



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

MINUTES OF THE JOINT MEETING OF THE BOARD MEMBERS AND THE
EMPLOYEE THRIFT ADVISORY COUNCIL

May 19, 2014

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, and Clifford Dailing, Chairman of the Employee Thrift Advisory Council, convened a joint meeting of the Board members and the Employee Thrift Advisory Council on May 19, 2014, at 8:30 a.m., Eastern Time. The meeting was open to the public 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. In attendance for ETAC were Sarah Suszczyk, National Association of Government Employees; Patricia Niehaus, Federal Managers Association; Cathy Ball, National Treasury Employees Union; Myke Reid, American Postal Workers Union; William Dougan, National Federation of Federal Employees; Jacqueline Simon, American Federation of Government Employees; James W. Sauber, National Association of Letter Carriers; Bob Levi, National Association of Postmasters of the United States; Mark Strong, National League of Postmasters of the United States; Jay Killackey III, National Association of Postal Supervisors; Jenny Mattingly, Senior Executives Association; Steve Galing, Department of Defense; and Jessica Klement, National Active and Retired Federal Employees Association.

1. Welcome and Introductions.

Chairman Kennedy called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency). Mr. Dailing called to order the Employee Thrift Advisory Council (ETAC) meeting. Chairman Kennedy welcomed everyone present to the joint FRTIB/ETAC meeting. The Board Members, FRTIB staff, and ETAC members introduced themselves.

2. Approval of the minutes of the April 28, 2014 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the April 28, 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 April 28, 2014 be approved.

3. Approval of the minutes of the November 18, 2013 ETAC meeting.

Chairman Dailing entertained a motion for approval of the minutes of the November 18, 2013 ETAC meeting. The motion was made, seconded, and adopted without objection by ETAC.

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

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 TSP assets grew to approximately 406 billion dollars by the end of April. The participation rate was 87.1 percent. Ms. Wilder discussed continued Roth TSP growth. Mr. Emswiler discussed an increase in outbound withdrawal transactions, and noted that the number of roll-ins to the plan also continues to increase. Mr. Emswiler covered the TSP's recent transition to stronger passwords.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "April 2014 Performance Review – G, F, C, S, I, and L Funds" (attached). Ms. Ray reviewed performance by the various funds. The S Fund was the only fund in negative territory for the month of April. Ms. Ray called attention to the growth in the number of L Fund participants, which rose to 941,776.

c. Legislative Report

Mr. McCray asked Ms. Weaver about the status of the default option in Congress. Ms. Weaver responded that the legislation was still moving forward, and that the Congressional Budget Office had determined that any fiscal impact would be negligible. Ms. Weaver addressed a recent speech by Senator Rubio proposing that the TSP be opened to Americans who do not otherwise have access to an employer-sponsored plan. Ms. Weaver noted that such an increase in the number of participants would necessitate significant change in the Agency's infrastructure and affect the TSP's operating costs. Ms. Weaver stated that she would be sharing these concerns with Senator Rubio's staff.

Chairman Kennedy turned to the Board's decision to pursue legislation to increase the Executive Director's compensation. Chairman Kennedy noted that the Executive Director theoretically could currently be compensated at a lower rate than his direct subordinates, and that the Executive Director's position was undercompensated when compared with similar public and private sector organizations. Chairman Kennedy's proposal would raise the Executive Director's compensation to 120 percent of the Vice President's salary. Ms. Weaver noted that the Postmaster General's salary was raised in 2006 to 120 percent of the Vice President's salary. Ms. Klement asked whether this would be a stand-alone piece of legislation, and Ms. Weaver answered that it would. Mr. Sauber suggested that this be attached to the L Fund default legislation, and Ms. Weaver agreed to explore all options. Mr. Dailing and Mr. Dougan spoke in support of increasing the Executive Director's compensation.

5. Office of Enterprise Planning Presentation

Ms. Wilder, Mr. Steve Huber, and Ms. Toni Bush Neal, of the Office of Enterprise Planning (OEP), provided an overview of OEP's activities (attached). Ms. Wilder addressed OEP's efforts to improve Agency research, policy, planning and implementation via performance measurement and process improvement. Mr. Jasien asked whether the Agency is looking to the private sector for benchmarking metrics. Ms. Wilder answered that OEP has been looking at different organizations, including private organizations, to gather metrics and information on service models. Ms. Wilder turned the presentation over to Mr. Huber, who provided additional detail on PMO's acquisition planning and benchmarking efforts. Mr. Huber addressed the synergies between acquisition planning and project lifecycle, and the Agency's benchmarking effort.

Ms. Simon asked whether the Agency had considered in-sourcing the Service Center by hiring federal employees. Mr. Emswiler provided a brief overview of the Service Center requirement, and noted that the Agency would consider in-sourcing.

Ms. Bush Neal provided an overview of the performance message for the second quarter of fiscal year 2014. Ms. Simon asked about whether data was available to break down the participation rate by grade. Ms. Weaver, Ms. Wilder, and Mr. Long stated that the Agency had participation rates broken down by salary quintile but not by grade, as only the payroll offices had the grades. Ms. Bush Neal addressed performance metrics, noting that the FERS participation rate was 87.10 percent, with 90 percent being the target goal. Mr. Long and Ms. Wilder noted that the Agency's focus on metrics was relatively new and a significant step forward in Agency organization and operation.

Ms. Wilder addressed the Agency's business intelligence development efforts, including the TSP participant survey. Ms. Wilder turned the presentation on the TSP participant survey over to Ms. Lorraine Terry. Ms. Terry gave an overview of the survey statistics, including the fact that the Agency received an 87 percent satisfaction rate, and that 82 percent of participants preferred the TSP website as a channel of

communication. Mr. Long noted that the Department of Labor is currently exploring whether to require the 401(k) industry to include statements that translate retirement balances into projected retirement income. Ms. Simon and Mr. Long discussed how the retirement income annuity estimates were created. Mr. Long noted that the survey was the first time the Agency was able to receive participant feedback about the impact of the annual statement on participant behavior.

Ms. Terry also covered participant survey feedback on the ThriftLine call service and post-separation withdrawals. Ms. Terry highlighted other features that survey respondents would like to see the TSP adopt, such as guidance on withdrawals, an estimate on retirement income means or combining income sources, and links to other information and tools through entities such as the Social Security Administration and the Office of Personnel Management.

Ms. Wilder spoke briefly on account retention and retirement readiness. Ms. Wilder particularly addressed responses from participants that indicated that they would not roll money into the TSP. Mr. Jasien asked if the survey addressed whether this was an educational issue or an indication of dissatisfaction with TSP services. Ms. Wilder responded that the current survey, in the interest of limiting length, did not capture the participant response at that level of detail.

Mr. Courtney noted that the Agency was close to issuing a bulletin to human resources offices across the federal government that would ask them to no longer automatically include a TSP withdrawal form. Ms. Bilyeu asked if there were additional, possibly non-paper, means of conducting the participant survey that would be able to better capture participant responses. Ms. Wilder noted that OEP was looking into online survey capability. Ms. Bilyeu and Ms. Wilder further discussed potential operational changes to the survey.

Ms. Wilder covered additional survey topics, such as the reasons participants choose to withdraw their funds from the TSP. The top four reasons were: a desire to consolidate a retirement account; more or better investment choices; more flexible withdrawal options; and access to financial advisory services. Mr. Dougan asked what the roll-out percentage of participants was, and Ms. Wilder replied that approximately 45 percent of participants that separate from federal employment withdraw their TSP balance within the first 12 months. Mr. Long noted improvements Agency planning to determine and address the causes of employees withdrawing from the TSP.

Ms. Wilder covered survey findings on participant perceptions of their retirement options and answered questions from Ms. Bilyeu and Mr. Jones on assisting TSP participants in planning for retirement. Ms. Wilder concluded by stressing that this survey feedback will assist the agency in developing an informed strategic plan. Mr. Long framed the survey as part of an overall Agency effort to understand what participants want from the Agency and address those desires in the participant experience. Mr. Dailing praised the presentation and asked that future draft surveys be

shared with the ETAC members so that they could better guide their members, and that specific data for ETAC organizations be provided with greater involvement from ETAC members. Mr. Long agreed to involve ETAC members to provide specific information for ETAC members to discuss with their representatives. Chairman Kennedy praised Ms. Wilder and Ms. Terry for their presentation.

Ms. Wilder and Ms. Veronica Mance presented the results of the mutual fund window feasibility study (attached). Ms. Mance presented a brief overview of the history underlying the development of a mutual fund window option for TSP participants. Ms. Mance spoke on Agency research involving other plans' mutual fund windows. Ms. Wilder, Ms. Bilyeu, and Chairman Kennedy discussed the survey data as it related to increased employee choice and participant age. Ms. Mance noted the estimated cost of a mutual fund window option would be between 6 and 10 million dollars with a 1 million dollar annual maintenance cost.

Mr. Long presented the pros and cons of the mutual fund window. Cons included the relatively small number of participants that would use the mutual fund window; higher costs that would result from the window; and the increased complexity of the investment option. Pros included the ability to satisfy one third of TSP participants; addressing a potential reason for participant withdrawal; and the potential for the mutual fund window to result in lower expenses by retaining participants and therefore benefiting all fund participants. Mr. Jasien called for the Agency to continue examining industry best practices. Mr. Sauber noted that there is a strong argument in favor of the option because of the window's potential to satisfy pressure to provide more complex options to participants, and it could help with participant retention. He also noted the importance of examining whether inclusion of more options would create more service issues and thus more costs for the TSP. Mr. Long responded that it was a concern. Chairman Kennedy noted that a decision on the mutual fund window would most likely be delayed past the fall of 2014.

6. Office of Communications and Education (OCE) Presentation

Mr. Courtney highlighted avenues of communication from the Agency to participants and beneficiaries (attached). These included the TSP.gov website, social media channels, printed materials, webinars, and one on one contact through outreach efforts. Mr. Courtney provided an overview of OCE's organization, operations, and key messaging topics. Particular behaviors encouraged included taking full advantage of agency matching, taking advantage of the lifecycle funds, and saving early. Mr. Courtney covered how TSP's current "Take Five for Your Future" campaign supports these goals. Mr. Courtney demonstrated various TSP information products such as postcards, website presentations, and videos, some of which have been relayed through other media coverage. Mr. Courtney noted that OCE has won two Hermes Creative awards for its work.

Ms. Simon asked whether there was any messaging that specifically addressed whether investing in the TSP or paying down student loan debt made more

sense. Mr. Courtney and Mr. Long agreed to look into the issue and create something to address the question. Ms. Bilyeu asked whether there was messaging that talked about tax savings available by reducing taxable income through savings, and Mr. Courtney stated that there was.

Mr. Courtney addressed OCE's work in support of other program offices, such as visual illustrations of how low Agency administrative costs are, and posited that specific Agency messaging efforts might be linked to spikes in TSP roll-ins. Mr. Courtney presented OCE messaging directed at the uniformed services, including work by Agency training teams with financial counselors for uniformed service members. Mr. Jasien praised Mr. Courtney's presentation and the "Take Five for Your Future" campaign. Chairman Kennedy also praised the presentation and the Agency's progress from three to four years ago.

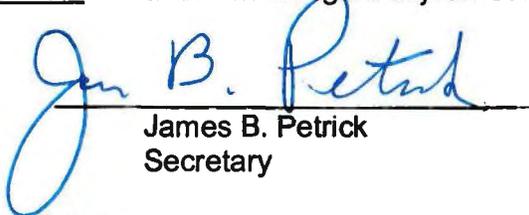
7. Closing Remarks

Mr. Dailing and Chairman Kennedy gave closing remarks.

8. Adjournment

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 11:30 a.m.

MOTION: That this meeting be adjourned.



James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. April 2014 Performance Review –G, F, C, S, I, and L Funds
3. OEP Presentation
4. Mutual Fund Window Option Memorandum
5. OCE Presentation