



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 16, 2019

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on December 16, 2019, at 10:00 a.m. Eastern Time at the Board's offices at 77 K Street, N.E. In attendance were Dana K. Bilyeu of Oregon, member (by telephone); 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 C. 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; James Courtney, Director, Office of Communications and Education; Tee Ramos, Director, Office of Participant Services; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Technology Officer; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the November 13, 2019 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the November 13, 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 November 13, 2019 be approved.

2. Monthly Reports.

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

a. Monthly Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics, October 2019" and "Thrift Savings Fund Statistics, November 2019" (attached). The October report was not completed in time for the November Board meeting, but was discussed at that meeting. Mr. Ramos stated that the participation rate increased in November to 91.4 percent, which he noted was unusual for this time of year. Mr. Ramos also highlighted a 42 percent decrease in distributions, which he attributed to a return to typical distribution rates following a significant increase after implementation of the Additional Withdrawals Project. In advance of the

implementation of mandatory two-factor authentication, Thrift Savings Plan participants have increasingly elected to adopt this security measure on a voluntary basis. Mr. Ramos pointed out that 821,000 participants, a number representing 37 percent of individuals who received proactive communications regarding two-factor authentication, have elected to utilize the security measure voluntarily. Mr. Ramos concluded his comments by noting that the Office of Participant Services was diligently preparing for year-end processing, which includes payment of required minimum distributions and provision of Forms 1099 as required by law.

Member Jasien asked for clarification on the timing of two-factor authentication implementation. Mr. Ramos responded that two-factor authentication would become mandatory for all Thrift Savings Plan participants effective as of December 23, 2019.

b. Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See "November 2019 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey indicated that in November, BlackRock's performance for the F Fund and the C Fund was in line with benchmarks. S Fund performance was behind the small mid-cap index by 4 basis points as a result of securities sampling and I Fund performance was ahead of the international index by 3 basis points due to tax advantage.

BlackRock's performance for the F and C funds on a year-to-date basis is in line with applicable benchmarks. BlackRock has outperformed in the S fund by 8 basis points, primarily due to security sampling. BlackRock's year-to-date performance for the I Fund is 47 basis points ahead of benchmark, primarily due to tax advantage. The C, S, I, and L funds all posted gains, while the F Fund experienced a small loss.

Member McCray asked for clarification on the impact of securities lending on fund performance. Mr. McCaffrey clarified that his statement that the C Fund was performing in line with the index means that fund performance is within 1 or 2 basis points of the index. Member McCray asked if that assessment accounted for securities lending, which Mr. McCaffrey confirmed was the case. In response to a follow-up question from Member McCray, Mr. McCaffrey confirmed that securities lending will typically boost fund performance. Funds that perform in line with the applicable index may not have experienced additional value from securities lending in that period. Mr. McCaffrey also noted that securities lending may also boost the return of a fund that otherwise underperforms relative to the applicable index.

c. Legislative Report

Ms. Weaver provided an update on S. 2791, which would restrict the ability of the Thrift Savings Plan to make emerging market investments available under the I Fund. Ms. Weaver and Mr. Deo have attended meetings with both Senate and House of Representatives staff members to share Agency concerns regarding the bill.

Member Jasien asked Ms. Weaver to provide more information on these meetings and Member McCray asked for Ms. Weaver's thoughts the eventual outcome of the proposed legislation. Ms. Weaver stated that she did not know what the final outcome of the proposed legislation would be, but that she and Mr. Deo had productive meetings with Congressional staff. Ms. Weaver noted that their meeting with the staff of the Homeland Security and Governmental Affairs Committee was particularly productive. Ms. Weaver and Mr. Deo have discussed the decision to change the I Fund index, emphasizing the history and independent nature of the Agency.

Based on the information provided in these meetings, Ms. Weaver indicated that the sponsor of the bill disagreed with the Agency's interpretation of the bill's potential impact. Accordingly, the Agency has requested guidance from the Public Company Accounting Oversight Board (PCAOB), which would have enforcement responsibilities under S. 2791. To date, the Agency has not received a response from the PCAOB.

Chairman Kennedy asked if additional sponsors had joined in support of the proposed legislation and Ms. Weaver responded that only one additional sponsor has joined since the bill was introduced. Chairman Kennedy also asked Ms. Weaver for an update on Employee Thrift Advisory Council (ETAC) activity related to the bill. Ms. Weaver responded that the ETAC had provided a letter in support of the decision to change the I Fund index, as well as in support of the Board and its handling of this matter, to the original sponsors of the Senate bill. ETAC has actively advocated in favor of the index change. ETAC believes that the proposed legislation would discriminate against Thrift Savings Plan participants, who would not be able to invest in the same emerging markets available to other retirement plan participants.

Ms. Weaver also provided an update on the Department of Defense authorization bill, which had passed in the House of Representatives and was expected to pass in the Senate as well. Ms. Weaver noted that a package of appropriations bills, which may also include the SECURE Act, was being considered in the House. The appropriations bills must be enacted on or before December 20, 2019 in order to avert a government shutdown.

Mr. Ramos noted that the Office of Participant Services has a team in place to address a potential increase in participant withdrawal activity in the event of a government shutdown. Mr. Ramos believes that a shutdown would not have a significant impact on the Agency unless it continued for an extended period of time. Mr. Ramos also pointed out that new Agency regulations regarding participant loans are now in place to provide participants with easier access to their accounts in the event of a prolonged shutdown.

3. Quarterly Reports.

a. Quarterly Vendor Risk Management

Mr. Ahuja provided an overview of vendor risk assessments of key vendors who are critical to the operation of the Agency and Thrift Savings Plan. See “Quarterly Vendor Risk Assessment – 3rd Quarter Calendar Year (CY) 2019” and “Quarterly Vendor Financial Assessment” (attached). Based on an Office of Enterprise Risk Management assessment of nine key Agency vendors, Mr. Ahuja stated that there is no indication that these vendors will be unable to fulfill their contractual obligations to the Agency.

4. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 10:20 a.m. for executive session.

At 10:28 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 10:28 am.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. November 2019 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Risk Assessment
4. Quarterly Vendor Financial Assessment