



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 19, 2021

David A. Jones, Acting Chairperson of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 19, 2021, at 10:00 a.m., Eastern Standard 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 and Deputy Executive Director; Kimberly A. Weaver, Director, Office of External Affairs, and Acting Chief Risk Officer; 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 10:00 a.m. and welcomed everyone present to the meeting.

1. Approval of the Minutes of the October 26, 2021 Board Meeting.

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

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

2. Monthly Reports.

Mr. Deo gave opening remarks, including a brief summary of the agenda for the meeting. Mr. Deo noted that as of December 31, 2020, the TSP held just over 709 billion dollars in assets for approximately 6.2 million participants and beneficiaries. He noted that as of October 31, 2021 that number was around 803.1 billion dollars in assets for approximately 6.4 million participants and beneficiaries. Mr. Deo said that this means that both civilian and uniformed service members trust the TSP with their

money, and that the Agency improves retirement security for millions of families at a low cost.

a. Participant Activity Report

Mr. Ramos Reviewed the monthly Participant Activity Report. See “Thrift Savings Fund Statistics October 2021” (attached). Mr. Ramos highlighted that for the month of October, the number of separated participants surpassed two million for the first time. Participation rates for FERS and active duty participants plateaued at 94.6 percent and 78.1 percent, respectively, consistent with previous year trends. Hardship withdrawals continued an upward trend that started in June of 2021. The Agency expects a 34 percent increase in hardship withdrawals for 2021, if current trends hold.

In response to a question from Member Jasien, Mr. Ramos suggested that the best explanation for the upward trend in hardship withdrawals for 2021 is that 2020 saw an anomalous decrease in hardship withdrawals, resulting in a bounce back to normal in 2021, with another year of data necessary to determine new steady state levels. In response to a question from Member McCray, Mr. Ramos explained that the Paycheck Protection Program (PPP) loans in 2020 were a factor in the anomalous decrease in hardship withdrawals in 2020.

Lastly, Mr. Ramos noted that due to the implementation of the five percent automatic enrollment contribution, there were incremental advances in participants receiving full matching rate participation.

b. Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See “October 2021 Performance Review – G, F, C, S, I and L Funds” (attached). BlackRock’s performance for the F, C, S, and I funds was in line with the respective benchmarks for the month. State Street Global Advisors’ performance for the F, C, and S Funds was in line with the respective indices.

In the markets, better-than-expected corporate earnings helped fuel a strong rally in equities, particularly those of the largest companies. The C and S Funds rose by seven percent and 5.43 percent, respectively. The I Fund rose nearly 2.5 percent. Higher interest rates contributed to a very small loss for the F Fund. The L Funds all posted gains.

For 2021 to date, BlackRock’s performance for the F Fund exceeded the Fixed Income Index returns by 18 basis points, primarily due to securities lending. Performance for the C Fund was in line with the Large Cap Index returns. Performance for the S Fund exceeded the Small Mid Cap Index by 11 basis points, primarily resulting from securities lending. Performance for the I Fund exceeded the International Index by 26 basis points, primarily as a result of tax advantage. For the month of November

through Thursday, November 18, stocks were showing modest strength. The C Fund gained 2.26 percent, the S Fund gained 1.69 percent, and the I Fund gained 0.72 percent. The F Fund had a loss of 0.20 percent while the G Fund gained 0.08 percent.

Mr. McCaffrey noted that L Fund participation continues to grow, mostly due to automatic enrollment. For the first time, over two million participants have invested 100 percent of their assets in the L Funds.

Lastly, in a reversal from the previous month, most of the net movement for interfund transfers appears to be into equities and away from the fixed income options. However, the number of participants making these transfers is less than two percent of all participants.

c. Legislative Report

Ms. Weaver reported that the President formally nominated Michael Gerber to fill the final open position on the Board. His nomination will be considered along with the other four nominees. At present, there is no further information available on a potential hearing schedule for the nominees.

The Senate has moved to consideration of the Department of Defense Authorization Bill. Senator Marco Rubio has filed the same amendment he previously filed in May of 2021 to the Endless Frontiers Bill that would prevent the TSP from investing in Chinese funds. The Agency is in the process of sharing its opposition to the amendment.

In response to a question from Member Jasien, Ms. Weaver explained that, because the Senate is currently working on a solution to the continuing resolution which expires on December 3rd, and in light of the Thanksgiving holiday, a confirmation hearing on the five nominees to the Board is more likely to take place in January than December.

3. Quarterly Reports

a. Metrics

Mr. Dennis McNulty, Office of Planning and Risk, reviewed the metrics for the fourth quarter of Fiscal Year 2021. See "Fiscal Year 2021 Metrics – 4th Quarter" (attached). In reviewing metrics related to Strategic Goal C, the Agency missed its targeted number of external audit finding closures by two for the quarter; however, for the fiscal year the Agency easily exceeded the cumulative number of targeted closures.

The Agency's contact centers met both the phone call response rate and phone call abandonment rate targets for the quarter despite some intermittent connectivity issues caused by Tropical Storm Ida, a significant Internet Service Provider

(ISP) outage, and a technical issue that impacted two-factor authentication. The Agency continued to exceed target performance levels for Strategic Goal D.

4. 2022 Board Calendar Review

Mr. Deo reviewed the proposed Board Meeting schedule for calendar year 2022. Meetings will be scheduled on Tuesdays so that when meeting in person, Members from the West Coast will be able to travel on Monday rather than having to travel during the weekend. Additionally, meetings will be scheduled at 10:00 a.m. to account for Members from the West Coast to adjust to the time zone difference and to allow for same-day travel back home. The Board Meetings for November and December will be telephonic due to the holidays. The Board Meeting in February will take place Wednesday the 23rd rather than Tuesday the 22nd because the 21st is Presidents' Day.

5. Enterprise Risk Management Update

Ms. Weaver provided an Enterprise Risk Management update. See "Enterprise Risk Management Update" (attached). The enterprise risk function was combined with the Office of Enterprise Planning in mid-October and is the new office is called the Office of Planning and Risk (OPR).

The then-Office of Enterprise Risk Management led two sessions with the Enterprise Risk Steering Committee, comprised mostly of office deputies, in late April and early May of 2021 to discuss the Agency's Risk Appetite Statement. The Risk Appetite Statement was last updated in 2018, and this update coincided with the finalization of the new Strategic Plan covering Fiscal Years 2022 to 2027. The Committee decided to adjust the risk appetite for the operational risk category from low to moderate to reflect the operational transitions coming in Fiscal Year 2022, such as Financial Systems Modernization (FSM), Converge, and Agency Information Technology Services (AITS).

In 2020 the Agency had 17 enterprise risks rated at medium or above, with three of the 17 rated high. As a result of the Risk Treatment Plans designed and implemented in 2020, the total number of enterprise risks rated at least medium was reduced to 13 in 2021, with none rated high.

Ms. Weaver reviewed the seven medium-high risks, which are owned by various Agency offices, and discussed how the Agency is addressing them. First, the Office of Resource Management (ORM) owns the insider threat management risk. In 2021, they finalized the insider threat policy and procedures and briefed the Insider Threat Program to all agency employees. This risk will be moved from medium-high to medium by the end of December as the Insider Threat Program is now fully operational.

The Office of Technology Services (OTS) owns the information security risk. The Department of Justice Security Operations Center (SOC) "as a service"

implementation is complete and the Trusted Internet Connection 2.0 ZeroTrust pilot project finished with good results. Twenty-three out of 25 system authorizations are complete, and the Fiscal Year 2021 FISMA audit was finalized with results consistent with the previous year's. This risk will remain at medium-high as a result of the threat environment that all organizations face in this area.

ORM owns the human capital management risk and refreshed the POMP competency inventory this year. They offered several POMP-specific trainings and finalized a POMP Training Plan. Additionally, the Executive Leadership Committee Hiring Subcommittee reviews backfill requests from offices to ensure that the Agency is thoughtful and deliberate with its staffing decisions. This risk will be moved to medium-low by the end of December as a result of the Risk Treatment Plan mitigation.

The Office of Participant Services (OPS) owns the TSP fraud risk. An external evaluation firm conducted an account security analysis with no major findings. This risk will remain at medium-high as a result of the threat environment that all organizations face in this area.

The Office of General Counsel (OGC) owns the data privacy risk. In coordination with the ORM, OGC ensured that 100 percent of new hires received privacy training. Additionally, OGC completed 10 privacy threshold analyses and 13 privacy impact assessments, as well as privacy impact assessment annual reviews for 14 systems, and NIST privacy controls assessments for seven systems. This risk will remain at medium-high by the end of December.

OPR owns the acquisition planning risk. The Agency completed the revised acquisition framework and awarded contracts for Multi-Asset Manager, FSM, and Converge. Multi-Asset Manager has been implemented, FSM will go live in January of 2022, and Converge will go live in the summer of 2022. Additionally, the Agency issued the AITS draft request for quotes and is revising it in response to vendor feedback. This risk will be rated low by the end of December.

Finally, OPS owns the Converge risk. Given the complexity and importance of this transition, this risk will remain medium-high at the end of December.

OPR will be working with offices over the next two to three months to identify, rate, and treat additional risks that should be added to the Enterprise Risk Register. OPR will also be working with offices on an integrated risk management project to implement an automated tool, as well as develop policies and procedures to integrate supply chain risks, enterprise risk, vendor risk management, fraud risk, and cyber risk, all of which are either required or recommended by NIST and OMB guidance.

6. Adjourn.

On a vote taken by the Acting Chairperson, the members closed the meeting at 10:28 a.m. for executive session.

At 11:40 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 Acting Chairperson Jones adjourned the meeting at 11:40 a.m.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Thrift Savings Fund Statistics October 2021
2. October 2021 Performance Review – G, F, C, S, I and L Funds
3. Fiscal Year 2021 Metrics – 4th Quarter
4. Enterprise Risk Management Update