



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

77K Street, NE Washington, DC 20002

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 25, 2018

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 25, 2018, 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 Oregon (by telephone), member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Ravindra Deo, Executive Director; Megan G. Grumbine, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer; Vijay Desai, Chief Technology Officer; Kimberly A. Weaver, Director, External Affairs; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; James Courtney, Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Sean McCaffrey, Chief Investment Officer; Tee Ramos, Director, Office of Participant Services; Renée C. Wilder Guerin, Director, Office of Enterprise Planning; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the May 30, 2018 Joint Board Member and ETAC Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the May 30, 2018 Board member and ETAC meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the joint Board member and ETAC meeting that was held on May 30, 2018 be approved.

2. Monthly Reports.

Mr. Deo gave opening remarks, including a brief summary of the agenda for the meeting.

a. Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Mr. Ramos noted that, for May 2018, the FERS participation rate remained steady at 90.7 percent and the uniformed services participation rate for active duty members continued to climb to a new plan high of 52.2

percent. As of May 31, 2018, the number of Blended Retirement Service (BRS) opt-ins was 205,274.

Mr. Ramos reported that call center operations have stabilized and are now meeting most service levels—98.1 percent of calls are answered within 20 seconds, the abandonment rate is 0.5 percent, and 99.9 percent of e-messages are answered within two business days. The written correspondence answer rate was 87 percent, which is below the standard of 90 percent; however, Mr. Ramos noted that this will be fully compliant by the next reporting period.

Member Jasien asked about targets for BRS opt-ins. Mr. Ramos indicated that projections were done to ensure that the Plan had the capacity to handle opt-ins. These projections included persons who had contracts signed in 2017 who were deferred enlistments and not eligible for opt-in. Therefore, the BRS opt-in rate is running a bit behind the projections. Member Jasien asked that, in the future, Mr. Ramos highlight how the BRS opt-in figures related to the projections.

b. Legislative Report

Ms. Weaver reported that the House Budget Committee passed a budget resolution that advocates changes to the FERS whereby federal employees make greater contributions to their retirement system. The resolution would end the special supplement that mimics Social Security before age 62 for FERS and speaks to the need to create parity between federal employees and private sector employees by transitioning to defined contribution plans (*i.e.*, eliminating the FERS defined benefit). Ms. Weaver indicated that it is uncertain at this point whether the full House will consider this budget resolution. According to Ms. Weaver, the appropriations bills for fiscal year 2019 are already moving out under the budget deal that was done earlier this year so this budget resolution is not needed to get the appropriations bills done.

Ms. Weaver reported that the President's management agenda was released. The agenda echoes the President's FY 2019 budget and reiterates the desire to move toward "pension reforms that better align federal retirement benefits with those offered by private sectors employers with whom the government competes for talent."

c. Monthly Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See "May 2018 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey noted that for the month of May, performance for the F and C Funds was in line with indices. Performance for the S Fund was ahead of the benchmark by 8 basis points due to securities sampling and securities lending. Performance for the I Fund exceeded the benchmark by 12 basis points primarily due to tax advantage.

For the year to date, the F Fund is ahead of the benchmark by 6 basis points, primarily due to securities lending; the S Fund is ahead of the benchmark by 12

basis points, primarily due to securities sampling and securities lending; and the I Fund is ahead of the benchmark by 33 basis points, primarily due to tax advantage. Mr. McCaffrey reported that the C Fund is in line with its benchmark.

Mr. McCaffrey noted that the U.S. stock market's gains likely reflected sentiment around a continued strong economy and corporate earnings growth, even as a backdrop of geopolitical and trade issues intermittently raised concerns. The C and S Funds both moved higher, while the I Funds results were negative as international markets did not perform as well and were further hindered by the dollar's rise. Interest rates moved lower, contributing to the F Fund's gains. The L Funds all gained for the month.

For the month of June through Friday's close, U.S. equities are holding gains and the C and S Funds are up 1.95 percent and 3.12 percent, respectively. However, the I and F Funds are down 0.16 percent and 0.44 percent, respectively.

3. Quarterly Vendor Financial Assessment.

Mr. Ahuja provided an update on the operational and financial health of nine of FRTIB's key vendors. See "Quarterly Vendor Financial Assessment" (attached). He reported that there was no indication that any of these vendors would be unable to fulfill their contractual obligations to FRTIB. Chairman Kennedy inquired about Fidelity's acquisition of SunGard and Mr. Ahuja indicated that there have been no operational issues.

4. FEVS Update.

Ms. Goethe provided an update on the initiatives implemented in response to the 2017 FEVS results. See "Federal Employee Viewpoint Survey Initiatives (2017) – Outcomes" (attached). She highlighted actions that have been taken with respect to leadership, communication, employee contributions, performance management, and awards and recognition.

In response to Ms. Goethe's update, Chairman Kennedy highlighted the importance of ensuring that all employees, regardless of level, have the opportunity to come forward with suggestions and ideas and feel like they are part of the team. Member Jasien asked whether employee feedback is solicited to determine whether a particular communication is effective and Ms. Goethe indicated that surveys and feedback sessions are used.

5. Audit Report Update.

Mr. Ahuja provided an update on the recently finalized audit report related to EBSA's performance audit of the policies and procedures of the FRTIB administrative staff. See "Audit Reporting Activity Summary" (attached). The report, which covered the period from January 1, 2017 to December 31, 2017, indicated that there are six new

recommendations and two prior-year recommendations that remain open. Mr. Ahuja noted that the Agency non-concurred with one of the recommendations.

6. IT Update.

Mr. Desai provided an update on IT initiatives. See "IT Update" (attached). Mr. Desai noted that the 2018 modernization initiatives are progressing and generally tracking to their respective schedules, with the exception of the OMNI archiving, which is a complex, long-term project.

7. Strategic Acquisition.

Ms. Crowder reported that the recordkeeping service acquisition is moving forward and a minimum qualifications announcement will be posted by the end of the week. The recordkeeping contract is expected to be awarded in late 2019. Ms. Crowder also noted that procurement process for the financial systems modernization efforts has begun and an RFI is expected to post later this summer.

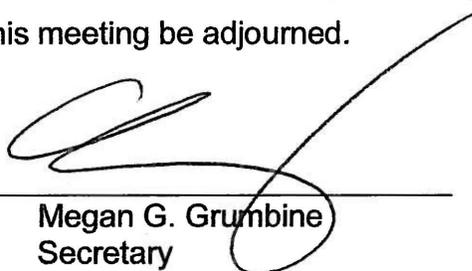
8. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 8:58 a.m. for executive session.

At 11:44 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 11:44 a.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. May 2018 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment
4. Federal Employee Viewpoint Survey Initiatives (2017) – Outcomes

5. Audit Reporting Activity Summary
6. IT Update