



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

MINUTES OF THE MEETING OF THE BOARD MEMBERS  
AND THE EMPLOYEE THRIFT ADVISORY COUNCIL

May 29, 2019

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 29, 2019, at 8:30 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 Ronald D. McCray of Texas (by telephone), member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Dana K. Bilyeu of Oregon, member; 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; 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. In attendance for the Employee Thrift Advisory Council (ETAC) were Chairman Clifford Dailing, National Rural Letter Carriers Association; Holly Feldman-Wiencek, National Association of Letter Carriers; Cathy Ball, National Treasury Employees Union; Ivan Butts, National Association of Postal Supervisors; Andy Corso, Department of Defense; Kathy Hensley, National Active and Retired Federal Employees Association; Renee Johnson, Federal Managers Association; John Seal, Senior Executives Association; Jacqueline Simon, American Federation of Government Employees; Georgia Thomas, Federally Employed Women, Inc.; and Dave Stamey, National Federation of Federal Employees.

1. Welcome and Introductions.

Chairman Kennedy called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 8:32 a.m. Chairman Dailing subsequently called to order the Employee Thrift Advisory Council (ETAC) meeting. Chairman Kennedy welcomed everyone present to the joint FRTIB/ETAC meeting. The Board members, the Agency leadership, and ETAC members introduced themselves.

2. Approval of the Minutes of the April 29, 2019 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the April 29, 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 April 29, 2019 be approved.

3. Approval of the Minutes of the November 8, 2018 ETAC Meeting.

Chairman Dailing entertained a motion for approval of the minutes of the November 8, 2018 ETAC member meeting. The motion was made, seconded, and adopted without objection by the ETAC. The ETAC held elections and Chairman Dailing and Vice Chairman James Sauber were elected to serve an additional term in their respective positions.

MOTION: That the minutes of the joint meeting of the Board members and ETAC held on November 8, 2018 be approved.

4. 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 stated that the number of TSP participants had increased to over 5.6 million. Federal Employment Retirement Systems (FERS) and active duty uniformed services participation rates continued to climb to 90.9 percent and 61.6 percent, respectively. Mr. Ramos noted that two-factor authentication was implemented for the TSP in April and participation included 144,000 individual opt ins. A second phase of the implementation of two-factor authentication is currently planned for December. During the second phase of implementation, two-factor authentication will transition from optional to mandatory. Lastly, Mr. Ramos noted that the month of April traditionally begins a seasonal increase in loan request volume that lasts through the end of the summer. Accordingly, loans increased by 24 percent from March to April. The increase in loans was on trend.

b. Monthly Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See "April 2019 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey noted that for the month of April, performance for the F and C Funds was in line with benchmarks. Performance for the S Fund was ahead of the benchmark by four basis points, primarily as a result of securities sampling. BlackRock's performance for the I Fund was better than the International Index by 11 basis points, primarily due to tax effect.

Mr. McCaffrey reported that for the year to date, performance for the F Fund and the C Fund was in line with the respective indices. Performance for the S

Fund was ahead of the small-mid-cap index by six basis points, primarily due to securities sampling. Performance for the I Fund was 20 basis points better than the International Index, primarily due to tax effect.

Mr. McCaffrey opined that a growing U.S. economy, healthy corporate earnings, and hope for progress on trade, coupled with optimism for continued low interest rates, contributed to broad based positive investor sentiment for U.S. and international stocks in April. The C Fund and the S Fund achieved strong gains. The I Fund rose significantly, although to a lesser extent in part because of the rising dollar. The F Fund finished slightly ahead and all the L Funds moved higher.

Stock performance for the month of May through the 28th was weak. The C Fund lost 4.68 percent, while the S Fund lost 5.13 percent. The I Fund was down 2.86 percent. The Fixed Income Index Investment Fund was ahead by 1.13 percent.

### c. Legislative Report

Ms. Weaver reported on four pieces of legislation. First, Sen. Jeff Merkley introduced S. 1460, which would require the TSP to offer an investment option that does not include investment in fossil fuel companies. Ms. Weaver noted that Sen. Merkley previously requested a Government Accountability Office (GAO) study regarding a complete TSP divestment from fossil fuel stocks. The GAO engagement has yet to begin.

Second, Rep. Jim Banks introduced H.R. 2903, which would prohibit I Fund investment in any entity within peer or near-peer competitor nations as outlined in the National Defense Strategy, preventing investment of TSP funds in Chinese and Russian entities. If the federal government takes official action against a company or a country, the Morgan Stanley Capital International Emerging Markets Index (MSCI) would drop the associated entity from the index. Ms. Weaver provided information to Rep. Banks' staff prior to the bill's introduction.

Third, Rep. Stephen Lynch introduced H.R. 2553, titled the Postal Service Financial Improvement Act. The bill would require the Secretary of the Treasury to invest a portion of the Postal Service Retiree Health Benefits Fund in an index fund that mimics the longest TSP target date fund. The bill would also create an investment committee to monitor that investment and the FRTIB Chairman would be required to serve as a fiduciary on that board. When this bill was introduced previously, that requirement was stripped from the bill during a Committee mark-up.

Fourth, H.R. 1994, or the Setting Every Community Up for Retirement Enhancement (SECURE) Act, passed the House and there are several provisions of interest to the Agency. Two provisions of H.R. 1994 apply to all 401(k) plans, including the TSP. Firstly, the bill would allow for penalty-free withdrawal of funds for adoption or childbirth. Secondly, the age requirement minimum distributions would increase to 72. Two other provisions would not apply directly to the TSP, however, the Agency would

likely follow as a reflection of best practices within the industry. Firstly, the disclosure of lifetime income would be included in an annual statement. Secondly, the bill contains a safe harbor for annuity providers.

Board Member McCray asked about the rationale of H.R. 2553 investing funds in line with the longest term TSP funds. Ms. Weaver responded that the Postal Service, alone among federal agencies, makes payments for their retiree health benefits future costs. If the health benefits future costs payments are invested in a long-range target date fund that would increase the return and decrease the amount of money that the Postal Service would need to pay on a near-term basis.

#### 5. Quarterly Metrics Report.

Mr. Geof Nieboer, Chief of Business Intelligence, provided an overview of the Fiscal Year (FY) 2019 2nd Quarter Metrics. See "Metrics Review 2nd Quarter FY19" (attached). Mr. Nieboer reviewed the external audit findings closure metric and noted the Agency closed eight fewer findings than the threshold requirement for the quarter. However, the threshold during the previous quarter was exceeded by 47 findings. As a result, the external audit closures for the quarter did not raise concern for the year.

The FERS full matching contribution rate continued to fall short of the target, but the number remains 10 percentage points higher than the industry average. The Blended Retirement System (BRS) participation rate was slightly below the targeted threshold. Mr. Nieboer noted that three-quarters of the BRS population measured made a positive election to join the new retirement system. The number of participating active duty members who opted in and did not have a TSP account prior under the legacy retirement system, who had yet to make contributions was 30 percent lower than expected.

Due to the BRS participation statistics, the Office of Communications and Education and the Department of Defense (DOD) engaged participants that had not yet commenced contributions. Mr. Corso mentioned DOD's efforts to ensure participants that opted into BRS are taking advantage of TSP contributions. The DOD directly emails a monthly communication and conducts social media campaigns to educate BRS participants. Mr. Courtney noted that the Office of Communications and Education and DOD have been working together to provide direct contact with the participants and the amount of non-contributors in this particular group has decreased from 54 percent to 30 percent.

#### 6. Communications and Education Update.

Mr. Courtney presented the communications and education update. See "Communications and Education Update" (attached). The Office of Communications and Education strives to educate participants and beneficiaries and to encourage the

participant base to take full advantage of all the TSP has to offer. A variety of communications methods are deployed to this end: print and mail (to include notices and quarterly statements); liaison teams who travel across the country to provide in-person training and education sessions to participants and beneficiaries, employee groups, and employing agencies; social media; online educational videos; email; and interactive webinars.

The Office of Communications and Education is involved in significant participant-facing projects, including: two-factor authentication; the additional withdrawals project; the launch of five-year life cycle funds; five percent auto-enrollment; and the spillover project. All the projects mentioned require a significant effort from the Office of Communications and Education to deploy web content, publications, notices, forms, and videos. Mr. Courtney highlighted an advanced two-day training provided to approximately 1,200 military financial educators, noting that the educators directly interact with hundreds and sometimes thousands of participants through the course of their work.

Mr. Courtney reported that the Agency sends approximately 16 million pieces of mail every year and 3 to 4 percent of that mail is returned due to incorrect addresses. In 2018, that amounted to approximately 625,000 pieces of returned mail. This year, the Agency is utilizing the National Change of Address Database maintained by the U.S. Postal Service to check address for separated participants. As a result, in March, around 63,000 addresses were updated.

The Office of Communications and Education will begin sending an e-newsletter for the approximately 3.5 million participants who have provided an email address. The e-newsletter will be called the *Thrift Savings Planner* and will contain four or five brief news items with links to more detailed information across various platforms. Participants will receive useful news and information. Feedback provided by the e-newsletter campaign will generate a better sense of what topics participants are interested in.

Board Member Jones commented that the Agency has made progress in obtaining participant email addresses. Mr. Ramos noted that when a participant contacts the Agency an effort is made to verify or collect an updated email address. Board Member Jasien asked if emails were required for new enrollees and Mr. Ramos responded in the negative, but noted that efforts will be considered to get additional participant information from payroll offices. Ms. Simon noted that some members of her organization do not have email addresses outside of their work email address, which does not carry through to retirement. Mr. Stamey noted that his organization has similar difficulties and Board Member Jasien thanked Ms. Simon and Mr. Stamey for their input.

Mr. Courtney reviewed efforts to utilize behavioral science to improve the effectiveness of outreach efforts. Board Member Jaisen congratulated the efforts of the Office of Communications and Education in utilizing behavioral science and asked if there will be future efforts to encourage contributions beyond 5 percent. Mr. Courtney

noted that participants are regularly encouraged to leverage a portion of a raise to increase contributions, but currently, the metrics reported do not show participants contributing beyond the full match of 5 percent, however, the Agency may consider measuring higher contribution percentages in the future.

Chairman Dailing stated he was impressed by the Board's focus on improving communication and education and applauded the efforts of the Board, the Executive Director, and all the trainers within the Office of Communications and Education.

7. Contact Centers Update.

Mr. Clayton Lee, Supervisor of Contact Center Operations, provided an update on service levels for contact centers. Mr. Lee commented that technological capacity and human service capacity have improved with a redesign of information technology architecture, improved bandwidth, and the addition of a new contact center site. Mr. Lee reviewed contact service levels measuring the percentage of calls answered within 20 seconds. Historically, January and February are the most underperforming months for the contact centers, but for 2019 service levels were above the target threshold of 90 percent. Call abandonment rates were around 0.4 percent and 0.6 percent for January and February respectively, which is well below the targeted threshold of 2 percent.

Mr. Lee reported that e-mail messages and written correspondence met threshold service levels for the last six months, representing 90 percent of emails answered within 2 days and 90 percent of written correspondence answered within 5 business days. Chairman Kennedy asked if additional training was provided for the new contact center agents. Mr. Lee noted additional account security training, new refresher training, and new cross-training efforts were implemented to train call center agents to do multiple tasks in order to facilitate resource shifting.

Board Member Jasien congratulated the Office of Participant Services for the improvements made to service levels and asked how quality of service is monitored. Mr. Lee responded that contact centers have quality assurance programs to ensure every agent is monitored at least four times a month.

8. Additional Withdrawals Project Update.

Mr. Tanner Nohe, Supervisory Project Manager, provided an update on the Additional Withdrawals Project. See "Additional Withdrawals Project" (attached). Mr. Nohe began by giving an overview of the changes mandated by the TSP Modernization Act and discussed the development of two form wizards to assist with automated form completion. Mr. Nohe reviewed the status of all three phases of the project. Phase One of the project is in user acceptance testing, where the TSP-95 Wizard and Form are being tested by the Agency. Phase Two is currently in the initial

testing process before advancing to user acceptance testing. Phase Three of the project is at 70 percent, and is currently still in development.

Proposed regulations are ready to be sent to the Federal Register for comments, one week ahead of schedule. The proposed regulations were sent to the ETAC earlier in May. A bulletin was posted two weeks prior to inform payroll agencies about the changes for the elimination of the hardship penalty. The only risk to the project is the development of form wizards, which is new technology. Participant outreach will begin in July. The last day to receive current withdrawal forms is September 6th.

Mr. Nohe then did a demonstration and walkthrough of the form wizard for TSP-95 and TSP-99. Mr. Nohe reported the team will be reviewing regulation comments as they come in, and the project is on schedule for a go live date of September 15th. Chairman Dailing noted that members of his organization had a positive response to the additional withdrawals project.

Following Mr. Nohe's presentation, Chairman Kennedy invited questions and comments from the ETAC. Ms. Simon requested material to communicate the additional withdrawals rollout to members of her organization and Mr. Courtney replied that material would be provided. Board Member Bilyeu asked if the Agency had an estimate on impact the new withdrawal opportunities will have. Mr. Deo commented that participants that leave the TSP within a year of separating from federal service are measured and that measurement would inform the impact in years to come.

Ms. Feldman-Wiencek requested the number of loans taken out during the government shutdown. Mr. Ramos responded that the number of loans taken out during the shutdown were lower than the normal amount. Mr. Ramos noted efforts made to react to the shutdown and that the Agency is fully capable of supporting participants in a future shutdown.

Mr. Corso commented that the five percent auto-enrollment is an important change to military recruiters who recruit in advance of 18 months at times, accordingly, materials to communicate the change are helpful to preparation. Mr. Courtney confirmed with Mr. Ramos that a bulletin would be sent to all agencies in the near future.

Ms. Thomas asked if retirement webinars will change due to the withdrawal changes. Mr. Courtney responded in the affirmative and noted there will be a series of webinars exclusively covering the additional withdrawal changes.

9. Adjourn.

On a vote taken by Chairman Dailing, the ETAC adjourned at 10:16 a.m. On a vote taken by the Chairman, the members closed the meeting at 10:16 a.m. for executive session.

At 12:25 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 12:25 p.m.

MOTION: That this meeting be adjourned.



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Megan G. Grumbine  
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. April 2019 Performance Review – G, F, C, S, I, and L Funds
3. Metrics Review 2nd Quarter FY19
4. Communications and Education Update
5. Contact Center Service Level Update
6. Additional Withdrawals Project