



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002
MINUTES OF THE MEETING OF THE BOARD MEMBERS

April 28, 2014

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on April 28, 2014, at 11:00 a.m., Eastern Time. Parts of the meeting were open to the public and parts of the meeting were closed at the Board's offices at 77 K Street, N.E. In attendance were Dana K. Bilyeu of Nevada, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Greg Long, Executive Director; James B. Petrick, Secretary and General Counsel; Tracey A. Ray, Chief Investment Officer; Renée C. Wilder, Director, Office of Enterprise Planning; Mark E. Walther, Director, Office of Technology Services; Kimberly A. Weaver, Director, External Affairs; Thomas K. Emswiler, Director, Office of Participant Operations and Policy; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Communications and Education; and Megan G. Grumbine, Executive Advisor to the Executive Director.

1. Closed Session

Chairman Kennedy called the meeting to order and on a vote taken by the Chairman, the members closed the meeting at 11:11 a.m. for executive session.

At 11:27 a.m., upon completion of the executive session, the members reconvened the open portion of the meeting and recessed before reconvening the meeting at 12:30 p.m.

2. Approval of the Minutes of the March 20, 2014 Board Member Meeting

Chairman Kennedy entertained a motion for approval of the minutes of the March 20, 2014 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 March 20, 2014 be approved.

3. Monthly Reports

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

a. Monthly Participant Activity Report

Ms. Wilder and Mr. Emswiler reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Ms. Wilder announced

that FERS participation increased to 87.1 percent with active duty Uniformed Services participation reaching 41.1 percent. Ms. Wilder stated that assets under management exceeded \$400 billion, while Roth assets reached \$1.2 billion, noting that Uniformed Services participant accounts make up over 46 percent of the total Roth accounts. The Plan's opt-out rate remains steady at 3.8 percent. Mr. Emswiler spoke about the transaction volumes, explaining that the Agency received 3,200 roll-in checks in March—about 900 more than the average. Mr. Emswiler further noted that the roll-ins equated to \$94 million in March, approximately \$24 million more than the monthly average from last year.

b. Quarterly Investment Policy Report

Ms. Ray reviewed the Quarterly Investment Policy Report, entitled "March 2014 Performance Review – G, F, C, S, I, and L Funds" (attached). Ms. Ray examined the tracking error of the BlackRock-managed funds versus their underlying indices, noting that the Funds tracked closely. The I Fund had a tracking error of 8 basis points for the month due to the tax effect. The F Fund had a year to date tracking error of 22 basis points due to pricing service differences and securities lending income. The S Fund has underperformed its index by 13 basis points year to date as a result of the optimization process.

Chairman Kennedy entertained a motion to reaffirm the investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Investment Fund, and the International Stock Index Investment Fund. The following motion was made, seconded, and adopted without objection:

MOTION: That the investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Investment Fund, and the International Stock Index Investment Fund be reaffirmed.

c. Legislative Report

Ms. Weaver reported that Congressional staffers are working on a committee report for legislation introduced by Chairman Issa and Ranking Member Cummings that would change the default fund of the Plan from the G Fund to an age-appropriate L Fund. Ms. Weaver expects that the legislation will be brought to the House Floor for a vote soon. Ms. Weaver stated that there was no comparable Senate markup scheduled at this time, but that Senator Warren has been working to move her L Fund bill in the Senate. Ms. Weaver also reported that the Agency recently published a regulation to allow the Treasury Department to use administrative wage garnishment on the Agency's behalf to garnish the wages of non-federal employees to collect overpayments. Ms. Weaver noted that the Treasury Department can already garnish the wages of federal employees.

4. Audit Status Summary

Mr. Ahuja provided an update on Agency audit activity actions, reporting that out of 135 total findings, 74 were closed and 61 remained open. See "Summary of Audit Recommendations" (attached). Mr. Ahuja briefly reviewed each of the recently performed audits. The Department of Labor (DOL) and KPMG performed 11 audits over the last year, which resulted in 47 new findings. CliftonLarsenAllen performed an annual audit and reported 7 new findings. In addition, the Government Accountability Office (GAO) conducted a study on the Agency's security breach from 2012.

Mr. Long pointed out that the reason for the increased number of audit findings is that there was a significant increase in the number of audits DOL performed this year highlighting that DOL usually has between 3 and 5 audits a year, but this year they performed 11 audits. Mr. Long noted that the Agency has dedicated additional resources to close the remaining audit findings. Mr. Ahuja concluded by stating that the rate at which the Agency closes the audits exceeds the number of new audit findings and stated that the goal is to take corrective actions at the foundation level to prevent the same findings from reoccurring.

5. Fiduciary Oversight Program Summary (Department of Labor)

Ian Dingwall, Chief Accountant at the U.S. DOL Employee Benefit Security Administration (EBSA) gave a presentation, entitled, "Fiscal Year 2014 Thrift Savings Plan Fiduciary Oversight Program" (attached). The presentation outlined the scope of Plan performance audits; provided a tentative schedule of FY 2014 Plan audits and projects; highlighted the overall assessment from March 2013 through April 2014; summarized the areas addressed by recent fundamental control recommendations as well as open recommendations; and provided an overview of future EBSA initiatives. Chairman Kennedy offered to meet with the DOL auditors again before the upcoming August, 2014 Board meeting.

6. Annual Financial Audit (CliftonLarsonAllen)

Marie Caputo, Principal, CliftonLarsonAllen gave a presentation on her firm's recently performed independent audit. See "Federal Retirement Thrift Investment Board – Thrift Savings Fund 2013 Audit" (attached). Ms. Caputo reported that the result of the 2013 audit was an unmodified "clean" opinion that the financial statements are presented fairly, in all material respects in conformity with U.S. Generally Accepted Accounting Principles (GAAP). This is the highest assurance that can be given to the Agency. No material weaknesses were identified within the internal controls of the TSP. There was one finding that, while notable, was not at the level of significance of something required to be reported.

7. Quarterly Vendor Financials Report

Mr. Ahuja provided an action-assessment of key vendors that could have the ability to impact the Agency's business. See "Quarterly Vendor Financial Assessment" (attached). Mr. Ahuja's report tracked nine vendors, three of which were privately-held companies. The report concluded that there are currently no concerns with these three companies. Chairman Kennedy raised a question about whether there is an early warning system that would alert the Agency about potential concerns with privately-held companies. Mr. Ahuja responded that there are protections in place and that his office plans to speak with the CEOs and CFOs of these organizations every six months for reassurance. Mr. McCray raised a question about whether the vendors were obligated to provide balance sheets to the Board in the event that the company's finances could adversely impact the Agency. Mr. Long stated the Board could review these documents in closed session, as the financial documents must remain confidential.

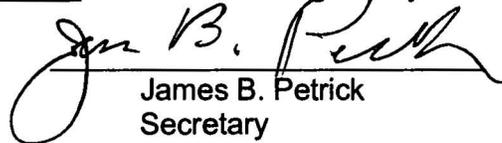
8. Budget Review

Ms. Crowder provided an update on the budget, stating that the Agency projects to spend 113 percent of its budget in the quarter. Ms. Crowder explained that this number represented that the managers and directors are planning ahead of time and that everything should balance out by the end of the third quarter. Ms. Crowder did not anticipate having to ask for additional funding for this fiscal year.

9. Adjournment

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 2:11 p.m.

MOTION: That his meeting be adjourned.


James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. March 2014 Performance Review – G, F, C, S, I, and L Funds
3. OERM Presentation on the Summary of Audit Recommendations
4. DOL Presentation: FY 2014 TSP Fiduciary Oversight Program (PowerPoint)
5. Employee Benefits Security Administration Performance of TSP Service Continuity Controls Report
6. CliftonLarsonAllen Presentation: FRTIB – Thrift Savings Fund 2013 Audit
7. OERM Presentation: Quarterly Vendor Financial Report