



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 19, 2016

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a telephonic meeting of the Board members on December 19, 2016, at 10:04 a.m. Eastern Time at the Board's offices at 77 K Street, N.E. In attendance were Dana K. Bilyeu of Oregon, 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; Megan G. Grumbine, Secretary and General Counsel; Kimberly A. Weaver, Director, External Affairs; Susan C. Crowder, Chief Financial Officer; James Courtney, Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Jay Ahuja, Acting Chief Technology Officer; Anne Beemer, Acting Chief Risk Officer; Sean McCaffrey, Acting Chief Investment Officer; Tee Ramos, Director, Office of Participant Operations and Policy; Renée C. Wilder Guerin, Director, Office of Enterprise Planning (by telephone); and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the November 29, 2016 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the November 29, 2016 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 November 29, 2016 be approved.

2. Monthly Reports.

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

a. Monthly Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Mr. Ramos noted that Plan assets climbed to over 490 billion dollars, and total number of participants was over 5 million. Mr. Ramos stated that the participation rate showed seasonal weakness that is expected to recover in the beginning of the calendar year.

b. Legislative Report

Ms. Weaver noted that the Defense Authorization Bill passed as expected with the minor technical change for Blended Retirement related to the definition of "separation from service," and that Congress is out of session until January 3, 2017.

c. Investment Policy Report

Mr. McCaffrey reviewed the monthly investment performance report. See "November 2016 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey indicated that in November, BlackRock's performance for the S Fund was 12 basis points ahead of the benchmark due to securities sampling and securities lending, and that BlackRock's performance for the F, C, and I Funds was in line with benchmarks.

BlackRock's performance for the funds on a year-to-date basis is ahead of benchmarks. BlackRock has outperformed in the F, C, and S funds by 29 basis points, 8 basis points, and 61 basis points, respectively, for the year, primarily due to securities lending. BlackRock's year-to-date performance for the I Fund is 112 basis points ahead of benchmark, primarily due to the reversal of a fair value pricing adjustment on December 31, 2015.

Mr. McCaffrey noted that expectations for a better economic outlook have caused stock prices to continue to rise, and noted that both interest rates and the value of the dollar continue to rise. Mr. McCaffrey explained that in the week prior, the Federal Reserve Board raised its target range for the Fed Funds rate by 25 basis points and signaled a more active program for interest rate increases in 2017. Mr. McCaffrey noted that through Friday's market close for the month of December, the F Fund is down by 97 basis points, largely due to Treasury rates' continued increases. The C Fund and S Fund are ahead by 2.78 percent and 2.34 percent respectively, while the I Fund is ahead by 2.41 percent, despite the rising dollar.

3. Quarterly Reports.

a. Quarterly Vendor Financial Assessment

Ms. Anne Beemer of the Office of Enterprise Risk Management provided an overview of the financial standing of the Agency's vendors. See "Quarterly Vendor Financial Assessment" (attached). Ms. Beemer noted that Equinix, who runs the Agency's primary data center, is purchasing 29 data centers from Verizon for 3.6 billion dollars.

In response to Chairman Kennedy's question about the effect of the SunGard acquisition by Fidelity National Information Services Inc., better known by the abbreviation FIS, Ms. Beemer stated that the acquisition appears to be working out well.

Ms. Beemer noted that some metrics related to FIS services are down for the third quarter, but that they are expecting improvement for the fourth quarter. Mr. Long added that the people the Agency works with have not changed since the acquisition, and that the Agency's relationship has remained very stable. In response to Chairman Kennedy's question about the timing of the acquisition, Ms. Crowder replied that the acquisition took place within this year.

4. Office of General Counsel Report.

Ms. Grumbine presented an overview of the Office of General Counsel's (OGC) accomplishments in Fiscal Year 2016 and the outlook for Fiscal Year 2017. See "Office of General Counsel – Annual Update and Outlook" (attached).

Ms. Grumbine began by reading OGC's functional statement and describing OGC's structure, noting that it has recently changed. Ms. Grumbine stated that she has one Deputy General Counsel, Dharmesh Vashee, and that OGC consists of four divisions: (1) Agency Operations; (2) Privacy; (3) TSP Operations; (4) and Compliance. Ms. Grumbine noted that last year, OGC only had two divisions; Privacy was a component of Agency Operations, and Compliance was a standalone function, mostly in concept. Ms. Grumbine explained that Privacy is now an established function with a dedicated Chief Privacy Officer and two attorneys. Ms. Grumbine then also explained that Compliance is a more established program with a dedicated Senior Compliance Counsel and a compliance attorney. Ms. Grumbine noted that it has become clear that Privacy and Compliance will be critical functions to the Agency and both will continue to mature and grow.

In response to a question from Member Jasien about how OGC chose its new organizational structure, Ms. Grumbine replied that due to the Agency's mission and the personally identifiable information the Agency collects, as well as the increase in materials from Congress, OMB, and other requirements, OGC required a dedicated office led by a Chief Privacy Officer. Ms. Grumbine then noted that Compliance is an area of the law that has similarly matured and that it could no longer be part of OGC's other, broader functions. Ms. Grumbine also explained that it is not uncommon in both the private and public sector to have standalone Privacy and Compliance functions.

Ms. Grumbine then presented an overview of the accomplishments for Fiscal Year 2016, emphasizing the volume of work and variety of subject matters. Mr. Long noted that OGC's privacy work is part of the Assessment & Authorization (A&A) process that they have discussed at earlier meetings.

Chairman Kennedy asked Ms. Grumbine about the structure of OGC three to four years ago. Ms. Grumbine replied that OGC was much smaller, ten years ago, and that it has slowly grown since then. Mr. Long noted that OGC was larger prior to that, but that it was reduced.


Ms. Grumbine then discussed OGC's outlook for 2017, stating that it is difficult to predict what OGC's work will be since OGC is often reactive to client needs, but that she anticipates a continued focus on Privacy and agency-wide initiatives like Blended Retirement and strategic procurement actions as well as a focus on compliance.

In response to a question from Member Jasien about outside counsel, Ms. Grumbine noted that OGC does turn to outside counsel on occasion, and that OGC is working a contract vehicle to give OGC more flexibility to use outside counsel when necessary. Ms. Grumbine also noted that the Department of Justice essentially serves as outside counsel for benefits litigation.

5. Adjourn.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 10:23 am.

MOTION: That this meeting be adjourned.


ACTING SECRETARY
Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. November 2016 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment
4. Office of General Counsel – Annual Update and Outlook