Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 22, 2020, at 10:00 a.m., Eastern Time. The meeting was held telephonically and was open to the public. 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; Renee 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; Tee Ramos, Director, Office of Participant Services; Sean McCaffrey, Chief Investment Officer; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the May 13 and May 27, 2020 Board Member Meetings.

Chairman Kennedy entertained a motion for approval of the minutes of the May 13 and May 27, 2020 Board member meetings. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meetings that were held on May 13 and May 27, 2020 be approved.

2. Monthly Reports.

Chairman Kennedy made a brief statement to indicate that his resignation from the Board will be effective on June 30, 2020. After that date, Mr. David Jones will be the Acting Chairman of the Board until the three nominees proposed by the administration have been confirmed by the Senate.

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, May 2020” (attached). Mr. Ramos noted that single payment and partial withdrawal volumes increased slightly in May, but stated that overall
withdrawal volumes have held steady and remained low. Loan issuances increased 22 percent in May, but the annual loan rate is 23 percent lower as compared to May 2019.

Mr. Ramos provided several updates regarding the Agency’s continued progress in implementing the CARES Act. He noted that, pursuant to the CARES Act, between now and September 2020, participants can borrow up to twice the maximum amount under a general purpose loan. Participants may also borrow up to 100 percent of their vested account balance, which is double the normal cap of 50 percent. In addition, the CARES Act will allow participants to suspend loan payments through December 31, 2020 and the Agency will stop accepting loan suspension applications after November 30, 2020. Starting in July 2020, the Plan will allow a one-time withdrawal of up to $100,000 for eligible participants. Mr. Ramos informed the Board that the Agency is on pace to fully implement the CARES Act very soon.

Mr. Ramos concluded by noting that general correspondence case volumes have increased over the past two months, but withdrawal cases have leveled off following a spike after the implementation of the additional withdrawals project.

b. Monthly Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. Mr. McCaffrey noted that for May, BlackRock’s performance for the F and C Funds was in line with the Funds’ respective indices. Its performance for the S Fund lagged the Small Mid Cap Index by 3 basis points, primarily due to securities sampling and futures mis-tracking. BlackRock’s performance for the I Fund was ahead of the International Index by 16 basis points, primarily due to tax advantage, futures mis-tracking, and the reversal of fair-value pricing that occurred on the last day of trading in April. For the F and C Funds year-to-date, BlackRock’s performance was in line with the Funds’ respective indices. Year-to-date, for the S Fund, BlackRock underperformed the Small Mid Cap Index by 13 basis points, primarily due to futures mis-tracking. Its performance for the I Fund exceeded that of the International Index by 25 basis points, primarily due to tax advantage.

Citing mixed market signals, Mr. McCaffrey stated that investor sentiment favored equities for the month, fueling ongoing questions about whether the rally was driven by fundamentals or by central bank intervention. The C, S, and I Funds posted gains as a result. The F Fund also rose, but just modestly. All of the L Funds finished higher.

Mr. McCaffrey stated that global stock markets are ahead overall through Friday, June 19, 2020. The C Fund improved by 1.86 percent. The S Fund was up 3.48 percent. The I Fund gained 4.14 percent. In fixed income, the F Fund is ahead 0.43 percent and the G Fund is up 0.04 percent.

May’s interfund transfers included a second month in a row of net outflows from the G Fund. The S Fund was the largest beneficiary of net inflows.
Overall, participant interfund transfer activity declined for the second month in a row. Mr. McCaffrey also noted that the number of participants with at least one L Fund has now reached over 2.6 million.

Member McCray asked for an update on securities lending year-to-date and for the prior month. Mr. McCaffrey stated that he didn’t believe securities lending had been particularly additive year to date. Among other considerations, a flat to inverted curve at times influenced the environment for securities lending, and that the Agency is just beginning to see the value from its securities lending program this year. Mr. McCaffrey indicated that he would follow up with specific details about the Agency’s securities lending program.

c. Legislative Report

Ms. Weaver reported that the Senate Armed Services Committee has marked up the National Defense Authorization Act. At the moment, it does not contain language relevant to the TSP, but her office will continue to monitor the bill as it moves to the Senate floor.

Ms. Weaver stated that the House Armed Services Committee markup is scheduled for this week at the subcommittee level, then will move to a full committee markup next week. The House Appropriations Committee has announced that it will begin markups after the July 4 recess. Ms. Weaver noted that these are all opportunities for issues related to the TSP to arise and her office will continue to monitor the progress of the bill in the House as well.

In response to a question from the Board about the summer Congressional schedule, Ms. Weaver indicated that the Senate will be in recess from July 2 through July 17, will be back in session between July 20th and August 7th and then will be in recess until after Labor Day. The House will only be having floor votes as needed when they have bills to consider. Lastly, she stated that in September, the Congress is likely to focus almost exclusively on appropriations matters, which will likely involve a continuing resolution.

3. Quarterly Vendor Risk Management Update.

Mr. Ahuja presented the Office of Enterprise Risk Management’s (OERM) quarterly synopsis of the risk assessment for key vendors who are a critical component of the Agency’s supply chain.[See “Quarterly Vendor Risk Assessment” (attached).] Mr. Ahuja stated that his team assessed nine vendors by analyzing factors that include their solvency, liquidity, and profitability. Following the Board’s direction, Mr. Ahuja stated that his team increased their scrutiny of vendors to look for potential business disruptions that may result from the ongoing pandemic. Based on OERM’s analysis, there was no indication that the vendors will be unable to fulfill their contractual obligations to the Agency.
4. **Five-Year L Fund Update**

Mr. McCaffrey introduced Mr. Sahr Nyandemoh, Project Manager, to provide an update on the five-year L Fund project. [See “L Funds Project Board Briefing” (attached).](#) Mr. Nyandemoh stated that there were three key drivers to this initiative: first, the TSP has a large and growing population of young participants; second, the FRTIB wanted to help participants better target their individual time horizons; and third, the Agency needed to retire the L 2020 Fund. The L Funds Additions Project started in May 2018 and worked to add six new L Funds and retire the L 2020 Fund by the implementation date. Once the new five-year L Funds are in place, participants will have a total of 10 lifecycle funds to choose from in addition to the five core funds. The new five-year L Funds are on track to go live on July 1, 2020.

The Board asked about auto-enrollment and whether this change will apply to new money or existing investments. Mr. Michael Jerue, Financial Analyst, clarified that only money in the L 2020 Funds are being automatically moved. No other participant funds will be moved automatically. When new participants are enrolled in the L Funds as of July 1, they will have the ability to invest in the new funds; no money is moved into the new funds unless a participant chooses to do so.

Member Jasien reiterated that he prefers that the L Funds be called portfolios or strategies, to avoid confusing participants. Mr. Deo responded that Mr. Courtney’s team is working on a solution that may address Mr. Jasien’s concern.

5. **Internal Audit Update**

Ms. Barbara Holmes, Chief Audit Executive, provided an update on the calendar year 2021 internal audit plan. [See “Internal Audit Update” (attached).](#) She noted that the budget process audit is complete, and they are currently conducting the government purchase card audit. For 2021, she intends to remove the travel card audit from the plan because its purpose was to review the remediation of the findings from the previous audit, and this has already been completed. Ms. Holmes also stated that she intends to add a review of the remediation efforts stemming from the 2019 fixed-asset audit, which relates to the Agency’s capital asset management policy and procedures. Internal Audit will add a review of this process to its 2021 audit plan.

Chairman Kennedy asked if Ms. Holmes had the appropriate level of resources and staffing to execute her audit plan. Ms. Holmes confirmed that she was sufficiently resourced and was confident that her office can complete its audit plan.

6. **Website Update**

Mr. Deo invited Mr. Courtney to provide an update on his office’s ongoing efforts to redesign the TSP website. Mr. Courtney informed the Board that, before the
next Board meeting, the Agency plans to go live with a redesigned TSP.gov website. He noted that the URL will remain the same, but the participant experience and the overall “look and feel” will be very different. Mr. Courtney stated that the site was designed through an iterative approach that factored participant feedback and extensive testing. The new site is also optimized for mobile devices to ensure that the experience on a smart phone and desktop are equally sharp and crisp. Mr. Courtney noted that this site was built in-house and he looks forward to providing the Board with a tour of the site at a future Board meeting.

7. Conclusion

Mr. Deo announced that this was the last time Chairman Kennedy would be chairing a board meeting for the FRTIB. He stated that Chairman Kennedy has provided the Agency with invaluable guidance and support for the past 10 years. Mr. Deo expressed his gratitude to Chairman Kennedy for his service.

Chairman Kennedy stated that he provided his formal farewell remarks at last month’s Board meeting, so would simply say thank you for allowing him to be part of the team that has worked to improve the TSP for the past 10 years.

Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 10:40 a.m. for executive session.

At 10:49 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 10:51 a.m.

**MOTION**: That this meeting be adjourned.

Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics May 2020
3. Quarterly Vendor Risk Assessment
4. L Funds Project Board Briefing
5. Internal Audit Update