MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 29, 2014

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board (“FRTIB” or “Agency”), convened a telephonic meeting of the Board members on September 29, 2014, at 10:00 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 Nevada, 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); Greg Long, Executive Director; James B. Petrick, Secretary and General Counsel; Mark E. Walther, Chief Operating Officer; Tracey A. Ray, Chief Investment Officer; Renée C. Wilder, Director, Office of Enterprise Planning; Kimberly A. Weaver, Director, External Affairs; Thomas K. Emswiler, Director, Office of Participant Operations and Policy; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Communications and Education; and John Ramsey, Chief Information Security Officer.

1. Approval of the minutes of the August 21, 2014 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the August 21, 2014 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 21, 2014 be approved.

2. Thrift Savings Plan (“TSP”) activity report by the Executive Director.

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

a. Withdrawal Survey Report

Ms. Wilder presented early findings from a survey of participants taking withdrawals from the TSP. The survey found that motives for withdrawal included expenditures such as mortgages, household expenses, medical expenses, repaying debt, and significant life events such as births, weddings, and education. One fourth to one third of participants withdrew funds from the plan because they wanted withdrawal options that the TSP does not currently provide. Other motives included a desire for additional investment options such as mutual funds and access to stocks and bonds. Twenty three percent of respondents cited a desire for greater Roth allocation
flexibility and fifteen to twenty three percent of respondents cited a desire for a financial advisor or financial advice. Neither service nor costs were cited as a reason for leaving the plan. The survey findings will inform later Agency programming decisions that will aim to provide greater flexibility and guidance to participants.

Mr. Jasien asked whether the survey included any participants who remained in the plan after retiring. Ms. Wilder responded that participants who made partial withdrawals remained in the program and were included in the survey. Chairman Kennedy asked whether a final report would be forthcoming, and Mr. Long replied that it would be available at the November meeting. Mr. McCray applauded the team for taking steps to learn from participants who made withdrawals.

b. Monthly Participant Activity Report

Mr. Emswiler reported that the Agency had taken steps to address auditor findings that approximately 11,500 participants who had taken full withdrawals from the TSP still had small account balances less than $200 because of late payments or other administrative issues occurring after the participants had received a post-separation withdrawal. Mr. Emswiler reported that the Agency had paid the balances of the outstanding accounts to the participants and beneficiaries and would conduct further sweeps on a quarterly basis. Mr. Emswiler turned to the report on TSP statistics. See “Thrift Savings Fund Statistics” (attached). The plan balance grew by $9 billion to $423 billion in August. The average account balance rose to approximately $114,000, and the Federal Employee Retirement System participant rate held steady at 87.5 percent, still the highest participation rate in TSP history.

c. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum, entitled “August 2014 Performance Review – G, F, C, S, I, and L Funds” (attached). Ms. Ray reported that for the month, the BlackRock managed funds closely tracked the underlying indices for those funds. The fixed income fund outperformed its index by 55 basis points due to securities lending income and a different pricing service for mortgage-backed securities as opposed to the underlying index. The international fund outperformed by 32 basis points as a result of taxes. Trading costs remained low. The F Fund was down 0.69 percent in September; the C Fund was down 0.9 percent; the S Fund was down 4.9 percent; and the I Fund was down 3.3 percent. Year to date, the F Fund was up 4.6 percent; the C Fund was up 9 percent, the S Fund was up 2.4 percent; and the I Fund was down .53 percent. The I Fund was negatively affected by recent events in Russia. The C Fund and the S Fund were affected by slowing growth in China, which in turn impacted United States markets. The L Fund was up in August. Lastly, many participants moved from the S Fund to the G Fund during August.
d. Legislative Report

Ms. Weaver reported that both the Senate and House have passed versions of the L Fund default bill. Chairman Kennedy asked whether there were any significant differences between the two versions of the bill. Ms. Weaver replied that there were no significant differences and that either would be supported by the Agency.

3. Office of Investments Presentation.

Ms. Ray discussed Office of Investments ("OI") operations in Fiscal Year 2015. Ms. Ray noted that the office’s functional purpose is to develop and implement investment policy and provide subject matter expertise to the Agency. Ms. Ray stated that the most important FRTIB guiding principle for OI was the delivery of innovative products and programs to assist participants in achieving their retirement goals using the TSP. Ms. Ray discussed OI initiatives directed towards this end, including Office of Participant Operations messages to participants and beneficiaries; analysis and implementation of changes to L fund asset allocation; and participation in Mutual Fund Window research. Ms. Ray further discussed OI operations in support of the remaining FRTIB strategic goals, including ensuring the Agency is a great place to work by supporting educational and personal development for staff members; pursuit of flawless operations by applying best in class business processes to ensure secure and efficient Agency operations; and maintaining excellent relationships with entities that oversee, regulate, and influence the TSP by providing thorough and sound advice to enable the Board to make prudent decisions, for example providing the annual L Fund asset allocation analysis. Chairman Kennedy asked about Ms. Ray’s team, and Ms. Ray discussed the contributions of Mr. Bill Jacobson and Mr. Ben Gong. In addition, OI would be hiring a new Chief Investment Officer, and she would overlap with that individual through next September for a planned six or seven month period to ensure a successful transition.

4. FY 15 Meeting Calendar.

The Board discussed the Fiscal Year 2015 meeting calendar. Items of discussion included; scheduling telephonic meetings; the May joint meeting with the Employee Thrift Advisory Council and a joint meeting with the Department of Labor ("DOL") in April. The schedule remained unchanged, with the proviso that the decision to make June a telephonic meeting would be revisited closer to the actual date. Other calendar items included March and October site visits to Agency contractors. Mr. Petrick noted that the November meeting would include an hour for fiduciary and ethics training. Mr. Long concluded his presentation.

5. Adjournment.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 10:46 a.m.
MOTION: That this meeting be adjourned.

James B. Petrick
Secretary

Attachments
1. Thrift Savings Fund Statistics
3. Draft 2015 Calendar
4. Office of Investments Presentation