



## FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

### MINUTES OF THE MEETING OF THE BOARD MEMBERS

August 27, 2019

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members by telephone on August 27, 2019, at 10:00 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 (by telephone), member; Ronald D. McCray of Texas, member (by telephone); David A. Jones of Connecticut, member (by telephone); William S. Jasien of Virginia, member (by telephone); Ravindra Deo, Executive Director; Megan G. Grumbine, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer; Renée Wilder Guerin, Director, Office of Enterprise Planning; Kimberly A. Weaver, Director, External Affairs; Susan Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; Gisile Goethe, Director, Office of Resource Management; Tee Ramos, Director, Office of Participant Services; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Technology Officer; James Courtney, Director, Communications and Education; and Ernest Witherspoon, Executive Officer to the Executive Director.

1. Approval of the Minutes of the July 22, 2019 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the July 22, 2019 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 22, 2019 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 July 2019, the FERS participation rate remained steady at 91 percent; the uniformed services participation rate for active duty members increased to 64 percent. Hardship withdrawals increased 12 percent in July over the June numbers. Mr. Ramos also noted that two Step Authentication numbers continue to climb with approximately 279,000 participants having opted-in since implementation. In answer to a question from Member Jasien about the causes for the hardship increase, Mr. Ramos indicated that it could possibly

be attributed to recent flooding events.

b. Investment Performance

Mr. McCaffrey reviewed the monthly investment performance report. See “July 2019 Performance Review – G, F, C, S, I, and L Funds” (attached). Mr. McCaffrey noted that for the month, BlackRock’s performance for the F, C, and S Funds were in line with indices, while its performance for the I Fund was behind the benchmark by 82 basis points primarily due to a fair value event that occurred on the last business day in July.

For the year to date, BlackRock’s performance for the F, C, S Funds were in line with indices, while the I Fund is was behind the benchmark by 52 basis points primarily due to the July fair value event.

Mr. McCaffrey noted that the Federal Reserve cut its target short-term interest rate in July. Stock prices increased primarily due to increases in corporate earnings. Mr. McCaffrey reported that for the month of July through Monday’s close, the C and S Funds reported gains; the I Fund reported losses primarily due to the strength of the U.S. Dollar; the F Fund reported slight gains primarily due to long-term interest rates remaining steady; and all of the L Funds reported positive gains.

Finally, Mr. McCaffrey reported that for the month of July through Monday’s close, U.S. Stocks are down. The C Fund is down 3.24 percent; the S Fund is down 5.38 percent; the I Fund is down 3.19 percent; and the F Fund is up 2.27 percent.

c. Legislative Report

Ms. Weaver reported that on August 23, 2019, the Board received a letter from Senators Marco Rubio and Jeanne Shaheen, members of the Senate Committee on Foreign Relations, requesting that the Board reverse its November 2017 decision to change the Thrift Savings Plan’s International Stock Fund (TSP’s I Fund) to mirror the MSCI All Country World ex-U.S. Investable Market Index (ACWI ex-US IMI) because the fund invests in China-based companies. Ms. Weaver stated that the request was being reviewed by the Board.

Chairman Kennedy re-iterated that the Board was carefully reviewing the issue and will respond accordingly.

3. Quarterly Reports.

a. Metrics

Ms. Dorothy De Luz of the Office of Enterprise Planning presented the FY 2019 Third Quarter Key Performance Indicator Results. See “FY 2019 Third Quarter Key Performance Indicator Results” (attached). Ms. De Luz reported that on April 16, 2019, a server configuration issue effected participant account information; the issue

was resolved the same day.

Ms. De Luz stated that on May 20, 2019, there was an issue with the CAMI system which caused a delay in the submission of the electronic orders for daily investments. The issue was quickly resolved and the daily investments were performed at 2:38 PM. None of the actual investments were impacted. Ms. De Luz also stated that on May 16, 2019, the Agency had to process investments via phone and fax due to network issues at the Department of Treasury; however, the daily investment was completed; and the actual investment was not impacted.

Ms. De Luz reported that the FERS Full Matching Contributions continue to fall short of the desired target; however, it remains over 10 percentage points higher than industry average. The automatic enrollment at 5 percent project is underway and scheduled for completion in September 2020. And the BRS Participation Rate experienced a small increase but continued to fall short of the target.

#### 4. Audit Update.

Mr. Brack Boone of the Office of Enterprise Risk Management provided an update of the Agency's EBSA Audit Reports. See "EBSA Audit Reports" (Attached). Mr. Boone presented updates for the Lifecycle Funds Process Audit, Participant Website Controls Audit, and Systems Enhancement and Software Change Controls Audit.

Mr. Boone stated that the Lifecycle Fund Process Audit report was issued on June 14, 2019. The audit resulted in closure of 14 prior year findings and the issuance of one new finding.

Mr. Boone reported that the Participant Website Controls Audit report was issued on June 27, 2019. The audit resulted in closure of five prior year findings, and the issuance of six new findings. Three findings from EBSA's 2017 audit remain open. Mr. Boone noted that the Agency non-concurred on five of EBSA's findings relating to the Participant Website Controls Audit.

Mr. Boone further stated that the Systems Enhancement and Software Change Controls Audit report issued on June 7, 2019. The audit resulted in closure of six findings and issuance of 13 new findings. Ten findings from EBSA's 2017 audit remain. Mr. Boone noted that the Agency non-concurred on two of EBSA's findings relating to the Systems Enhancement and Software Change Controls Audit.

#### 5. Additional Withdrawals Project Update.

Tanner Nohe of the Office of Enterprise Planning presented an update on the Additional Withdrawals Project. See "FRTIB Additional Withdrawals Project" (attached). Mr. Nohe reported that Phase 1 and 2 were deployed, but not yet active.

Some fixes for Phase 1 and 2 were delayed and will be included in Phase 3 which is 95 percent complete and should be ready for deployment by the end of the week. He noted that 18 comments were received in response to the new regulation; most of the comments were either positive or out of scope.

Mr. Nohe reported that during the project 13 applications were updated; six forms were either created or revised; 17 publications were either created or revised; 32 webpages were revised; and 7 forms and two written publications were retired. Mr. Nohe also noted the participant outreach initiative, which includes webinars, e-mails, print materials, and a podcast.

6. Adjourn.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 10:24 a.m.

MOTION: That this meeting be adjourned.



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Megan G. Grumbine  
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. July 2019 Performance Review – G, F, C, S, I, and L Funds
3. FY 2019 Third Quarter Key Performance Indicator Results
4. EBSA Audit Reports
  - 4a. Lifecycle Funds Process
  - 4b. Systems Enhancement and Software Change Controls
  - 4c. Participant Website Controls
5. FRTIB Additional Withdrawals Project