



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 17, 2014

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 17, 2014, at 8:30 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; Mark E. Walther, Chief Operating Officer; Tracey A. Ray, Chief Investment Officer; Renée C. Wilder, Director, Office of Enterprise Planning; 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; Miriam Settles, Office of Communications and Education; and David Heimann, Acting Director, Office of Technology Services.

1. Approval of the minutes of the October 27, 2014 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the October 27, 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 October 22, 2014 be approved.

2. 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

Mr. Emswiler announced that the Office of Participant Operations and Policy, with the assistance of the Office of Communications and Education and the Office of Technology Services, has implemented a new service, allowing participants to reset their TSP account password over the phone with the assistance of a call center representative. After nine business days, this service had already been used by over thirteen thousand people and allows participants to reset their password on the phone instead of waiting for a mailed password.

Mr. Emswiler also provided an overview of the Monthly Participant Activity Report. See "Thrift Savings Fund Statistics" (attached). Total plan assets reached over \$431 billion for the month, and Roth balances increased to over \$1.9

billion. Participation rates were 87.4 percent and over \$88 million rolled into the plan in October.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled "October 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 International Fund had 88 basis points of error due to the fair valuation adjustment and the Fixed Income Fund had a positive tracking error due to securities lending income.

In November to date, the F Fund increased by 0.9 percent, the C Fund increased by 1.2 percent, the S Fund increased 0.5 percent, and the I Fund decreased by 0.98 percent.

c. Legislative Report

Ms. Weaver provided an update on the election and the L fund default bill. Ms. Weaver reported that both the House and Senate Staff are working on voting on the L Fund bill before the end of session, and she remains optimistic that the L Fund bill will go to the President before the end of the year.

3. Quarterly Metrics Report.

Ms. Toni Bush Neal presented the strategic performance metrics report for the fourth quarter of fiscal year 2014 (attached). Ms. Bush Neal highlighted the progress on the Agency's participation rate strategic goals, and explained that the participation rate has increased but has not yet reached the long term goal of 90 percent.

4. Mid-Year Financial Review.

Mr. Thomas Rey, of CliftonLarsonAllen, introduced a presentation on the Mid-Year Financial Review (attached). Mr. Rey explained the structure of the engagement team and reviewed the results of the Mid-Year financial review, which was an independent accountants' review report that was less in scope than a full financial audit. They found no material modifications necessary.

Mr. Robert Halpin provided a status update on prior-year recommendations (attached). Mr. Halpin reviewed the Agency's ongoing efforts to close prior recommendations relating to system authorizations, segregation of duties matrixes, service level agreements, audit logging, and incident responses.

5. Updates.

a. Human Capital Plan

Ms. Goethe presented an update on Human Capital Management (attached). She and Ms. Kristin Hanmer provided an update on Agency hiring and new performance initiatives, including leadership development, knowledge management, and enhanced recruitment planning and outreach Ms. Goethe also presented the results of the Federal Employee Viewpoint Survey, which showed increasing employee engagement and overall satisfaction.

b. Mutual Fund Window

Mr. Long gave a presentation on the mutual fund window (attached), that summarized a memo to the Board members (attached). Mr. Long explained that in 2009, Congress and the President signed the Thrift Savings Plan Enhancement Act, which contained, among other enhancements, an option to create a Mutual Fund Window (MFW). Mr. Long explained that after much research and analysis, he recommends that the Board conceptually support the creation of a MFW.

Mr. Long gave an overview of the research behind his decision to recommend the support of the MFW. Since his last presentation in May 2014 to the Board on the concept of a MFW, the Agency conducted additional research to better understand the possible influence of a MFW on account retention, to identify the impact of fund screening, and to outline fiduciary issues associated with screening funds within the MFW. Mr. Long explained that a driving factor behind his support was information gained from a survey of participants who withdrew their money after separation from government service. Twenty three percent of those surveyed cited the desire for additional investment options as a top reason for withdrawing their money from the TSP. Mr. Long also explained the research the Agency did on screening and ultimately found that a screen would drastically limit the sectors that participants would be most interested in, and therefore, is not recommended for the MFW.

Finally, Mr. Long presented the research on the Board Members' fiduciary obligations to select investments suitable for retirement accounts that have low administrative costs. He explained that funds in the MFW will have higher administrative costs which must be balanced with the participant desire for increased investment choices. Ms. Bilyeu asked about the possibility of limiting the amount of assets that could be invested with the MFW, and Mr. Jasien asked about a fee for using the MFW, and Mr. Long told the Board Members that his staff would be presenting suggested fees and percentage limitations in the future. Mr. Long concluded his presentation by saying that he presented the issues to the Employee Thrift Advisory Council, and they gave their conceptual support to the MFW because of the high participant demand for greater investment flexibility. Mr. Jones expressed his support for the MFW as part of a long term strategy for improving the TSP. Mr. Jasien expressed his support, but explained that protecting the integrity of the plan was of

utmost importance. Chairman Kennedy expressed his support in proceeding as part of a holistic strategy for the TSP.

At the conclusion of the presentation, the following resolution was made, seconded, and adopted without objection:

**MOTION:** The Board conceptually supports the creation of a Mutual Fund Window, with the understanding that the Executive Director will report to the Board on the results of his study on the feasibility of implementation at a later date, and that future Board Action will be required to proceed at that time.

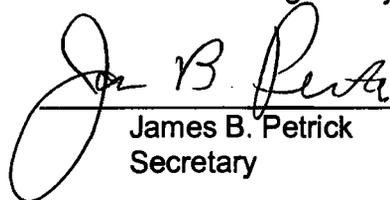
6. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 11:15 a.m. for executive session.

At 12:19 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 12:19 p.m.

**MOTION:** That this meeting be adjourned.

  
James B. Petrick  
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. October 2014 Performance Review –G, F, C, S, I, and L Funds
3. Quarterly Metrics Report
4. Independent Auditors' Review Report
5. CliftonLarsonAllen- Thrift Savings Fund
6. CliftonLarsonAllen- Status of Prior Recommendations
7. Human Capital Update
8. Mutual Fund Window Memorandum for the Board
9. Mutual Fund Window Presentation