



## MINUTES OF THE MEETING OF THE BOARD MEMBERS

May 27, 2020

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on May 27, 2020, 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; 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; 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; Sophie Dmuchowski, Acting Director of Participant Services; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Technology Officer; Barbara Holmes, Chief Audit Executive; Geoff Nieboer, Chief Data Officer; Ernest Witherspoon, Executive Advisor to the Executive Director; and Clifford D. Dailing, Chairman, Employee Thrift Advisory Council.

1. Approval of the Minutes of the April 27, 2020 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the April 27, 2020 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 27, 2020 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

Ms. Dmuchowski reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics, April 2020" (attached). Ms. Dmuchowski stated that the FERS participation rate increased in April to 93 percent and the active duty uniformed service participation rate increased to 71 percent. The active duty uniformed service participation rate has increased by 22 percent since the implementation of the blended retirement system in January 2018. Ms. Dmuchowski also highlighted a decrease in the rate of loans and withdrawals, which she noted has been trending down over the last several months at an average rate of 33 percent per month. Ms. Dmuchowski concluded her comments by noting a slight reduction in the number of calls to the contact center.

## b. Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See “April 2020 Performance Review – G, F, C, S, I, and L Funds” (attached). Mr. McCaffrey indicated that in April, BlackRock’s performance for the F Fund, the C Fund, and the S Fund was in line with the relevant benchmarks. I Fund performance underperformed relative to the international index by 3 basis points due to fair value pricing on the last day of April.

BlackRock’s performance for the F and C funds on a year-to-date basis is in line with applicable benchmarks. S fund performance lagged by 10 basis points relative to the benchmark, primarily due to futures mistracking. BlackRock’s year-to-date performance for the I Fund is 12 basis points ahead of benchmark, primarily due to tax advantage. Mr. McCaffrey noted that the on-going global pandemic has had a significant impact on the economy, but pointed out that equity markets continue to experience gains.

Specifically, the C and the S Funds experienced gains of 12.81 percent and 15.81 percent, respectively, and the I Fund increased by 6.42 percent, driven in part by a weaker U.S. dollar. The F Fund grew by 1.78 percent, the G Fund increased by .07 percent and the L Funds experienced gains as well. Mr. McCaffrey noted that global markets are also up for the month-to-date, and all Funds have experienced gains in May, as of May 26. Notably, the C Fund is up 34.19 percent since March 23.

With respect to inter-fund transfers, over \$5 billion in plan assets were transferred out of the G Fund in April, the majority of which was moved to the S Fund and the C Fund. This is a reversal of the trend seen in March, when there was a significant increase of transfers into the G Fund. Mr. McCaffrey noted that inter-fund transfers in general have steadily decreased in April and May.

## c. Legislative Report

Ms. Weaver reported that the Senate is currently in recess and the House of Representatives is back in session. The House recently passed a fourth stimulus bill that has not yet been taken up by the Senate. Armed Services committees in both the House and the Senate are currently considering the logistics of marking up defense authorization bills, which may be done remotely. The Agency is monitoring these bills for potential impact on the Thrift Savings Plan.

Chairman Kennedy asked Ms. Weaver when the Senate would return to Washington. Ms. Weaver indicated that they had taken a recess for the Memorial Day holiday and would be back in session shortly. Member Jasien asked Ms. Weaver if she had been contacted by any members of Congress regarding the previously proposed change to the I Fund benchmark. Ms. Weaver noted that she has not received any further inquiries from Congress on that matter.

#### d. Quarterly Metrics Report

Mr. Nieboer began his report by noting that the move to a socially-distanced environment has not affected the status of any Agency Key Performance Indicators. Aside from a brief decrease in L Fund participation, Agency KPIs have not been affected by the Agency's move to mandatory telework for all employees and contractors.

Mr. Nieboer addressed Agency Strategic Goal C and noted that the F, C, S and I Funds investment metric was in the red for the current quarter. See "FY20Q2 Board Report" (attached). This metric measures whether the confirmation for daily trades was received from the TSP investment manager by 2:00 p.m. each day. In January, this confirmation was late on three separate occasions. Mr. Nieboer explained that there was a distinct issue that caused each of these three incidents. One incident was the result of a software change that delayed certain required reports by two minutes on January 13. A second software configuration change delayed the confirmation on January 28. The third incident, on January 31, occurred because Agency staff needed additional time to confirm that the investment submission for that day was accurate. There were no further occurrences in February or March. He also noted that there was no impact to the investments due to those 3 delays.

Mr. Nieboer addressed another Goal C metric, the external audit findings rate, which failed to meet the threshold of 23 findings. The Agency closed 15 audit findings internally. In addition, 19 closure packages have been submitted directly to the auditors. Mr. Nieboer indicated that the Agency will likely receive responses on these audits in either Quarter 3 or Quarter 4.

Mr. Nieboer concluded his remarks by addressing the full matching contribution rate. This metric, related to Goal D, fell short of the stated Agency goal. However, results remain over 10 percentage points higher than industry average, and increased from the previous quarter. In addition, Mr. Nieboer noted that the full matching contribution rate was incorrectly reported for the prior quarter. The correct rate was 76.1 percent.

#### e. Internal Audit Report

Ms. Holmes delivered an update on the Agency internal audit activities. See Internal Audit Update, May 27, 2020 (attached). The budget process audit was the first audit that was conducted by the Agency in 2020. The scope of this audit covered fiscal years 2019 through 2021 in order to capture all phases of the budget cycle. The objective was to determine if budget process controls were adequate and in compliance with agency budget policy and procedures. No findings were reported by internal audit, but they did provide some suggested improvements.

Ms. Holmes stated that the budget process audit is complete and the 2020 annual FISMA audit is currently underway. The government purchase card audit is also underway, but Ms. Holmes noted that it had been slightly delayed. The Agency does not anticipate that this delay will have a significant impact on the Agency audit plan.

Ms. Holmes indicated that the Agency is considering a change to the timing of an audit related to SPU as well another regarding the onboarding and off-boarding of contractors.

Another area of focus for internal audit has been reviewing old internal audit findings and the program offices' remediation efforts on such findings. Ms. Holmes noted that there were 96 outstanding items in total, 84 of which have been closed. Of the remaining open items, one is in process and 11 are still open.

Chairman Kennedy asked Ms. Holmes for an update on open audit findings related to a 2017 audit of the TESS contract. Ms. Holmes indicated that some of those findings would be addressed in a future audit, while others are under review by the appropriate program offices. Ms. Holmes also pointed out that some of the outstanding audit findings were no longer relevant and that internal audit was working on addressing those appropriately so that they may be closed.

### 3. Closing Comments.

Prior to adjourning the meeting, Mr. Deo noted that the President had recently nominated three individuals to replace Board members whose term had expired. Mr. Deo thanked the members, Chairman Kennedy, Member Jones, and Member McCray, for their service to the Agency and briefly reviewed the accomplishments of the Agency during the departing Board members tenure.

Mr. Deo then invited Mr. Dailing to say some words regarding the departing Board members on behalf of the Employee Thrift Advisory Council. Mr. Dailing thanked the Board for its dedication and hard work on behalf of TSP participants and beneficiaries.

Following Mr. Dailing's comments, Member Bilyeu and Member Jasien thanked Chairman Kennedy and Members Jones and McCray for their years of service to the Agency and expressed gratitude for their willingness to work together for the best interests of participants and beneficiaries.

Member Jones, Member McCray, and Chairman Kennedy each provided departing comments, thanking their fellow Board members, as well as Agency staff, for their hard work and dedication in furthering the mission of the Agency.

### 4. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 11:00 a.m. for executive session.

At 12:00 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 12:01 p.m.

MOTION: That this meeting be adjourned.

 Acting for MGG

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Megan G. Grumbine  
Secretary

#### Attachments

1. Thrift Savings Fund Statistics
2. April 2020 Performance Review - G, F, C, S, I, and L Funds
3. FY20Q2 Board Report
4. May Internal Audit Board Presentation