed the Small Mid Cap Index by 29 basis points, primarily due to securities lending.

For the current month through November 17, Mr. McCaffrey reported that all funds are ahead: the C Fund by 2.06 percent, the S Fund by 0.46 percent, the I Fund by 9.49 percent, the F Fund by 2.55 percent, and the G Fund by 0.2 percent.

Mr. McCaffrey then noted that the L Funds added 31,000 participants during the month, consistent with expectations given the L Funds’ status as the default Thrift Savings Plan (TSP) investment option for new participants.

Interfund transfers (IFT) were very modest for October. While IFTs are often thought to be influenced at the margin by meaningful swings in stock market

sentiment, evidence suggests that most participants refrain from changing their asset allocations in any given month. Mr. McCaffrey noted that this is consistent with what the Office of Investments has reported throughout the year, despite significant volatility in the stock and bond markets.

c. Legislative Report

Ms. Weaver began by noting that the House of Representatives and Senate makeup will change due to the election earlier in the month. The Senate and the House will be back in session on November 28th. Due to the Republicans taking the majority in the House, Representative James Comer will serve as Chair of the House Oversight Committee. The Democratic Ranking Member is yet to be determined with several members in the running. In the Senate, Senator Gary Peters will remain Chairman of the Oversight Committee with Senator Rand Paul serving as the Ranking Member.

The bill currently funding the rest of government ends on December 16. Congress will be working to address funding, along with the Department of Defense authorization Bill. There is also movement on three pieces of related legislation: SECURE 2.0, the Enhancing American Retirement Now (EARN) Act, and the Retirement Enhancement and Savings Act (RESA). Ms. Weaver stated that those bills contain certain provisions that apply to all 401(k)s but do not apply to the TSP because the it is governed by Title 5 of the United States Code. FRTIB is working with congressional staff to include the TSP in these provisions.

3. Quarterly Metrics Report.

Mr. Dennis McNulty, Branch Chief for Strategic Performance in the Office of Planning and Risk reported on key performance indicators (KPIs) for the fourth quarter of fiscal year 2022 (FY 22), the first such report since the transfer to the new recordkeeper. See “FY22 Q4 Metrics Report” (attached).

Under Strategic Goal A, Mr. McNulty discussed the Blended Retirement System (BRS) matching contribution rate. This metric missed the 80 percent targeted performance level for the full quarter, but it has steadily increased because new participants are automatically enrolled at five percent. Mr. McNulty provided some background and context for this metric. Prior to FY 22, it only included active-duty opt-in participants. Beginning in FY 22, it included active-duty auto-enrollees, who begin receiving matching funds after two years of service.

At the time this metric was transitioned to include BRS auto-enrollees, the BRS full matching rate was 69 percent. It has steadily increased since then and, over time, it is expected to approach the full match rate of Federal Employees’ Retirement System (FERS) participants. Mr. McNulty also noted that while the Office of Participant Services reports the BRS full matching rate monthly, the Agency calculates the KPI across the full quarter. A participant must contribute at least five percent throughout the

full quarter to be included in this metric and this also applies to the FERS full matching rate.

The combined FERS and BRS matching rate is 77 percent and compares favorably to Vanguard's most recent "How America Saves" Report, which states that 69 percent of participants save at or above the full match rates for the plans Vanguard administers.

Turning to Goal C, Mr. McNulty noted that investment confirmation by email receipt for the F, C, S, and I Funds was one day late in the previous quarter. However, the trade order was manually confirmed, and the actual investments were not impacted by this issue. Also in Goal C, FRTIB exceeded the annual goal for external audit findings closures metric by closing 50 findings – 21 more than originally planned.

4. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 10:15 a.m. for executive session.

At 11:20 a.m., upon completion of the executive session, the members reconvened the open portion of the meeting.

Whereupon there being no further business, the following motion was made, seconded, and adopted without objection and Chair Gerber adjourned the meeting at 11:20 a.m.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Thrift Savings Fund Statistics October 2022
2. October 2022 Investment Program Review
3. FY22 Q4 Metrics Report