

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 23, 2021

David A. Jones, Acting Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on February 23, 2021, at 10:00 a.m., Eastern Time. The meeting was held telephonically and open to the public. In attendance were Dana K. Bilyeu of Oregon, member; William S. Jasien of Virginia, member; Ravindra Deo, Executive Director; Dharmesh Vashee, Acting General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer; Renée Wilder Guerin, Director, Office of Enterprise Planning; Kimberly A. Weaver, Director, External Affairs; 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.

1. Approval of the Minutes of the January 26, 2021 Board Member Meeting.

Acting Chairman Jones entertained a motion for approval of the minutes of the January 26, 2021 Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting that was held on January 26, 2021 be approved.

2. Monthly Reports.

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

a. Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Participation rates reached all-time highs with FERS at 94.1 percent and Uniformed Services at 76.7 percent. Following normal annual trends, post-separation withdrawals increased moderately.

Mr. Ramos noted service level metrics for contact centers were improving after a week in which state-wide power outages in Texas affected 150 agents. Service levels remained below optimal for call answer time but were steadily improving as power was restored. As of February 22, a little over 250,000 calls were answered in February compared to 339,000 answered in all of January.

In response to questions from Member Jasien, Mr. Ramos stated that all available contact center agents were utilized with service levels at approximately 74 percent for the month of February and showing improvement to 92 percent on February 22. Mr. Ramos explained that the loss of 150 agents was too great to shift all calls to other geographic regions. Mr. Deo reminded the Board that all contact center agents are already working remotely due to the pandemic, but the power outage was not an isolated event and affected many of the homes of the agents in Texas. Mr. Ramos also provided that the average wait time for a participant call was 4 minutes and 51 seconds last week and one minute and 32 seconds for the month of February as compared to 15 seconds in January.

b. Investment Performance

Mr. McCaffrey reviewed the monthly investment performance report. See “January 2021 Performance Review – G, F, C, S, I, and L Funds” (attached).

For January, Blackrock’s performance for the F, C, S, and I Funds was in line with the Funds’ respective indices. Mr. McCaffrey noted volatility in equities during the final days of the month, likely resulting from some trading strategies that led to a reversal of earlier gains. As a result, the C and I Funds finished in negative territory while the S Fund finished positive. Higher interest rates helped push the F Fund lower and all L Funds had negative returns.

Mr. McCaffrey reported that for February through the 22nd, equity fund performance was positive. The C Fund was up 4.49 percent, the S Fund was up 8.05 percent, and the I Fund was up 5.25 percent. The F Fund was down 1.31 percent while the G Fund was ahead six basis points.

Mr. McCaffrey highlighted the L Funds’ growth in participation driven primarily by automatic enrollment. January’s interfund transfers were not notable, with some net movement out of the C Fund and some net movement into the G Fund.

c. Legislative Report

Ms. Weaver reported that Congress is working on a stimulus package. Nothing in the stimulus is expected to impact the TSP, but she will review legislative language once the bill is finalized.

3. Quarterly Report.

d. Metrics

Mr. Geof Nieboer, Chief Data Officer, briefed Fiscal Year 2021 first quarter performance metrics. See “FY21Q1 Board Report.”

Under Strategic Goal A, Mr. Nieboer deferred discussion of the Federal Information Security Modernization Act (FISMA) metric because FISMA would be covered in detail later in the agenda. Referencing the metrics report, he noted that the threshold requires all eight graded areas achieve at least Level 3 (consistently implemented), but the target was two out of eight areas achieving Level 4 (managed and measurable).

Under Strategic Goal C, two contact center related metrics failed to meet the target: phone call response rate and phone call abandonment rate, with the former also failing to meet the threshold. Eight percent more calls were handled in comparison to this time last year. Specifically, a security upgrade in October requiring creation of a user log-in drove a spike in calls and handle times. Ultimately, more than 1.2 million additional users have now created custom user log-ins, improving security.

Under Strategic Goal D, the full matching contribution metric missed the target of 80 percent. Mr. Nieboer noted the roll-out of the five percent default contribution rate is expected to improve numbers, but this was countered by the typical end of calendar year drop in contributions when participants reach IRS contribution limits.

4. Multi-Asset Manager Update.

Mr. McCaffrey provided the update for the Multi-Asset Manager project. See “Multi-Asset Manager Update” (attached).

Efforts are continuing to establish State Street’s technical compatibility with FRTIB’s network. This involves setting up and testing the network connection between the FRTIB and State Street over which investment instructions and earnings reports will flow daily. Mr. McCaffrey stated that they remain on target to transfer assets in April, May, and June, beginning with the C Fund. In response to a question from Member Jasien, Mr. McCaffrey expressed confidence in that timeline.

5. Federal Information Security Modernization Act (FISMA) Report

Ms. Barbara Holmes, Chief Audit Executive, introduced Edwen Delcid, Cathy Park, and Tony Wang from Williams Adley, the auditors who assisted with the FISMA audit for Fiscal Year 2020. See “FY2020 FRTIB FISMA Audit.”

Mr. Delcid provided opening remarks noting a tough year with the pandemic, working remotely, and their most extensive testing to date. Despite those challenges, goals were accomplished in a timely manner through everyone’s collaboration and support. He then passed discussion to Ms. Park to provide the audit overview.

Ms. Park explained the audit goal is to ensure the effectiveness of the Agency’s information security program for Fiscal Year 2020 (October 1, 2019 –

September 30, 2020). A secondary objective was to assess remediation efforts from the prior year's recommendations. The testing examined both Agency-level and system specific controls.

Ms. Park provided audit results which indicated significant Agency improvements to its information security governance structure and implementation of the risk management framework. FRTIB's information security program achieved a Level 4 (managed and measurable) maturity rating in seven of eight FISMA domains. Ms. Park noted the ratings represent a significant Agency accomplishment and are indicative of an effective Agency-wide information security program.

Ms. Park provided an overview of the methodology used to determine the effectiveness of FRTIB's information security program. Williams Adley used two tools: the Inspector General (IG) Metrics and the FISMA Maturity Model. The IG metrics align with the NIST Cybersecurity Framework for five function areas and eight underlying domains. Domain ratings are determined by a simple majority. Each function and domain is evaluated under the Maturity Model. When considered together, these functions provide a high-level strategic review of the life cycle of an organization's cybersecurity risk.

Mr. Delcid explained the ratings accomplishment is indicative of a culture shift in collaboration on cybersecurity across the Agency from 2017 to 2020. In Fiscal Year 2019, four of the eight domains achieved level three. The Agency was able to increase the score of each domain by at least one level with some increasing two levels from the previous year. Since 2017, domain ratings improvement has been significant. Even with these Agency accomplishments, Mr. Delcid pointed out that risks will continue to evolve which will require the management team to adapt.

Mr. Delcid explained the root causes for recommendations identified in the FY2020 FISMA audit. First, the Plans of Action and Milestones (POA&M) are not tracked and managed within Telos Xacta to support the Agency's POA&M process because the Agency needs to reconcile its legacy POA&Ms to eliminate duplicates. Second, the Agency has not defined the methods to obtain data supporting account recertification and metrics analysis activities in a manner which ensures their accuracy, completeness, and consistency. The third root cause is human error, which Mr. Delcid noted is prone to occur with some manual processes.

Williams Adley presented two recommendations. First, they recommended the Agency update and reconcile legacy POA&Ms prior to their migration to Telos Xacta. Second, define the process to obtain data supporting account recertification and metrics analysis activities in a manner ensuring accuracy, completeness, and consistency. Mr. Delcid concluded by pointing out that only five prior-year recommendations remain open out of a total of eighteen.

Mr. Wang provided final comments on behalf of Williams Adley. He pointed out that cybersecurity risks are not treated in a silo, but they are business risks

at the Agency level. NIST published a new interagency report in October 2020 to provide more guidance on how to integrate cybersecurity risks into the overall agency's enterprise risk management framework. Mr. Wang cited examples of publicly notable cybersecurity incidents such as SolarWinds to demonstrate the need to continue to evolve, attract talent, improve on key processes and controls, and apply appropriate technology solutions when managing cybersecurity risks.

Member Jasien acknowledged the Department of Labor and Employee Benefits Security Administration's involvement and discussion about the opportunity to improve scores.

Acting Chairman Jones reiterated Mr. Wang's comments about work still needing to be done, but also recognizing the culture shift within the Agency that has led to the remarkable improvement in scores.

Mr. Patrick Bevill, Chief Information Security Officer, presented the Agency's response to the Williams Adley FISMA audit report. See "FRTIB CISO Board Briefing (attached)." He began by thanking Williams Adley for their assessment and recommendations. Mr. Bevill noted that the Agency has developed a methodology to reconcile legacy POA&Ms that will ensure required fields are completed and duplicates eliminated prior to migration. Mr. Bevill further addressed Williams Adley's second recommendation regarding data quality. The next account recertification begins April 2021 with an additional review process to improve data quality and reduce human error. For the Process Help Metrics Program, the Agency has increased reliance on automated data sources to reduce human error and developed a new procedure to improve data quality. By embracing these recommendations, Mr. Bevill provided the Agency goal to achieve Level 4 (managed and measurable) under the contingency planning domain to align with all other domains. He summarized the 2021 Agency plan to build on its strengths, to solidify its cybersecurity posture as managed and measurable, and to enhance the current effective rating throughout the information security program.

6. Adjourn

On a vote taken by the Acting Chairman, the members closed the meeting at 10:37 a.m. for a brief executive session. The members reconvened and the meeting was adjourned at 11:26 a.m.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
Acting Secretary

Attachments

1. Thrift Savings Fund Statistics
2. January 2021 Performance Review – G, F, C, S, I and L Funds
3. FY21Q1 Board Report
4. Multi-Asset Manager Update
5. FY2020 FRTIB FISMA Audit
6. FRTIB CISO Board Briefing