



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 22, 2016

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on August 22, 2016, at 10:00 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., Washington, DC. In attendance were 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; Megan G. Grumbine, Secretary and General Counsel; Ravindra Deo, Acting Chief Operating Officer; Susan C. Crowder, Chief Financial Officer; Jim Courtney, Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Jay Ahuja, Acting Chief Technology Officer; Anne Beemer, Acting Chief Risk Officer; Sean McCaffrey, Acting Chief Investment Officer; Tee Ramos, Director, Office of Participant Operations and Policy; Renée Wilder Guerin, Director, Office of Enterprise Planning; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the July 25, 2016 Board Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the July 25, 2016 Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting that was held on July 25, 2016 be approved.

2. Monthly Reports.

Mr. Long gave opening remarks and summarized the agenda for the meeting.

a. Monthly Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The participation rate for July was 89.4 percent for civilian federal employees. Uniformed services participation ended July at 44.9 percent. Total Plan assets hit a new high of 481 billion dollars with Roth balances of over five billion dollars. Mr. Ramos also highlighted that total participant count is rapidly approaching a new milestone of five million and beneficiary participant accounts now number 18,000 with an average account balance of 96 thousand dollars.

b. Investment Policy Report

Mr. McCaffrey reviewed the monthly investment performance report. See "July 2016 Performance Review – G, F, C, S, I, and L Funds" (attached). In July, BlackRock's performance in the F, C, S, and I Funds were mostly in line with index returns.

For the year to date, BlackRock outperformed by 22 basis points in the F Fund and 41 basis points in the S Fund, primarily due to securities lending and they outperformed by 108 basis points in the I Fund primarily due to a fair value adjustment on December 31, 2015.

For the month of August through Friday's close, equities continued the move mostly higher that began post-Brexit in June and the C Fund is up 67 basis points, the S Fund is up 60 basis points, and the I fund is up 88 basis points. Mr. McCaffrey noted that equities have benefited from the positive economic tone set by the employment report released earlier this month and the belief that central bank policies would remain supportive. The F Fund is down 29 basis points for the month to date due to a decrease in the level of confidence that the Federal Reserve Bank would refrain from increasing its target rate and a slight increase in rates across most of the Treasury yield curve.

3. Quarterly Reports.

a. Quarterly Performance Measurement Report

Ms. Karen Vaughn Peck, Deputy Director of the Office of Enterprise Planning, provided an overview of the Agency's performance metrics for the third quarter of fiscal year 2016. See "FRTIB Performance Measurement Report: 3rd Quarter Fiscal Year 2016" (attached). Ms. Vaughn Peck explained that measures report green when the Agency has met or exceeded its target, yellow when the Agency has met its threshold but is short of its target, and red if the Agency has fallen short of its threshold. Measures that are reported annually are blank in the quarterly report, and Ms. Vaughn Peck covered the report on an exception-only basis.

Ms. Vaughn Peck noted that reporting of the one-year FERS post-separation retention rate, which been suspended due to an error in the underlying data, resumed this quarter, with 61.8 percent of FERS participants having a TSP account balance greater than zero one year after separation from service. She indicated that, given the strength of this number, the Agency will revisit its target and threshold for fiscal year 2017.

Ms. Vaughn Peck indicated that four metrics moved from yellow to green: active duty uniformed services participation rate; F, C, S and I Funds investment; call center availability; and call center service level response time.

Ms. Vaughn Peck went on to report that the external audit finding closure rate is reporting red this quarter because of the eight of the 11 audit findings scheduled to close this quarter did not close. In addition, she indicated that, with respect to the two audit findings that were scheduled to, but did not, close in March, one has been re-baselined and is scheduled to close in September and the other is being reviewed by the Office of Enterprise Risk Management to determine if it has been closed.

Chairman Kennedy asked when the eight audit findings that did not close this quarter would be closed. Mr. Ahuja responded that there is a meeting scheduled for next week to discuss an updated timeframe, noting that it is the Agency's goal to close these findings permanently by fixing their root causes, which takes longer than a temporary fix. Mr. Ahuja further noted that the new process whereby all findings are submitted to the Office of Enterprise Risk Management for review also lengthens the time period for audit finding closure. Mr. Long indicated that he would update the Board regarding revised closure dates after the meeting next week.

b. Project Activity Report

Ms. Vaughn Peck provided an update on the state of the Agency's projects (attached), which are also reported on an exception basis. The core firewall replacement project is reporting yellow out of an abundance of caution based on the risks associated with new devices and potential unknown nuances. The Workload Management Initiative project is reporting red and will likely be formally put on hold in the near future due to a shift in priorities.

4. Calendar Review.

Mr. Long presented an updated meeting calendar with added content for the remainder of 2016 and a draft 2017 meeting calendar to the Board. See "Draft 2017 Calendar" (attached). Items of discussion included the potential for adding vendor meetings, particularly with respect to IT, and the annual BlackRock update.

5. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 10:28 a.m. for executive session.

At 11:23 a.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 11:23 a.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. July 2016 Performance Review – G, F, C, S, I, and L Funds
3. FRTIB Performance Measurement Report: 3rd Quarter Fiscal Year 2016
4. FRTIB Key Activity Report 3rd Quarter FY '16
5. Draft 2017 Calendar