



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 16, 2019

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 16, 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 Dana K. Bilyeu of Oregon, 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; Renée C. Wilder Guerin, Director, Office of Enterprise Planning; Kimberly A. Weaver, Director, External Affairs; 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 August 27, 2019 Board Member Meeting.

Chairman Kennedy opened the meeting by acknowledging receipt of a letter from Senators Marco Rubio and Jeanne Shaheen regarding the I Fund benchmark index and indicating that the Board is reviewing it. He then entertained a motion for approval of the minutes of the August 27, 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 August 27, 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 highlighted that the BRS automatic enrollment numbers are continuing to rise, adding over 13,000 uniformed services participants to the Plan since last month. Roll-in activity has increased 32 percent over the last couple of months, with participants contributing \$129 million into the Plan in August.

Mr. Ramos noted that the two-step authentication numbers are steadily increasing, with approximately 302,046 participants having opted in since implementation. He highlighted that the Agency is still on track for making two-step authentication mandatory at the end of this year.

b. Monthly Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See "August 2019 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey noted that for the month of August, performance for the F, C, and S Funds was in line with indices. Performance for the I Fund was ahead of the benchmark by 83 basis points due to the reversal of a fair value pricing event that occurred on the last trading day of July.

For the year to date, the F, C, and S Funds were in line with the respective indices. The I Fund was ahead of the benchmark by 38 basis points, primarily attributable to the tax effect.

Mr. McCaffrey noted that, during August, many equity investors seemed shaken by unresolved trade issues and uncertainty surrounding lower global bond rates, which have further contributed to fears of an economic slowdown. The C, S and I Funds posted losses for the month as a result. The F Fund gained meaningfully due to declines in U.S. Treasury yields. All of the L Funds posted losses.

Mr. McCaffrey highlighted that there has been a reversal of direction in the September month-to-date returns. For the month of September through Friday the 13th of September's close, the C, S, and I Funds are up by 2.87 percent, 3.36 percent, and 4.26 percent, respectively. The F Fund lost 1.81 percent.

Mr. McCaffrey acknowledged that the uptick in volatility in August seemed to cause an increase in participant interfund transfers. He also noted that when these numbers are considered on a percentage basis rather than absolute dollars, they are actually very small and not causing great concern. He concluded by saying that analysis showed that over 99 percent of assets did not change funds in August, and that generally that means participants are sticking with their investment plans.

c. Legislative Report

Ms. Weaver indicated that the SECURE Act is still under discussion but there are no announced plans to move it in the Senate at this time. In addition, Ms. Weaver noted that Congress is back in session and working on a continuing resolution through mid-November to allow two months to work out the Appropriations Bills. The Agency is watching this closely in light of the shutdown situation earlier this year.

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 its contractual obligations to FRTIB.

4. Fiscal Year (FY) 2020 Budget Review and Approval.

Mr. Deo gave a presentation on the FY 2020 budget request and FY 2021 budget estimate. See "FRTIB Annual Budget Presentation" (attached). Mr. Deo began with a review of FY 2019 accomplishments with respect to the Agency's four strategic priorities—(1) steady state operations; (2) cybersecurity and remediation of audit findings; (3) Agency and Plan operations; and (4) the Plan Operations Modernization Portfolio (POMP).

For FY 2020, the Agency requested \$385.6 million. Mr. Deo noted that Plan assets are projected to continue to grow at a moderate pace in 2020. Mr. Deo reviewed the cost drivers of each office within the Agency, noting that the largest percentage of the overall Agency budget is the Office of Technology Services, which includes daily recordkeeping operations and maintenance.

Mr. Deo reviewed the Agency's key activities for FY 2020. The first is advancing key procurement activities and initiatives. This includes work on the Recordkeeping Services Acquisition (RKSA), the Financial Systems Modernization (FSM), and the move to a multi-asset manager model. The second is continuing to enhance benefits and services to participants. This includes mandatory two-factor authentication, five-year L Funds, a five percent default automatic enrollment rate, and the spillover project related to making catch-up contributions easier. The final activity is implementing internal effectiveness and efficiency initiatives, with a focus on internal controls and acquisition lifecycle, both of which will improve internal efficiency and make audit findings less likely. Mr. Deo noted that the Agency does not expect to take on any large-scale projects in FY2020.

Mr. Deo closed out the budget presentation by highlighting that the Agency is requesting Board approval of a FY 2020 budget of \$385.6 million, which is a 6.9 percent increase from the FY 2019 budget. Member Jasien asked about the FY 2021 budget estimate. Mr. Deo indicated that the estimate is a projection forward with many unknowns due to the fact that the Agency is undertaking a large procurement, making the number less precise than it has been in years past.

Chairman Kennedy entertained a motion for approval of the FY 2020 budget. The following motion was made, seconded and adopted without objection:

MOTION: That the proposed FY 2020 budget of \$385.6 million be approved.

5. Mid-Year Financial Audit.

Mr. Thomas Rey, Principal, introduced CliftonLarsonAllen's (CLA) mid-year financial review. See "FRTIB – Thrift Savings Fund" (attached). The midterm review covered the Thrift Savings Fund financial statements for the six months ended June 30, 2019. CLA stated that they were not aware of any material modifications that should be made to the interim financial information for it to be in conformity with generally accepted accounting principles. CLA did not express an opinion on internal controls. CLA concluded its presentation by summarizing prior recommendations.

6. Additional Withdrawals Project Update.

Mr. Tanner Nohe, Supervisory Project Manager, presented an update on the Additional Withdrawals Project. See "FRTIB Additional Withdrawals Project" (attached). Mr. Nohe reported that the additional withdrawal options went live as scheduled on September 15, 2019. Mr. Nohe recognized and thanked key members of the project team and reviewed major project accomplishments.

7. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 9:06 a.m. for executive session.

At 10:00 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 10:00 a.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

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

4. **FRTIB Annual Budget Presentation**
5. **FRTIB – Thrift Savings Fund**
6. **FRTIB Additional Withdrawals Project**