



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 29, 2021

David A. Jones, Acting Chairperson of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 29, 2021, at 10:02 a.m., Eastern Time. The meeting was held telephonically and open to the public. In attendance were Dana K. Bilyeu of Oregon, member; Ronald D. McCray of Texas, member; William S. Jasien of South Carolina, member; Ravindra Deo, Executive Director; Dharmesh Vashee, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer, Deputy Executive Director, and Acting Chief Risk Officer; Kimberly A. Weaver, Director, Office of External Affairs, and Acting Director, Office of Enterprise Planning; 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.

Welcome and Introductions.

Acting Chairperson Jones called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:02 a.m. and welcomed everyone present to the meeting.

1. Approval of the Minutes of the May 26, 2021 Joint Board/ETAC Meeting.

Acting Chairperson Jones entertained a motion for approval of the minutes of the May 26, 2021 Joint Board/ETAC meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Joint Board/ETAC meeting held on May 26, 2021 be approved.

2. Monthly Reports.

Mr. Deo gave opening remarks, including a brief summary of the agenda for the meeting. He reported that the FRTIB increased its ranking for the Best Places to Work among small agencies from 19th to 14th out of 29. Also, FRTIB employees scored the Agency 96 out of 100 for its COVID response. Member Jasien congratulated Mr. Deo and the Agency for its scores.

a. Participant Activity Report

Mr. Ramos reviewed the monthly Participant Activity Report. See “Thrift Savings Fund Statistics May 2021” (attached). Mr. Ramos highlighted the continued increase in participation rates – FERS participants at a rate of 94.6 percent and uniformed services active duty members at a rate of 78.1 percent. Mr. Ramos reported that the FRTIB responded to 90 percent of all correspondence within two business days and nearly a third of all correspondence on the same day.

b. Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See “May 2021 Performance Review” (attached). BlackRock’s performance for the F, C and S Funds was in line with the Funds’ respective indices for the month. Its performance for the I Fund exceeded its index by 36 basis points, primarily due to a market holiday in the U.S. on the last day of the month. On that day, the index was priced but the Fund was not.

State Street’s performance for the C Fund was in line with the Large Cap Index. This was the first time Mr. McCaffrey reported State Street’s performance, as May was the first full month that State Street managed a portion of the C Fund.

Twenty percent of the S Fund’s assets were transferred from BlackRock to State Street on May 14. From May 14 to the end of the month, the total return of the Small Mid Cap Index was 2.87 percent. The portion of the S Fund managed by BlackRock rose 2.86 percent, and State Street’s portion rose 2.84 percent.

As for markets, despite the continued rollout of vaccines and the easing of many restrictions, job creation fell far short of expectations, causing some investors to worry about the pace of the economic recovery. A higher-than-expected inflation reading fueled debate over whether central banks and fiscal policy have provided excessive stimulus. The C fund rose but the S Fund fell. The I Fund posted a healthy increase bolstered by a weaker U.S. dollar. Stable interest rates contributed to a slight gain for the F Fund, and all of the L Funds finished higher.

BlackRock’s year-to-date performance for the F fund was ahead of the Fixed Income Index by nine basis points, primarily due to securities lending. The S Fund exceeded the Small Mid Cap Index by seven basis points, also primarily due to securities lending. Its performance for the C Fund was in line with the Large Cap Index. The I Fund exceeded the International Index by 53 basis point, primarily due to tax advantage and the market holiday in the U.S. on the last day of May.

Many domestic stocks are hitting new highs in June. Through June 28, the C Fund is up 2.16 percent, the S Fund is ahead 3.94 percent, and the I Fund is down 0.43 percent. The F Fund has a gain of 0.60 percent, and the G Fund is ahead by 0.11 percent.

Participation in the L Funds continues to climb due to the automatic enrollment of new FERS and Blended Retirement System participants.

As usual, there was not a lot of movement attributable to interfund transfers (IFT). Approximately two percent of participants conducted an IFT in May.

c. Legislative Report

Ms. Weaver reported on two items that could impact the TSP. First, S. 1993, the TSP Fiduciary Security Act, introduced by Senator Marco Rubio, would impose a new standard of fiduciary duty that applies only to the TSP. The proposed standard would override the current requirement of acting solely in the interest of the TSP participants to require that the FRTIB has a duty to not harm national security. Ms. Weaver stated that, if enacted, S. 1993 would undermine the current duty to act solely in the interests of TSP participants and would alter the fundamental concept of fiduciary duty. Ms. Weaver noted the bill would not change the otherwise identical fiduciary duty applicable to other defined contribution plans.

In response to Member Jasien's question, Ms. Weaver explained that the bill has a handful of sponsors and was referred to the FRTIB's Congressional oversight committee but does not appear to be gaining traction. The FRTIB will continue to be vigilant to ensure that its views of the bill are known.

Secondly, on June 24, the Government Accountability Office (GAO) released its report entitled "Federal Worker's Portfolios Should Be Evaluated for Possible Financial Risks Related to Climate Change." The FRTIB provided a four-page response to GAO outlining its views of the report which is included in the GAO report.

3. Quarterly Vendor Risk Management Report.

Ms. Tosini presented the Office of Enterprise Risk Management's (OERM) synopsis of risk assessment of key vendors who are critical to operating the TSP. See "Quarterly Vendor Risk Assessment" (attached). For the first quarter in 2021, Ms. Tosini reported the assessment of the financial health of 11 vendors, which now includes Accenture and State Street as key vendors. Based on the analysis, OERM found no indication that any of the 11 vendors will be unable to fulfill their contractual obligations to the FRTIB. The FRTIB will continue to monitor the vendors' financial health and performance.

4. Multi-Asset Manager Update

Mr. McCaffrey presented the multi-asset manager update. See "Update on Multi-Asset Manager" (attached). Over the past few months, the FRTIB has prepared for and conducted transfers that moved portions of the C and S Funds from Blackrock to

State Street. Mr. McCaffrey reported the FRTIB's third successful transfer, this time for the Fixed Income Index Investment Fund. After the market closed on June 18, approximately 20 percent of the F Fund's assets, a tranche containing roughly 7.1 billion dollars in securities and over 500 million dollars in cash, was transferred from BlackRock to State Street.

Beginning last week, the daily net flows into or out of the F Fund are split 80/20 between BlackRock and State Street, respectively, to maintain the desired allocation for each manager. Both managers report daily earnings on their respective holdings and those earnings are consolidated by the FRTIB to establish the daily share price for the F Fund. Mr. McCaffrey reminded the Board that these processes are invisible from participants' perspectives. Those who invest in the C, S, and F Funds either directly or through the L Funds will not see any distinction between the assets managed by BlackRock or State Street.

Mr. McCaffrey reported that the partial transfer of assets for the C, S, and F Funds is now complete and was done to near flawless execution. The multi-asset manager team accomplished moving over 55 billion dollars in assets without any disruption to participants' ability to conduct daily transactions. Mr. McCaffrey acknowledged the excellent work of the FRTIB team, the BlackRock and State Street teams, and Aon, which served as the transition consultant. Acting Chairperson Jones and Member Jasien congratulated the teams on a job well done. Member Jasien asked what lessons were learned during the multi-asset management project, and Mr. McCaffrey explained that testing, rehearsing, and asking questions were keys to success in addition to strong support from and cooperation between the two asset managers.

5. Adjourn.

On a vote taken by the Acting Chairperson, the members closed the meeting at 10:23 a.m. for executive session.

At 12:14 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 Acting Chairperson Jones adjourned the meeting at 12:14 p.m.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Thrift Savings Fund Statistics May 2021
2. May 2021 Performance Review
3. Quarterly Vendor Risk Assessment, Q1 2021
4. Update on Multi-Asset Manager