



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 27, 2016

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 27, 2016, 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., Washington, DC. In attendance were Dana K. Bilyeu of Oregon, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Greg Long, Executive Director; Megan G. Grumbine, Secretary and General Counsel; Ravindra Deo, Acting Chief Operating Officer; Kimberly A. Weaver, Director, External Affairs; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; Miriam Settles, Deputy Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Scott Cragg, Chief Technology Officer; Sean McCaffrey, Acting Chief Investment Officer; Tee Ramos, Director, Office of Participant Operations and Policy; Karen Vaughn Peck, Deputy Director, Office of Enterprise Planning; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the May 23, 2016 Joint Board Member/ETAC Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the May 23, 2016 joint Board member/ETAC meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the joint Board member/ETAC meeting that was held on May 23, 2016 be approved.

2. Thrift Savings Plan (TSP) Activity Report.

Mr. Long gave opening remarks and introduced Mr. Ravindra Deo in his new capacity as Acting Chief Operating Officer and Mr. Sean McCaffrey in his capacity as Acting Chief Investment Officer.

a. Monthly Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The participation rate for May was 89.4 percent for civilian federal employees. Uniformed services participation ended May at 44.9 percent. Mr. Ramos also highlighted that the average account balance for civilian federal employees rose to almost 118,000 dollars and roll-in contributions increased to 500 million dollars for the year. Member Jasien asked the Agency to explain what caused the increase in participation rates, particularly with respect to uniformed services

participation. Ms. Settles attributed the increase to Agency training presentations for uniformed services members, social media messaging, and the residual impact from blended retirement. Member Jasien also inquired whether the Agency asks uniformed service members who enroll in the Plan why they enroll. Ms. Settles responded that the Agency does not do this and Mr. Ramos pointed out that enrollment is done at the organizational level, not by the Agency.

b. Investment Policy Report

Mr. McCaffrey reviewed the monthly investment performance report. See "May 2016 Performance Review – G, F, C, S, I, and L Funds" (attached). In the I Fund, BlackRock outperformed the index by 119 basis points, primarily due to fair value pricing on April 29, 2016. In the F fund, BlackRock outperformed the index by six basis points, primarily due to securities lending. Mr. McCaffrey noted that the I Fund's performance for the month of May was hindered by the strengthening dollar.

For the year to date, BlackRock outperformed by 19 basis points in the F Fund and 34 basis points in the S Fund, primarily due to securities lending and they outperformed by 101 basis points in the I Fund primarily due to a fair value adjustment on December 31, 2015.

For the month of June through Friday's close, the F Fund is positive 1.24 percent, the C Fund is down 2.71 percent, the S Fund is down 2.58 percent, and the I fund is down 5.84 percent. The dominant factor in these returns has been the vote in the United Kingdom to leave the European Union, otherwise known as Brexit.

Mr. McCaffrey highlighted that Brexit's impact has been felt globally and indicated that the market seems convinced that Brexit will help keep any Fed rate hikes on hold until later dates than were previously anticipated. Therefore Treasury yields are lower and the F Fund is up in value. Volatility and negative sentiment from international stock markets has impacted US stock markets as well and, therefore, the C Fund and the S Fund are behind for the month.

Mr. Long noted that the Plan saw activity that is not unusual for defined contribution plans when there is massive market place volatility. In particular, there was some significant activity related to participants moving their money to the G Fund. Member McCray complimented the communication sent to participants in the wake of Brexit cautioning against overreaction.

c. Legislative Report

Ms. Weaver reported that the House and the Senate have each passed versions of the National Defense Authorization Act, which have gone to conference. The measures would delete a new definition of separation that would have been problematic for administering the Plan. Ms. Weaver also reported that a companion bill to the American Savings Account Act was introduced in the House. Ms.

Weaver noted that both the House and the Senate will be in recess from July 18, 2016 through September 5, 2016. Member McCray inquired about the prospects for the American Savings Account Act and Ms. Weaver indicated that it was unlikely to move this year since very little legislation is moving through Congress this year. Chairman Kennedy asked about the impact of the fiduciary rule legislation that arose during the Democratic sit-in at the House on June 22, 2016. Ms. Weaver responded that House Speaker Paul Ryan made a parliamentary move by forcing Democrats to participate in a vote on a bill that would have blocked the Obama administration's fiduciary rule, thereby giving him back control of the House and allowing him to go into recess.

3. Vendor Financials.

Mr. Ahuja provided an update on the financial assessment of the Agency's nine vendors, seven of which are publicly-held companies and two of which are privately-held partnerships. Mr. Ahuja provided an overview of the importance of these vendors and how the Agency monitors them and concluded that there are no significant concerns that any vendor actions would impact Agency operations. He noted that the two privately held vendors, which manage the Agency's call and data centers, have been reporting losses for quite some time. Mr. Ahuja indicated that the Agency is actively monitoring that situation but that for now, there is nothing significant to report.

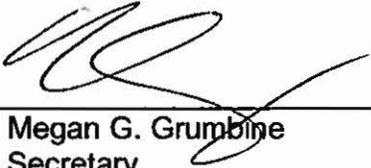
4. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 8:57 a.m. for executive session.

At 1:07 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 1:08 p.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. May 2016 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment