



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 24, 2015

Michael D. Kennedy (by telephone), Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on August 24, 2015, at 10:04 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 Oregon, member (by telephone); Ronald D. McCray of Texas, member (by telephone); David A. Jones of Connecticut, member (by telephone); William S. Jasien of Virginia, member (by telephone); Greg Long, Executive Director; James B. Petrick, Secretary and General Counsel; Mark E. Walther, Chief Operating Officer; Renée C. Wilder, Acting Director, Office of Participant Operations and Policy; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; James Courtney, Director, Office of Communications and Education; Scott Cragg, Chief Technology Officer; Ravindra Deo, Chief Investment Officer; Karen Vaughn Peck, Acting Director, Office of Enterprise Planning; Kristin Hanmer, Acting Director, Office of Resource Management and Charles Bradshaw, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the July 27, 2015 Board Member Meeting

Chairman Kennedy entertained a motion for approval of the minutes of the July 27, 2015 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 July 27, 2015 be approved.

2. Thrift Savings Plan (TSP) Activity Report

Mr. Long gave opening remarks, including a discussion about the expectation of a volatile day in the market. He noted that there would be a legislative update, investment report, and a discussion on metrics.

Mr. Walther provided an update that the Agency's provider for its recordkeeping software, SunGard, was acquired by Fidelity Information Services. He informed the Board he had a discussion with a senior executive from SunGard, who viewed the acquisition as a positive development for their clients, but that Mr. Ahuja would monitor developments as part of the quarterly vendor analysis to ensure they continue to fulfill terms of their contract.

a. Participant Activity Report

Ms. Wilder reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The Plan currently has 4.8 million participants and a participation rate of 88.6 percent.

The utilization of Roth contributions is higher for members of the Uniformed Services than for civilians. There has also been an increase in withdrawals which can likely be attributed to seasonal patterns.

b. Legislative Report

Mr. Long provided the legislative update. The House and Senate will return from their August recess on September 8th. They will have eight legislative days before September 30th, during which they will be focused on passing a continuing resolution to provide funding for the 2016 fiscal year.

Both chambers will continue work on the National Defense Authorization Act, which includes language to automatically enroll Uniformed Service members in the Plan with a government contribution. The House version begins this contribution in late 2017 and the Senate version begins it in early 2018.

c. Investment Policy Report

Mr. Deo reviewed the monthly investment performance report. See "July 2015 Performance Review – G, F, C, S, I, and L Funds" (attached). There was no significant tracking error for the month of July. For the year to date, the I Fund has a tracking error of just over 1 percent due to the reversal of the fair value pricing last December 31st. The F and S Funds have about a 22 basis point tracking error, due to sampling and securities lending.

For the month of July, the F Fund return was driven by a 15 basis point fall in rates, primarily due to fears of a slowdown in China. The C Fund did well, primarily because the United States economy continued to show evidence of strengthening. The S Fund fell, due to the fall in oil prices. For the month of August to date, the C and S Funds are down about 6 percent. Participants in the L Fund now exceed 1 million.

3. Quarterly Reports

a. Quarterly Management and Performance Metric Report

Ms. Toni Bush Neal, Management and Performance Division Chief, provided the quarterly metric report. The 2nd quarter Plan participation rate was at 88.51 percent. For the end of the 2014 Fiscal Year, 74.37 percent of participants deferred 5 percent or more of income, a slight decrease from the previous year. Mr. Long noted that the Agency intends to study the effect of automatic enrollment on the deferral rate of the participants. The one-year FERS post-separation retention rate decreased from the previous quarter. The Uniformed Service member average participation rate and average asset allocation have increased from last quarter.

Ms. Bush Neal reported that participants' account information availability, investing and withdrawal processing timeliness, and call center availability, response times, and participation correspondence rates are all on target.

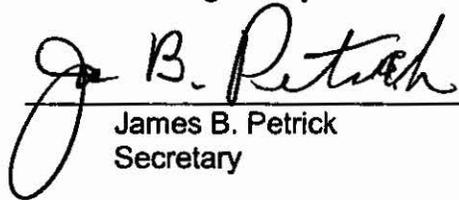
The Agency was unable to close 4 of its 10 scheduled audit findings and Mr. Ahuja provided more detail on this metric. All 4 of these findings relate to the information technology area. Of those 4 findings, 2 are related to conducting assessment and authorizations, which will be done by the end of the calendar year. One of the findings relates to implementing monitoring of controls, which was delayed by one month, and one finding was on the configuration of controls related to the call centers. Mr. Long noted that the Quarterly Metric Report is crucial for identifying and prioritizing these kinds of progress delays.

Ms. Bush Neal reported that the Decision Intelligence Portfolio is progressing well and coming to a close within the next few months. Finally, 3 out of 5 scheduled system authorizations have been closed this quarter and progress has been made to close them all.

4. Adjourn

Whereupon, there being no further business, the Board Members briefly discussed future dates for Board meetings and the following motion was made, seconded, and adopted without objection. Chairman Kennedy adjourned the meeting at 10:29 a.m.

MOTION: That this meeting be adjourned.

  
James B. Petrick  
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. July 2015 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Management and Performance Metric Report