



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 27, 2017

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 27, 2017, 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 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, General Counsel and Secretary; Ravindra Deo, Chief Investment Officer; Suzanne Tosini, Chief Operating Officer; Kimberly A. Weaver, Director, External Affairs; James Courtney, Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Jay Ahuja, Chief Risk Officer; Sophie Dmuchowski, Deputy Director, Office of Participant Operations and Policy; Renee Wilder Guerin, Director, Office of Enterprise Planning; Renita Anderson, Chief Technology Officer; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the February 27, 2017 Board Member Meeting

Chairman Kennedy entertained a motion for approval of the minutes of the February 27, 2017 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 February 27, 2017 be approved.

2. Thrift Savings Plan (TSP) Activity Report

Mr. Long gave opening remarks, including an introduction of the new Chief Operating Officer, Suzanne Tosini and the new Chief Technology Officer, Renita Anderson. Mr. Long then invited Ms. Dmuchowski to provide the Monthly Participant Activity Report.

a. Monthly Participant Activity Report

Ms. Dmuchowski presented the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Ms. Dmuchowski stated that Federal Employees Retirement System (FERS) participation rates continued to rise, including the participants with Roth money in the accounts. The average account balance for FERS participants continued to rise and was approximately \$126,000, per participant. She also stated that the number of participants beginning monthly payments increased in February as well. This number will historically taper off by April. Ms. Dmuchowski

also informed the Board of a minor electrical fire at one of the call centers and the resulting service disruption.

Member Jasien asked for details concerning the electrical fire at one of the call centers. He asked how long the call center was out of commission and whether the Agency met its service levels during the down period. Ms. Dmuchowski stated that it was a small fire and that the call center was out of commission for a few hours. She noted that while the call center was down calls were routed 100% to the alternate facility. Additionally, she noted that FRTIB did not meet its service level goals for approximately one day due to lack of sufficient staff to cover the phones, resulting in longer wait times for callers.

b. Legislative Report

Ms. Weaver stated that the provision of H.R.760 - Postal Service Financial Improvement Act of 2017 that required the Chairman of FRTIB to sit on an advisory board was deleted.

Ms. Weaver also stated that the debt ceiling has been reached and that the Treasury has notified the Agency that the use of extraordinary measures had begun which means that the G Fund will be disinvested as needed by the Treasury. She noted that TSP participants will not be impacted by this action. Lastly, Ms. Weaver presented information on a new Congressional bill that would prohibit the Secretary of Treasury from using any extraordinary measures once a debt ceiling is reached. She noted that similar bills were previously introduced by Congress, but were not passed into law.

c. Investment Policy Report

Mr. Deo gave an overview of the monthly investment performance report. See "February 2017 Performance Review – G, F, C, S, I, and L Funds" (attached). He stated that the C, S, and I Funds tracked their benchmarks closely for the month. The F Fund outperformed the benchmark by 4 basis points for the month primarily due to securities lending. He stated that the F Fund gained as long-term rates declined slightly. The 10-year Treasury fell from 2.45% to 2.36% despite increasing expectations for a federal rate hike in March. He also stated that the C, S, and I Funds tracked their benchmarks for the year-to-date closely and that the F Fund outperformed its benchmark for the first two months of the year by 8 basis points primarily due to security lending. The C and the S Funds did well as a result of increasing evidence of economic strength such as better retail sales and higher manufacturing activity. The I Fund did well in local terms, although the strength of the U.S. dollar cost it about 70 basis points in return.

Finally, he noted that as of the close of business, February 24th, the F Fund was down 9 basis points, the C Fund was down 70 basis points, the S Fund was down 2%, and the I Fund was up 2.81%.

3. OCFO Report/Update

The annual OCFO report was moved to the next board meeting.

4. Vendor Financials

Mr. Brack Boone, Senior Auditor of the Office of Enterprise Risk Management, provided an overview of the health of the Agency's key financial vendors. See "Vendor Financials" (attached). Mr. Boone reported that the FRTIB's financial analysis indicated that the vendors would be able to fulfill their contractual obligations.

5. Blended Retirement Update

Mr. Tanner Nohe, Project Management Lead of the Office of Enterprise Planning, gave an overview of the Blended Retirement Project. See "Blended Retirement Project" (attached). He stated that Uniformed Services (DFAS) finished its programming of the Active Duty component for Blended Retirement program and was ready to begin testing. The programming for the Reserve component is almost completed and should be ready to begin testing over the next two weeks. DFAS is creating a calculator to help individuals decide whether they should opt-in to the new Blended Retirement program. The calculator will be rolled out at the end of March. According to DFAS, services are on track to be ready for January 1, 2018.

Mr. Nohe stated that the L Fund Default was successfully deployed into production on March 4, 2017. The L Fund Default is the first of four Information Technology (IT) work streams completed. The functionality will ensure that newly enrolled Uniform Service Members in the TSP are defaulted into an age appropriate Lifecycle (L) Fund. When no contribution allocation is on file, Existing (Opt-in) participants will be defaulted into the age-appropriate L Fund. Five applications were changed when the system went live. He noted that there were no major issues during the implementation.

Mr. Nohe also provided an overview of the Capacity Study noting that the Agency received a comprehensive review in mid-February that looked at applications and infrastructure. The goal of the review was to see how the Agency would perform when going live in January 2018. After the review, the Agency was provided mitigation recommendations regarding storage updates and system configuration changes. Mr. Nohe stated that a task order was implemented to resolve the issues raised in the review. All of the system updates should be made by late spring of 2017 and testing should begin in June or July. Member Jasien asked if the Agency was on track to meet its timelines. Mr. Nohe stated that as of now, the Agency had met all of its timelines.

Mr. Long asked for an update concerning the other three work streams. Mr. Nohe stated that the next work stream was the opt-in work stream, which is currently in the testing stage. The Agency starts User Acceptance Testing later this week, which will be deployed into production on April 13, 2017. The third work stream is Auto Enrollment, which deals with all of the auto enrollment pieces of the new Uniformed Service Members. This work stream is in development now and should go into testing during the middle of April, which is on track with the Agency's timeline. The final work stream is Agency Money. This working stream is in the design stage. The Agency just completed the technical requirements and should be moving to the developmental stage within the next two weeks.

Mr. Nohe also gave an overview of the critical risks concerning the Blended Retirement Project. He stated that the first risk the Agency identified is the possibility that the payroll offices would not be ready to go live on January 1, 2018, which would force delay to program implementation. All indications were that the payroll offices would be ready to go live on January 1, 2018. He noted that the Agency is incorporating testing of the payroll offices into all of the four work streams. This effort should begin around July of 2017.

The next risk Mr. Nohe discussed was risk that the ThriftLine would not be upgraded to process the higher volume. He noted that the Agency has a solution that will be in place by the end of May 2017. The solution is to eliminate a Hairpin Turn to free up customer call lines and increase the call volume by 30%. Member Jones asked if the total volume issue was due to Blended Retirement or an ongoing concern. Mr. Long responded that the volume issue was an ongoing problem that the Agency needs to resolve. He stated that the Agency is increasing capacity now and has additional plans to add more capacity later. The capacity that would be freed up would be enough for the influx of participants expected on January 1, 2018.

Mr. Kennedy asked if we are starting to see the risks increase as January 1, 2018 approaches. Mr. Nohe responded that there was no indication that the risk was increasing. We are seeing the risks decrease a little as tasks are completed and risks are mitigated.

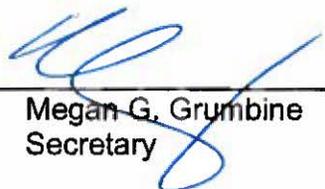
6. Adjourn

On a vote taken by the Chairman, the members closed the meeting at 8:55 a.m. for executive session.

At 12:28 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 12:29 p.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. February 2017 Performance Review – G, F, C, S, I, and L Funds
3. Vendor Financials
4. Blended Retirement Project