



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 27, 2023

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 27, 2023, at 10:00 a.m., Eastern Daylight Time. The meeting was held at the Board's offices at 77 K Street, NE and was open to the public via teleconference. In attendance were Dana K. Bilyeu of Oregon, member; Leona M. Bridges of California, member; Stacie Olivares of California, member; Ravindra Deo, Executive Director; Stefanie George, Acting General Counsel and Acting Secretary; Suzanne Tosini, Chief Operating Officer, Deputy Executive Director, and Acting Chief Financial Officer; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Participant Experience; Sean 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 10:00 a.m.

1. Approval of the Minutes of the May 23, 2023, Joint Board/ETAC Meeting.

Chair Gerber entertained a motion for approval of the minutes of the May 23, 2023, Joint Board/ETAC meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Joint Board/ETAC meeting held on May 23, 2023, be approved.

Mr. Deo then gave opening remarks and provided a brief summary of the agenda.

2. Recordkeeper Service Update – Accenture Federal Services.

Mr. Courtney introduced Elaine Beeman and Owen Davies, the two most senior members of the Accenture Federal Services (AFS) team working on the Converge contract, to present an update. See "Recordkeeper Service Update (Accenture Federal Services)" (attached). Ms. Beeman noted that June 1 was the first anniversary of the Converge system going live and acknowledged the complexity of the effort.

Mr. Davies then reported that in the first year of Converge, 3.7 million people established their online accounts, while prior to Converge going live, there were roughly 3.8 to 3.9 million people with online accounts. In the past year, there have been almost 50 million My Account logins and over three million calls to the ThriftLine. In

addition, wait times for calls to the ThriftLine are down to nine seconds with the average call duration being ten minutes.

Mr. Davies continued by highlighting six features that were not available prior to Converge. The mobile app has been downloaded over 800,000 times. In addition, there have been more than one million chats with the virtual agent (AVA) where users can get access to retirement information, along with 11,000 roll-ins through a concierge service that accelerates processing. More than a million people have used e-signature, which increased processing speed and eliminated the need for paper processing. AFS has processed more than 3.36 million electronic payments, allowing faster access to funds through a more secure method. Finally, over 160,000 participants have utilized a second general purpose loan. With respect to money in, money out, and money managed, in addition to a large volume of contributions, there have been more than 30,000 rollovers into the plan totaling more than one billion dollars, 34 billion dollars in withdrawals and installment payments, and 1.46 million fund transfers and reallocations.

Mr. Davies then turned to participant satisfaction over the first year. Noting that the last time his organization was before the Board, overall satisfaction was 82 percent compared to an industry standard of around 80 percent. Overall satisfaction is now at 89 percent. In addition, phone satisfaction went from 89 percent in February to its current level of 92 percent. Website satisfaction is at 87 percent, and AFS is working to increase that number. Mr. Davies also described the volume of interaction on the various channels – the web, mobile, phone, AVA, live chat, and email – noting that the last two make up a small percentage of overall traffic.

Mr. Davies turned his discussion to AFS's three areas of focus for the second year of the contract: participant satisfaction, operations excellence, and innovation.

To improve participant satisfaction, Mr. Davies described how AFS collects and evaluates feedback, balancing positive feedback and constructive criticism. He provided several examples of changes AFS has made based on participant feedback. First, AFS adjusted the My Account homepage to include items that were present prior to Converge. Second, AFS changed the interactive voice response authentication on the ThriftLine to make the process easier and accelerate connection with an agent. Third, AFS added a self-service feature to My Account to allow participants to start and stop installment payments. Finally, AFS provided participant service representatives with more information about an individual's loans, reducing the need for multiple calls.

With regard to operational excellence, AFS will continue a participant-centric approach. They plan to conduct focus groups to get direct feedback from participants outside other channels. In addition, they are implementing a "pizza tracker" that will allow a participant with a pending request to monitor its status. They are also planning technology upgrades, including bank account verification tools to reduce the

seven-day hold necessary to conduct verification and allow individuals to get their money faster. In addition, AFS is working on improving processing time for legal and death claims.

AFS's final focus is on innovation, and Mr. Davies highlighted the Innovation Launch Pad, their group responsible for this work. He will share more about what that group is doing in future presentations.

In response to a question from Member Bilyeu, Mr. Davies explained that AFS is taking a security-first approach and that security was not discussed as it is part of everything they are doing with Converge.

In response to a question from Member Olivares, Mr. Davies explained that AFS is looking for ways to speed up the processing of legal and death claims while maintaining compliance with statutes and regulations. An example of this is the death benefits claim process where AFS is trying to improve the speed of confirming the veracity of submitted documents.

In response to a question from Member Bilyeu about SECURE Act 2.0, Mr. Courtney reminded the Board that Mr. Deo sent a letter to the United States Congress and the Department of Treasury requesting an extension to comply with Section 603, regarding Roth catch up contributions. Mr. Courtney added that with other SECURE Act 2.0 provisions, FRTIB can leverage AFS's work with other clients who must also comply.

Chair Gerber thanked Mr. Davies and expressed appreciation for the improvement in all the metrics. Chair Gerber reiterated the emphasis on security and noted that the TSP operates better than many of the private sector systems because it holds itself to a higher standard, which he appreciates AFS's help in maintaining.

3. Monthly Reports.

a. Participant Activity Report

Mr. Courtney presented the monthly Participant Activity Report. See "Thrift Savings Fund Statistics May 2023" (attached). He began by highlighting that the number of Thrift Savings Plan (TSP) participants reached a new high in May at more than 6.8 million. In addition, participants in May rolled more than 174 million dollars into the TSP, which is the highest single monthly amount in more than three years.

In response to a question from Chair Gerber, Mr. Courtney opined that the roll-ins increase may be the result of targeted outreach along with the availability of the concierge service. In response to a question from Member Olivares, Mr. Courtney stated that the Agency does not survey participants about the reasons for their roll-ins.

b. Legislative Report

Mr. Deo, providing the report in Ms. Weaver's absence, began by noting that the debt ceiling was lifted, and the G Fund was fully reinvested. In addition, Representative Ken Buck introduced a bill that prohibits qualified professional asset managers from exercising voting rights associated with securities held by the TSP. On June 8th, Senator Ted Cruz introduced a companion bill in the Senate which would prohibit BlackRock and State Street from voting TSP proxies, effectively preventing TSP proxies from being voted at all.

In response to a question from Member Bilyeu, Mr. Deo indicated that he would have to gather information regarding whether either of those bills had additional signatories.

c. Investment Report

Mr. McCaffrey reviewed the monthly investment performance report. See "May 2023 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey began by stating that BlackRock's performance for the F, C, and S Funds was in line with the Fund's respective indices for the month of May. For the I Fund, BlackRock's performance was ahead of the International Index by 31 basis points primarily due to fair value pricing. State Street's performance for the F, C, and S Funds was also in line with respective indices for the month. Their I Fund performance fell behind the International Index by 12 basis points with the difference primarily attributable to fair value pricing.

Reviewing the markets for May, Mr. McCaffrey noted that the Federal Reserve Board raised its target interest rate range in early May, and the debt ceiling impasse captured much of the market's attention for the rest of the month. United States stocks were just slightly ahead and international stocks were lower, made worse for U.S. investors due to an increase in the value of the dollar. This caused the C and S Funds to post small gains and the I Fund to deliver a loss. Higher U.S. interest rates led to a decline in the value of the F Fund and all L Funds had losses for the period.

Mr. McCaffrey then turned to year-to-date performance. BlackRock's F Fund performance was ahead of the Fixed Income Index by 19 basis points, primarily due to the year-end pricing difference discussed at previous meetings. BlackRock's C Fund performance matched the Large Cap Index returns. Performance for the S Fund exceeded the Small Mid Cap Index returns by nine basis points, primarily due to securities lending. Performance for the I Fund was ahead of the International Index by 50 basis points, primarily due to tax advantage.

State Street's year-to-date performance for the F Fund exceeded the Fixed Income Index returns by 19 basis points, primarily due to the year-end pricing difference, and performance for the C and S Funds was in line with the Funds' indices.

For the I Fund, performance was ahead of the International Index by 34 basis points primarily due to tax advantage.

Investment performance for stocks is positive so far in June. Through Monday, June 26, the C Fund has gained 3.68 percent, the S Fund is ahead 4.52 percent, and the I Fund has gained 2.54 percent. The bond market is roughly flat. The F Fund is ahead 0.06 percent, and the G Fund has earned 0.28 percent.

4. Quarterly Vendor Risk Management Report.

Mr. Brandt presented the Office of Planning and Risk's (OPR) synopsis of the risk assessment for five key vendors. See "Quarterly Vendor Risk Management Report" (attached). OPR has assessed the vendors' solvency, liquidity, profitability, and other factors and provided its analysis for the first quarter of 2023 in a memo to the Board and the Executive Director.

5. Office of Technology Services Annual Presentation.

Mr. Desai presented the Office of Technology Services (OTS) annual review. See "Office of Technology Services Annual Report" (attached). He began by highlighting some of OTS' accomplishments. In anticipation of Converge, OTS revisited its mission, vision, and functional statement. OTS also streamlined its structure, so it better aligns with the Agency's model and its technology needs.

Mr. Desai then proceeded to describe OTS's current structure, which includes a Service Delivery Division, a Security Management Division, and an Operations and Strategy Division. Over the past few years, OTS has worked to ensure the accurate and timely transfer of data to the new recordkeeper while also decommissioning the legacy infrastructure. In addition, they have worked to enhance the Agency's security posture and improved FISMA scores in all nine domains. OTS has commenced continuous penetration testing at both 77K and the Converge vendor. The Agency has also transitioned to a zero-trust architecture. FRTIB is ahead of most federal agencies in implementation of this mandate. OTS has also moved the Agency to a fully cloud-based Microsoft ecosystem.

Mr. Desai then discussed OTS's future. Zero-trust architecture will continue to mature, and OTS will continue to partner with other organizations such as the Department of Justice to improve security and the end user experience. OTS, in collaboration with other offices, will be monitoring and managing supply chain risk. In addition, they will be working to change how technology is governed while also continuing to invest in people to enhance and broaden technical expertise.

In response to a question from Member Bilyeu, Mr. Desai explained that OTS staff stays on top of current issues such as Artificial Intelligence, along with general trends by actively engaging in various forums, such as the Federal CIO Council and the Federal CISO Council, as well as public-private partnership organizations that address current and upcoming technology challenges.

In response to a question from Chair Gerber, Mr. Desai stated that those who work for OTS are highly skilled professionals who are in demand, and they have experienced some turnover. Mr. Desai assured the Board that OTS leadership understands this and regularly works to develop staff's skills.

6. Department of Labor Presentation.

Chair Gerber welcomed officials from the Employee Benefits Security Administration (EBSA). Lisa Gomez, Assistant Secretary of Labor at EBSA began the presentation by expressing appreciation for the relationship between EBSA and the TSP in ensuring the protection of TSP participants. See "U.S. Department of Labor Employee Benefits Security Administration Fiscal Year (FY) 2023 Thrift Savings Plan Fiduciary Oversight Program" (attached).

Michael Auerbach, Chief Accountant at EBSA, also expressed his appreciation for FRTIB's cooperation in EBSA's fiduciary oversight audits, which focused this year on functions and processes that transitioned with the start of Converge. He then introduced Heather Flanagan, Lead Engagement Partner with KPMG, who discussed audit activity from May 2022 to June 2023.

Ms. Flanagan reported the audit team completed four audits in 2022 after its April 2022 Board presentation, and they have nine audits and projects scheduled for 2023. Ms. Flanagan highlighted an upcoming "status of prior year findings" audit, which is meant to clean up old recommendations that are no longer relevant or are not covered in another continuing audit. She also noted that this year's audits include the first audit of State Street as a TSP investment manager.

Ms. Flanagan then reviewed the four completed 2022 audits. Three of these audits were pre-implementation reviews meant to uncover any high-level issues or concerns prior to the implementation of Converge. The fourth was the recurring audit of the G Fund, and none of these audits resulted in recommendations. Turning to 2023, she noted that the report for the withdrawals audit has been finalized, and the computer access and vendor management audits are almost complete. The expectation is that upon completion of those audits, 14 recommendations will be closed, and 13 new recommendations will be made, primarily in the withdrawals audit.

Ms. Flanagan discussed that prior to Converge, the aging of recommendations was an issue, with the majority exceeding five years. Prior to Converge there were 119 open recommendations, and this year the audit team is looking at 97 of them with a current estimate that 94 will be closed. These recommendations cover ten audit areas and include IT and process audits. Closing these recommendations will involve marking some as implemented and others as no longer relevant to the current system. The goal of the attempt to closeout old recommendations is to give the Board a clear view of where things stand with the implementation of Converge. EBSA will review the approximately 25 remaining open

recommendations in the future to determine if they are still relevant or have been implemented. In response to a question from Member Bilyeu, Ms. Flanagan confirmed that EBSA was not addressing those recommendations this year because they anticipate reviewing them as part of future-year audits.

In response to a question from Member Olivares on how these audits compared to the private sector, Ms. Flanagan explained that the audit team looks at industry best practices along with the quality of the implemented controls. In addition, they look to the Government Accountability Office to determine whether the established policies and procedures line up with government standards.

In response to a follow-up question from Member Olivares on how EBSA's work with the TSP compares to private sector defined contribution plans, Timothy Hauser, Deputy Assistant Secretary for Program Operations at EBSA, stated that there is significant variability in the private sector on policies, procedures, and cybersecurity. Considering this variability, Mr. Hauser stated that his own sense of the TSP is that its security posture is significantly improved in recent years and much closer to the upper end of what EBSA sees in its efforts. Mr. Hauser credited the FRTIB staff for the work effort, conscientiousness, and focused attention that has been directed towards cybersecurity. Ms. Flanagan added that with IT audits, they always look to the National Institute of Standards and Technology as a benchmark for controls. Mr. Hauser highlighted the common issue of vendor controls that is an issue throughout defined contribution plans.

Chair Gerber expressed appreciation that the audit working relationship is healthy and credited everyone involved in making sure that there is a high level of communication and transparency. Mr. Auerbach echoed that as the TSP is the largest defined contribution plan in the world, it should always strive to be a best-in-class operation.

7. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 11:10 a.m. to enter into executive session.

At 1:29 p.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 1:29 p.m.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Recordkeeper Service Update (Accenture Federal Services)
2. Thrift Savings Fund Statistics May 2023
3. May 2023 Performance Review – G, F, C, S, I, and L Funds
4. Quarterly Vendor Risk Management Report
5. Office of Technology Services Annual Report
6. U.S. Department of Labor Employee Benefits Security Administration Fiscal Year (FY) 2023 Thrift Savings Plan Fiduciary Oversight Program