



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, N.E. Washington, DC 20002

MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 23, 2013

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board (Agency), convened a telephonic meeting of the Board members on September 23, 2013, at 9:00 a.m., Eastern Time. Parts of the meeting were open to the public at the Board's offices at 77 K Street, N.E. and parts were closed to the public. In attendance were Dana K. Bilyeu of Nevada, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William Jasien of Virginia, member; Gregory T. Long, Executive Director; James B. Petrick, Secretary and General Counsel; Thomas K. Emswiler, Director, Office of Participant Operations and Policy; Susan C. Crowder, Chief Financial Officer; Tracey A. Ray, Chief Investment Officer; Kimberly A. Weaver, Director, External Affairs; Mark E. Walther, Chief Technology Officer; Jay Ahuja, Chief Risk Officer, Office of Enterprise Risk Management; James Courtney, Director, Office of Communications and Education; Gisele Goethe, Director, Office of Resource Management; Toni Bush-Neal, Executive Advisor to the Executive Director.

1. Approval of the minutes of the August 9, 2013 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the August 9, 2013 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting that was held on August 9, 2013 be approved.

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

Mr. Long gave opening remarks, including a brief summary of the agenda for the meeting, and introduced Mr. Jim Courtney, who was recently selected as the Director of Communications and Education.

a. Monthly Participant Activity Report

Ms. Bush-Neal reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Ms. Bush-Neal noted that last month, Ms. Wilder reported that the Plan experienced high loan and withdrawal activity, possibly due to the impact of furloughs for federal employees. During August, withdrawal activities returned to normal, and Roth balances for all participants reached almost \$608 million. The FERS participation rate remains at 86.7 percent.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled “August 2013 Performance Review – G, F, C, S, I, and L Funds” (attached). Ms. Ray noted that all the funds closely tracked their indexes for the year-to-date, and that transaction costs remain low for the year-to-date. In August, all the funds except for the G Fund experienced a decline in value, but early September saw gains. For the first three weeks of September, the C Fund is up 4.8 percent, the S Fund is up 5.8 percent, and the I Fund is up 8 percent.

c. **Legislative Report**

Ms. Weaver reported that the Office of General Counsel recently issued two regulations. One took effect immediately in light of the Supreme Court’s decision on the Defense of Marriage Act. Because part of the Defense of Marriage Act was recently held to be unconstitutional, the FRTIB changed its regulations to clarify that a same-sex marriage is valid under FRTIB regulations if it occurred in a state where same-sex marriage is recognized, regardless of where the participant or beneficiary resides. The second regulation proposed a rule that if finalized, would state that a TSP-3, Designation of Beneficiary Form, is only valid if received by the FRTIB within 365 days of the signature date. This change would prevent acceptance of old forms that are sent in by employing agencies, which can frequently conflict with a participant’s current desire for the disposition of their account.

Ms. Weaver also reported that according to Secretary of the Treasury Lew, the debt ceiling must be raised by mid-October. Since May 31, the Treasury has been using extraordinary measures and not been investing all of the G Fund, but is required to make the Fund whole once the debt ceiling is dealt with.

3. **Quarterly Metrics.**

Ms. Bush-Neal delivered the Strategic Operational Metrics presentation (attached). One of FRTIB’s strategic initiatives is to help people retire with dignity, and increasing the participation of uniformed service members is an important part of that initiative. The participation rate of uniformed service members has remained steady, but has not increased. Mr. Jasien asked what strategies were in place to achieve an increased participation rate, and Mr. Long explained some of the difficulties and some of the strategies the FRTIB had implemented, including having someone at the Pentagon one day a week for several months to answer questions related to the TSP. Ms. Bush-Neal also updated the Board on the status of several other key initiatives, highlighted in the report.

4. **ERM Report.**

Mr. Long introduced Jay Ahuja, the Chief Risk Officer and Director of the Office of Enterprise Risk Management. Mr. Ahuja gave a presentation (attached) on his Office’s mission, key drivers of success, integrated approach to managing risk, team

structure, and recent accomplishments. ERM's mission is to enhance enterprise governance by embedding risk management into key Agency operations and strategic decision making.

5. Budget Review and Approval.

Mr. Long presented the Agency's proposed administrative budget for FY 2014, and an estimate for FY 2015 (memorandum attached). Mr. Long explained that the second page of the memorandum include two estimates- a historical growth estimate based on the data over the last 10 years, and a conservative growth estimate based on market growth of zero, normal cash flow, and flat participation rates. Mr. Long explained that the FRTIB has continued the planning and budgeting processes initiated last year which segregated steady state work from new initiatives. For FY 2014, the memorandum also distinguishes between new initiatives that are currently in process and ones that are newly proposed, and estimates a total of \$4.9 million for all new initiatives.

Mr. Long reviewed the new initiatives that are in progress after FY 2013 approval, including a substantial increase of personnel to support on-going operations, because previous budgets had left the FRTIB significantly understaffed. FY 2013 also saw the start of the implementation of Enterprise Information Security Risk Management and the development of an Enterprise Risk Management strategy.

Mr. Long explained that the steady state budget is increasing to \$193 million, and that the primary driver of that budget is IT resources related to recordkeeping costs. Mr. Long presented a steady state budget breakdown for each office within the FRTIB, and explained the FY 2014 new initiatives, which includes enhancing decision intelligence for the Agency.

Chairman Kennedy entertained a motion for approval of the fiscal year 2014 budget. The following motion was made, seconded, and adopted without objection.

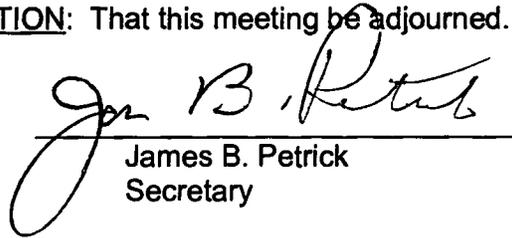
MOTION: That the Agency's Fiscal Year 2014 Budget be approved in the amount of 201 million dollars.

6. 2014 Board Meeting Calendar.

The Board members discussed a proposed calendar for 2014. Mr. Jones noted that the meetings for 2014 would be 8:30 a.m., a move from 9:00 a.m. The Board Members discussed various dates and potential conflicts.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 11:48 a.m.

MOTION: That this meeting be adjourned.



James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. August 2013 Performance Review – G, F, C, S, I, and L Funds
3. Strategic Performance Metrics
4. Office of Enterprise Risk Management Presentation
5. Fiscal Year 2014 Budget and Fiscal Year 2015 Budget Estimate Memorandum
6. Annual Budget Presentation