



MINUTES OF THE MEETING OF THE BOARD MEMBERS

December 20, 2022

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on December 20, 2022, at 10:00 a.m., Eastern Daylight Time. The meeting was held virtually and was open to the public. In attendance were Dana K. Bilyeu of Oregon, member; Leona M. Bridges of California, member; Stacie Olivares of California, 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; Susan Crowder, Chief Financial Officer; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Communications and Education; Sean McCaffrey, Chief Investment Officer; Tee Ramos, Director, Office of Participant Services; Vijay Desai, Chief Information Officer; and Thomas Brandt, Chief Risk Officer.

Welcome and Introductions.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:01 a.m. and welcomed everyone present to the meeting.

1. Approval of the Minutes of the November 18, 2022, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the November 18, 2022, Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on November 18, 2022, be approved.

2. Monthly Reports.

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

a. Participant Activity Report

Mr. Ramos reviewed the monthly Participant Activity Report. See "Thrift Savings Fund Statistics November 2022" (attached). He reported that hardship withdrawals declined 25 percent in November, and loan numbers remained roughly the same. Both hardship withdrawals and loans are up approximately 50 percent for the year. He believes this increase can be attributed to ease of use and changes to the loan program that allows for two general purpose loans. He noted that other recordkeepers

in the defined contribution marketplace have reported an increase in their hardship withdrawal volumes for 2022.

Mr. Ramos reported that the contact center continued to answer calls promptly. Call volumes fell just over eight percent from October to November, but participant interaction via email and live chat is continuing to increase month over month. Live chat volume increased roughly 35 percent from the prior month, and email volume has gone up by just under seven percent.

Member Bilyeu and Chair Gerber expressed appreciation for Mr. Ramos' hard work over the years and his commitment to participants and beneficiaries.

b. Investment Report

Mr. McCaffrey reviewed the monthly investment report. See "November 2022 Investment Program Review" (attached). For the month of November, BlackRock's performance for the F, C, and S Funds was in line with their respective indices. Performance for the I Fund was ahead of the International Index by 246 basis points primarily due to fair value pricing.

For State Street in November, performance for the F Fund exceeded the Fixed Income Index's return by four basis points primarily due to securities sampling. Performance for the C Fund matched the Large Cap Index, and performance for the S Fund was in line with the Small Mid Cap Index returns.

Early in the month of November, the Federal Reserve cited elevated inflation as it raised its target interest rate range by 75 basis points for the fourth consecutive time. However, a lower-than-expected mid-month inflation report and public comments by Fed officials sparked optimism among many investors that forthcoming moves by the central bank might be less aggressive. The C and S Funds posted gains. The I Fund rose sharply, helped in part by a weaker U.S. dollar. Interest rates fell during the month, contributing to a gain for the F Fund.

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 48 basis points primarily due to securities lending. In addition, performance for the C Fund was ahead of the Large Cap Index by four basis points, and the S Fund exceeded the Small Mid Cap Index's returns by 37 basis points, both primarily due to securities lending. Performance for the I Fund was ahead of the International Index by 224 basis points primarily due to fair value pricing.

State Street's year-to-date performance for the F Fund exceeded the Fixed Income Index's return by 10 basis points, primarily due to securities lending. Returns for the C Fund were in line with the Large Cap Index. For the S Fund, State Street outperformed the Small Mid Cap Index by 31 basis points primarily due to securities lending.

Mr. McCaffrey noted that stock markets have been down in December. Through Monday, December 19, 2022, the C Fund is down 6.35 percent, the S Fund is down 7.72 percent, and the I Fund has lost 2.85 percent. On the other hand, the F Fund is ahead 1.08 percent, and the G Fund has earned 0.2 percent.

Mr. McCaffrey provided an update on the multi-manager project. On December 9, 2022, the Thrift Savings Plan's (TSP) two investment managers completed the implementation of the Board's two-manager directive by transferring approximately 20 percent of the value of the I Fund between them. State Street Global Advisors received an in-kind transfer of international securities from BlackRock accompanied by a relatively small amount of cash. The total amount was approximately 12.4 billion dollars, of which about 383 million dollars was in cash. Going forward, State Street will manage 20 percent of the underlying I Fund assets in addition to amounts it already manages for the F Fund, the C Fund, and the S Fund. As a result, beginning with the TSP's reporting of January Fund performance in the monthly Board Meetings, the F, C, S, and I Funds will be included for both managers.

Mr. McCaffrey thanked both asset managers, investment consultants, and several Agency employees for their assistance in this complex effort. In turn, Member Bilyeu and Chair Gerber expressed their appreciation to Mr. McCaffrey and Mr. Deo.

c. Legislative Report

Ms. Weaver reported that the National Defense Authorization Bill passed last week with no effect on the TSP. She also reported that on the prior day, Congress unveiled the omnibus appropriations bill, a 4,100-page bill that includes provisions of SECURE 2.0, the Enhancing American Retirement Now (EARN) Act, and the Retirement Enhancement and Savings Act (RESA). Most notably the bill increases the required minimum distribution age to 73 beginning January 1, 2023. The Board will hear more about other applicable provisions after the Agency has an opportunity to review them. She noted that, other than those in the SECURE 2.0 Act, there are no other provisions in the bill that affect the TSP. The Senate will vote on the omnibus bill on Thursday, which is the deadline for the bill's passage. After the Senate votes, the bill will go to the House.

3. Quarterly Vendor Risk Management Update.

Mr. Brandt presented the Office of Planning and Risk's (OPR) synopsis of the risk assessment for key vendors that are critical to operating the TSP. See "Quarterly Vendor Risk Assessment – 3rd Quarter Calendar Year (CY) 2022" (attached).

Mr. Brandt stated that OPR is reporting on its assessment of five vendors after analyzing various sources of data and evaluating metrics to assess their solvency, liquidity, and profitability. He noted that the number of vendors is down from eight that were previously reported on, because Databank, Equinix, and Fidelity National Information Services are no longer providing services directly to the FRTIB after the

Converge program transition. OPR's analysis found all vendors are able to fulfill their contractual obligations to FRTIB.

Member Bilyeu thanked Mr. Brandt for his work analyzing the vendors and noted that she is pleased that the vendor list has gotten shorter.

4. Internal Audit Update.

Ms. Barbara Holmes, Chief Audit Executive, provided an update on the 2022 Internal Audit Plan. See "Internal Audit Update" (attached). Her team has completed the Vendor Management Contract Closeout Audit, the Office of Investment File Review, and the GAO Audit Readiness Exercise. They are in the report-writing phase for the Treasury Reconciliation Oversight Audit and the Decommissioning of Legacy Assets Audit.

Ms. Holmes noted that three audits were added to the original plan that she presented to the Board at the beginning of the year. Due to these additions, she moved the Insider Threat Audit and the Improper Payments Audit to 2023. Her team already performed an initial test of design of the Insider Threat Program in late 2021, as well as reviewed the Improper Payments Draft Policies and Procedures.

Ms. Holmes explained that the audit of the Vendor Management and Contract Closeout Process was a follow-up to an audit the Agency conducted in 2018. The scope period for this current audit was January 1, 2021, through April 30, 2022. Ms. Holmes issued two notices of findings for this audit. The first related to data quality in PRISM, the Agency's procurement support and contracting writing software, and the second to Contracting Officer's Representative (COR) understanding of requirements. Ms. Holmes explained that as they were conducting this audit, the Acquisition Management Division was also conducting a significant clean-up and catch-up exercise to address the data quality issues that the Internal Audit team discovered.

Internal Audit completed the File Plan Review of the Office of Investments with no exceptions and are moving on to the Office of External Affairs. Ms. Holmes stated that they will complete this project in early 2023.

Ms. Holmes shared that as of December 20, 2022, there are six open internal audit findings. Four are from 2022 audits, and the others are from previous years.

Ms. Holmes stated that she is developing the 2023 Internal Audit Plan and the tentative scope for each audit, which she will present at the January 2023 Board meeting. She is also drafting a strategic plan for Internal Audit and, as a starting point, used the historical internal audit activity information included in the appendix to her presentation to provide a snapshot of the current status of Internal Audit. She plans to share with the Board where she sees Internal Audit going in the future.

5. Review of FRTIB 2023 Board Meeting Calendar.

Mr. Deo provided an overview of the 2023 Board Meeting Calendar. He stated that he expected the Board to have 10 in-person meetings starting in January, and November and December meetings will be telephonic. He explained that the last two dates are not according to the normal calendar to ensure the Board meetings do not collide with the weeks of Thanksgiving or Christmas.

6. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 10:23 a.m. for executive session.

At 11:07 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 Chair Gerber adjourned the meeting at 11:07 a.m.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Thrift Savings Fund Statistics November 2022
2. November 2022 Investment Program Review
3. Quarterly Vendor Risk Assessment – 3rd Quarter Calendar Year (CY) 2022
4. Internal Audit Update
5. FRTIB 2023 Board Meeting Calendar