



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 28, 2014

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on July 28, 2014, at 1:00 p.m., Eastern Time. Parts of the meeting were open to the public at Frostburg State University, 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 S. Jasien of Virginia, member; Greg Long, Executive Director; James B. Petrick, Secretary and General Counsel; Mark E. Walther, Chief Operating Officer; Tracey A. Ray, Chief Investment Officer (by telephone); Renée C. Wilder, Director, Office of Enterprise Planning; Dave Heimann, Acting 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. Approval of the minutes of the June 23, 2014 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the June 23, 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 June 23, 2014 be approved.

2. Thrift Savings Plan ("TSP") activity report by the Executive Director.

Chairman Kennedy thanked Mr. Long and Agency staff for organizing the trip to Frostburg to see one of the Agency's call centers. Mr. Walther announced that Ms. Goethe was recently honored for more than 30 years of faithful and honorable service as a Lt. Colonel in the United States Army Reserve. Mr. Walther shared some of her accomplishments, offered his congratulations, and on behalf of the Board members and Agency staff, expressed gratitude and admiration for her service. Mr. Long gave opening remarks, including a brief summary of the agenda for the meeting.

a. Monthly Participant Activity Report

Mr. Emswiler reviewed the report on TSP statistics. See "Thrift Savings Fund Statistics" (attached). Mr. Emswiler reported that approximately 8 percent of TSP participants currently have Roth account balances, which continues to

increase. More than 26 percent of Uniformed Services Participants have Roth balances. Mr. Emswiler also reported that approximately 484 million dollars has been rolled in to the plan for the year. Mr. Jaisen asked if there were any set target numbers for Roth participation, and Mr. Long explained that the goal for the Uniformed Service members was participation in general, without distinguishing whether participation is pre-tax or post-tax.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "June 2014 Performance Review – G, F, C, S, I, and L Funds" (attached). The first page compared BlackRock Funds' performance against their underlying indices both for the month of June and year-to-date. Ms. Ray pointed out that there was some tracking error in the Fixed Income Fund as a result of Securities Lending Income, and as a result of using a different pricing service for the Mortgage-Backed Securities than the Index itself uses. Ms. Ray reported that the International Fund has 30 basis points of positive tracking error for the year because of the tax effect on dividends. For the month of July, the C Fund is up 1.03 percent, the S Fund is down 2.2 percent, and the I Fund is down 0.58 percent. Ms. Ray explained that page 5 of the report contained the quarterly remarks, and reported that no exceptions had been found to BlackRock's proxy voting. Thereafter, the members made, seconded, and adopted the following resolution by unanimous vote:

RESOLUTION

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 et seq.) provides that the Board members shall establish policies for the investment and management of the Thrift Savings Fund (5 U.S.C. § 8472(f)(1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

c. Legislative Report

Ms. Weaver reported that the Senate marked up S. 2117, the L Fund default bill, on June 25, 2014, and a committee report would be forthcoming. The House approved their version of the bill on July 14, 2014. Ms. Weaver reported that she would continue to work with both Houses to help expedite the process.

3. Quarterly reports.

a. Vendor Financials

Mr. Ahuja introduced the Quarterly Vendor Financial Assessment (attached), and explained that nine vendors are tracked for purposes of the report. Six companies are publicly held and three are privately held. The report finds no indication that any of the vendors will not be able to provide the services for which they are under contract.

b. Audit Status

Mr. Ahuja reported that DOL had closed 19 of the open audit findings, and that a second audit of selected open findings is currently in progress. Mr. Ahuja explained that 116 findings remain open according to the auditor, but that the Agency considers more than 50 percent of these findings to be closed based on corrective action taken by the Agency.

c. Budget Review

Ms. Crowder presented a third quarter budget update for fiscal year 2014. Currently, Ms. Crowder does not anticipate that Agency will require any additional funding for fiscal year 2014.

4. Office of Participant Operations and Policy Report.

Mr. Emswiler presented an overview and report on the Office of Participant Operations and Policy (attached). Mr. Emswiler explained his office's mission of customer service and stated that a recent Office of Personnel Management (OPM) survey that looked at all Federal benefits found that TSP ratings have continued to climb since 2004. Mr. Emswiler also presented his office's future goals and recent achievements, which included awarding an annuity contract. Ms. Bilyeu asked if that contract was flexible enough to reflect the new options available by a modified IRS rule making lifetime annuities easier, and Mr. Long remarked that because those options may require a statutory change, a policy recommendation would be forthcoming.

5. Report on Participant Behavior and Demographics.

Ms. Wilder gave a presentation on Participant Behavior and Demographics (attached). The report analyzed participant behavior during 2009-2013, and the Agency received information from OPM to assist in its analysis. The analysis showed that the implementation of auto enrollment has likely raised participation levels across all demographics. Ms. Wilder stated that after three years of increasing deferral rates, deferral rates dropped 8.2 percent in 2013. Ms. Wilder also reported that the populations that defer at the lowest levels also tend to have the least diversified investments. In summation, automatic enrollment likely caused participation rates to increase, but the automatic default rate of 3 percent may have caused the average default level to decline. The Board Members discussed the possibility of examining an automatic 5 percent default rate.

6. Succession Plan

Mr. Long presented a proposed succession plan memorandum to the Board members (attached). The purpose of the Emergency Executive Director Succession Plan is to outline the process the Board Members can follow to ensure succession of leadership in the event the Executive Director resigns, dies, or is otherwise separated from Agency service.

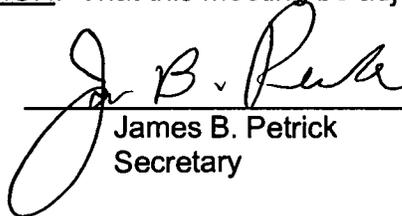
7. Adjournment

On a vote taken by the Chairman, the members closed the meeting at 2:40 p.m. for executive session.

At 3:02 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 Chairman Kennedy adjourned the meeting at 3:02 p.m.

MOTION: That this meeting be adjourned.



James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. June 2014 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment

4. Quarterly Summary of Audit Recommendations
5. Office of Participant Operations and Policy Presentation
6. Participant Behavior and Demographics Analysis of 2009-2013
7. Executive Director Succession Plan