



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS
AND THE EMPLOYEE THRIFT ADVISORY COUNCIL

May 23, 2023

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on May 23, 2023, at 10:00 a.m., Eastern Daylight Time. The meeting was held at the Board's offices at 77 K Street, NE and was open to the public via teleconference. 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 Participant Experience; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Information Officer; and Thomas Brandt, Chief Risk Officer.

In attendance for the Employee Thrift Advisory Council (ETAC) were Chair Jacqueline Simon, American Federation of Government Employees; Vice Chair Althea Sprosta, Federally Employed Women, Inc; Neil Doherty, Senior Executives Association (by telephone); Daniel Heins, United Postmaster and Managers of the United States (by telephone); Kathryn Hensley, National Active and Retired Federal Employees Association; Kori Blalock Keller, National Association of Letter Carriers' Association (by telephone); Bob Levi, National Association of Postal Supervisors; Matt Sowards, National Treasury Employees Union (by telephone); and Dave Stamey, National Federation of Federal Employees (by telephone).

Welcome and Introductions.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:07 a.m.

Chair Gerber welcomed the members of the Employee Thrift Advisory Council (ETAC) and thanked former ETAC Chair Clifford Dailing and Vice Chair James Sauber for their years of service.

1. Election of the Chair and Vice Chair of ETAC.

Chair Gerber opened the floor for nominations from ETAC members to elect a Chair of ETAC. Jacqueline Simon was nominated. The following ETAC motion was made, seconded, and adopted without objection:

MOTION: That Jacqueline Simon be elected as Chair of ETAC.

Chair Gerber opened the floor for nominations from ETAC members to elect a Vice Chair of ETAC. Althea Sprosta was nominated. The following ETAC motion was made, seconded, and adopted without objection:

MOTION: That Althea Sprosta be elected as Vice Chair of ETAC.

The Board members, Agency leadership, and ETAC members introduced themselves.

2. Approval of the Minutes of the April 25, 2023, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the April 25, 2023, Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on April 25, 2023, be approved.

3. Approval of the Minutes of the October 27, 2022 ETAC Meeting.

Chair Simon entertained a motion for approval of the minutes of the October 27, 2022 ETAC meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the ETAC meeting held on October 27, 2022 be approved.

Mr. Deo gave opening remarks, provided a brief summary of the agenda, and thanked Ms. Crowder for her almost 30 years of service to the Agency. The Members echoed their thanks and congratulated Ms. Crowder on her retirement.

4. Monthly Reports.

a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Thrift Savings Fund Statistics April 2023" (attached). He reported that one-third -- or 2.3 million participants -- have a Roth balance. The total Roth Plan balance as of April 2023 was 44.1 billion dollars, which represents a 31 percent increase since April 2022 and is a Plan record.

Mr. Courtney highlighted that participants contact the Plan using the live chat function available within My Account. This feature allows participants to connect online with ThriftLine representatives during business hours. Live chat usage increased by two percent in April and by 35 percent since January 2023. In response to questions from Member Bilyeu, Mr. Courtney explained that live chat satisfaction is 60 percent and

is measured through participant survey results, whereas telephone calls have a 90 percent satisfaction rate. Mr. Courtney suspects the lower level of satisfaction is tied to participant frustration when they must follow up after a live chat with a telephone call to the ThriftLine. The Agency and the recordkeeper track call handling time and participant satisfaction and uses these metrics to identify strengths and areas for improvement. In response to a question from Chair Gerber, Mr. Courtney confirmed that the recordkeeper also tracks common keywords in participant communication across all channels to identify areas for improvement. The recordkeeper identified withdrawals as a focus area and is working to determine why withdrawals generate more questions than loans.

b. Legislative Report

Ms. Weaver reported that on May 17, Representative Ken Buck introduced H.R. 3406, which prohibits qualified professional asset managers from exercising voting rights over securities held in the TSP. She remarked that this is a new bill that has not been introduced in previous Congresses. On the same day, Senator Marco Rubio introduced S. 1650, which would prohibit TSP investment in a country or security of concern as defined by the Director of National Intelligence in the Annual Threat Assessment. This bill is similar to legislation proposed by Senator Rubio in the past. If S. 1650 becomes law, there may be impacts to the I Fund and the mutual fund window will likely be eliminated. This is because the Agency cannot monitor all stocks that comprise the 5,000 mutual funds in the window.

Ms. Weaver discussed that Secretary of the Treasury, Janet Yellen stated that the debt ceiling could be reached as early as June 1. The President and Speaker of the House are negotiating terms for proposed legislation to raise the debt ceiling. The House of Representatives is in session this week and the Senate returns next week. Senator Charles Schumer stated that the Senate will be recalled if a vote can occur prior to next week on the debt ceiling.

In response to a question from Member Bilyeu, Ms. Weaver confirmed that there is a proposed bill prohibiting Senators and Representatives from holding individual stocks. However, this bill would not impact investment in the TSP by members of Congress.

In response to a question from Ms. Simon, Ms. Weaver explained that under extraordinary circumstances if the debt ceiling is reached, the Treasury would suspend reinvestment of specially issued Treasury securities held by the TSP. This would not impact a participant's ability to earn interest, to make interfund transfers, or to take a loan or withdrawal. However, since the money is not being reinvested, it gives the Treasury the ability to use the funds in a different manner. In response to a follow-up question from Ms. Simon regarding the impact of a potential default if the debt ceiling is not raised, Ms. Weaver indicated that she did not have specific answers, since this circumstance is unprecedented.

c. Investment Report

Mr. McCaffrey reviewed the monthly investment performance report. See “April 2023 Performance Review – G, F, C, S, I, and L Funds” (attached). Mr. McCaffrey began by noting that BlackRock’s performance in April for the F, C, and S Funds matched their respective indices. BlackRock’s performance for the I Fund was ahead of the International Index by four basis points, primarily due to tax advantage.

Mr. McCaffrey reported that State Street’s performance for the F, C, and S Funds was also in line with the same benchmarks for the month. Performance for the I Fund exceeded the International Index by five basis points, primarily due to tax advantage.

Mr. McCaffrey provided that the overall TSP Fund’s April performance for the F, C, and S Funds also matched the respective benchmarks’ performance while the TSP I Fund was ahead of the International Index by four basis points.

Mr. McCaffrey noted that in April, investors wrestled with mixed economic signals. Inflation showed signs of easing but remained elevated. Employment and overall economic activity showed gains, but the pace of that growth slowed, fueling fears of recession. Lingering turmoil among some banks added to uncertainty surrounding the Federal Reserve’s next moves on interest rates. As a result, domestically, the C Fund rose, and the S Fund fell. In international markets, the I Fund posted a gain, helped in part by a weaker U.S. dollar. The F Fund finished higher as longer-term interest rates remained relatively little changed by the end of the month. All L Funds posted gains.

Mr. McCaffrey reported that, year-to-date, BlackRock’s performance for the F Fund was ahead of the Fixed Income Index’s returns by 20 basis points, primarily due to a difference in the timing of pricing by the index provider and by BlackRock on the last trading day of December 2022. Its performance for the C Fund was in line with the Large Cap Index. Performance for the S Fund exceeded the Small Mid Cap Index’s returns by eight basis points, primarily due to securities lending. Its performance for the I Fund was ahead of the International Index by 17 basis points, primarily due to tax advantage.

Mr. McCaffrey further reported that, year-to-date, State Street’s performance for the F Fund exceeded the Fixed Income Index’s returns by 21 basis points, due to a similar year end pricing difference between the benchmark and the investment manager. Performance for the C Fund was in line with the Large Cap index. Performance for the S Fund was ahead of the Small Mid Cap Index’s returns by three basis points, primarily due to securities lending. Performance for the I Fund was ahead of the International Index by 49 basis points, primarily due to tax advantage and fair value pricing.

Mr. McCaffrey noted that investment performance for stocks is positive so far in May. Through Monday, May 22, the C Fund gained 0.70 percent, the S Fund gained 1.93 percent, and the I Fund gained 0.09 percent. The bond market is negative so far this month, with the F Fund down 1.70 percent. The G Fund earned 0.22 percent.

Mr. McCaffrey further noted that the L Funds saw continued growth of about 28,000 in participant ownership of at least one L Fund in April. Much of this is attributable to automatic enrollment of new civilian and uniformed services participants.

Mr. McCaffrey stated that interfund transfers on a dollar volume basis remain at a relatively low level. On a percentage of participants basis, in April, 1.8 percent of participants conducted transfers, which is slightly below the long-run median of two percent for interfund transfers. Year-to-date through April, 4.3 percent of participants have conducted transfers. In other words, 98.2 percent of participants did not conduct a transfer in April and 95.7 percent have not moved any assets in 2023.

In response to a question from Member Olivares, Mr. McCaffrey explained that the Plan does not ask participants why they elect to make interfund transfers. Interfund transfers occur at relatively low levels and participants are maintaining their long-term investment plans. Interfund transfer decisions can be prompted by external services, participant needs, or in response to news. Sometimes people change their investments when the market is volatile and return to equity funds when the market rebounds.

5. Quarterly Metrics Report.

Mr. Dennis McNulty from the Office of Planning and Risk provided a report on key performance indicator results for the second quarter. See “FY23 Q2 Metrics Report” (attached). Under Strategic Goal B, there is a new metric measuring participant satisfaction with interactive communication across channels. While the Agency missed the target of 90 percent participant satisfaction, the satisfaction rate steadily increased during the quarter from 81.7 percent in January to 86.2 percent in March.

Mr. Courtney stated that an 80 percent satisfaction rating is considered the standard by some within the customer service industry, but the Agency is holding itself and its recordkeeper to a higher standard of 90 percent satisfaction. Customer satisfaction with calls to the ThriftLine is currently meeting this standard, but the vendor is still working to improve the other channels. All channels are trending upward, and some have satisfaction ratings in the 80 percent range already.

Mr. McNulty went on to highlight a new metric for Fiscal Year 2023 under Strategic Goal C. The metric tracks the results from the Federal Employee Viewpoint Survey (FEVS) to gauge employee satisfaction. The 2022 FEVS results will be used as a baseline and the 2023 FEVS results will help to develop a target and threshold for the future.

6. OPE Annual Presentation.

Mr. Courtney presented the Office of Participant Experience (OPE) annual report. See “Office of Participant Experience Annual Report” (attached). Mr. Courtney began by introducing OPE, which was formed in January 2023. He explained that the office merges the former Office of Participant Services and Office of Communication and Education. The participant experience encompasses touch points such as the ThriftLine, website, publications, statements, webinars, money-in processes as well as money-out processes. OPE strives to create an excellent participant experience through effective program operations, outreach, and external partnerships. Mr. Courtney expressed thanks to ETAC for their partnership.

Mr. Courtney explained that OPE is organized into a front office that provides administrative, budget, and contract support to three divisions. The first division is Relationship Building, which liaises with payroll agencies and the recordkeeper. This division also oversees participant correspondence and includes a training team, which teaches TSP related classes. The second division is Quality Management, which works to ensure the participant experience is in line with Agency regulations, policies, and the high standards we set for our recordkeeper. The third division is Content and Creation, which crafts TSP messaging across channels including the website, email, print, and social media.

Mr. Courtney stated that, with the switch to the new recordkeeper in 2022, the Agency provides a participant experience more in line with other 401(K) providers, as well as one participants are used to having with their banks, and credit card companies. Participants can use online tools including the electronic signature feature in My Account to complete transactions online when requesting withdrawals, applying for loans, and designating beneficiaries. Furthermore, participants can add an alternate address or address preference to their account. They can also provide or update financial institution information. The ThriftLine introduced a rollover concierge service. In the past 11 months, more than 26,000 participants have rolled-in more than a billion dollars to the Plan with two-thirds of those completed using the concierge service. The TSP mobile application provides a new convenient way to interact with the Plan and 800,000 participants have downloaded it.

Mr. Courtney indicated that participants are taking advantage of new Plan communication channels. One of these communication channels is AVA, a virtual assistant that works like a dynamic FAQ. Participants can chat live with a ThriftLine agent during business hours by logging into My Account and selecting the AVA icon. Mr. Courtney stated the ability to live chat is tied to agent availability and wait times. Participants continue to call the ThriftLine; between January and April, ThriftLine agents answered almost a million calls. While wait times were elevated in January, by February, wait times were the same or better than last year, even with increased volumes. In response to a question from Ms. Simon, Mr. Courtney stated that the Agency contracts with Accenture Federal Services (AFS), and ThriftLine agents work for a subcontractor to AFS.

Mr. Courtney stated that the My Account homepage was recently redesigned in response to participant feedback. The redesign provides expanded navigation and makes it easier to locate account balance information, a personal rate of return, contributions, and investment allocation information. Over the past 11 months, almost nine out of every 10 participant interactions took place using the website and mobile application. During that same time, almost five million people called the ThriftLine, and AVA received more than a million questions on the public side of the website. Participants are also interacting by email and live chat, but at lower volumes.

Mr. Courtney explained that the Agency uses its communication channels strategically to communicate with participants. The Agency emails a newsletter to the four million participant email addresses on file with the Plan. Of those who receive emails, 54 percent of recipients open the correspondence. This is nearly double the government email open rate and exactly double the financial services open rate average for both the public and private sectors. About a third of participants who opened an email from us this year spent at least eight seconds reading it. For the February email, one in four participants spent more than 18 seconds reading the correspondence.

Email content has included articles focused on directing participants to set up their new login for My Account to take advantage of new Plan features; informing participants about the new account lock feature; and information on how to designate beneficiaries. The Agency recently collaborated with the American Forces Network (AFN), which is a television service for members of the uniformed services stationed overseas, on a public service announcement regarding beneficiary designations. AFN has a viewing audience of a half million people including participants and their families.

Mr. Courtney concluded his presentation with a discussion on the passage of the Secure Act 2.0 in December 2022. The legislation is intended to improve retirement outcomes for participants. While some of the provisions went into effect immediately, others become effective as late as 2033. In response to a Secure Act 2.0 provision, TSP immediately suppressed required minimum distributions (RMDs) for participants turning 72 in 2023 and notified participants of this change. The Agency also informed participants that beginning in 2024, Roth funds will only be subject to RMDs after a participant's death. The Agency is still reviewing requirements for upcoming provisions and is seeking guidance from other agencies like the Internal Revenue Service (IRS), to ensure correct implementation.

In response to a question from Member Bilyeu regarding IRS guidance timelines, Mr. Vashee indicated that he could not speak to specific IRS dates, but that the conversations are ongoing. Mr. Courtney and Ms. Weaver stated that the Agency sent a letter to Congress and the Secretary of the Treasury regarding the implementation of Section 603. This provision requires that catch-up contributions for participants earning 145,000 dollars or more in the prior year be made as Roth contributions. This provision requires programming work by the roughly 110 federal

payroll offices to provide the recordkeeper with salary data that is not currently tracked by the TSP.

In response to a question from Member Bridges, Mr. Courtney confirmed that the AFN is shown on military bases around the world and has a tremendous reach.

7. Adjourn.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chair Simon adjourned the meeting for ETAC at 10:55 a.m.

MOTION: That this meeting be adjourned.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chair Gerber adjourned the meeting at 10:55am.

MOTION: That this meeting be adjourned.

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Thrift Savings Fund Statistics April 2023
2. April 2023 Performance Review – G, F, C, S, I, and L Funds
3. FY23 Q2 Metrics Report
4. Office of Participant Experience Annual Report