



## MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 26, 2023

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 26, 2023, at 9:00 a.m., Eastern Daylight Time. The meeting was held at 70 Rowes Wharf in Boston, Massachusetts and was open to the public via teleconference. In attendance were Dana K. Bilyeu of Oregon, member (by telephone); 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; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Participant Experience; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Technology Officer; Thomas Brandt, Chief Risk Officer; and Trevor Williams, Chief Financial Officer.

### Welcome.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 9:10 a.m.

#### 1. Approval of the Minutes of the August 22, 2023, Board Meeting Minutes.

Chair Gerber entertained a motion for approval of the minutes of the August 22, 2023, Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on August 22, 2023, be approved.

#### 2. Monthly Reports.

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

##### a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See “Thrift Savings Fund Statistics August 2023” (attached). He reported that in August, more than 4,500 participants rolled nearly one-quarter of a billion dollars into the TSP, which he believes is the highest number of roll-ins to the Plan in one month. In the first eight

months of the year, participants have rolled approximately 1.3 billion dollars into the TSP.

Mr. Courtney reported that regarding SECURE Act 2.0, the IRS has given the TSP and the rest of the defined contribution industry an additional two years to implement provision 603, which requires Roth catch-up contributions for some high-income participants. He reminded the Board that the FRTIB asked for additional time so that payroll providers could be ready to supply the Agency with the necessary salary data needed to comply with the law. He also reported that the Agency is working with its recordkeeper to prepare for a possible government shutdown on October 1st. If the shutdown happens, the TSP will continue its normal daily operations, and participants, including those with an outstanding TSP loan, do not need to take any action. The TSP will automatically keep their loans in good standing during the lapse in appropriations.

Chair Gerber stated that it's important for TSP participants and beneficiaries to recognize that the TSP is going to continue to operate. In response to a question from Chair Gerber, Mr. Courtney confirmed that the Agency has a robust communication plan ready in the event there is a shutdown and shared that participants could obtain all needed information at [TSP.gov/shutdown](https://www.tsp.gov/shutdown). He reiterated that the TSP would continue business as usual.

#### b. Investment Review

Mr. McCaffrey presented the monthly investment performance report. See “August 2023 Investment Program Review” (attached). For the month of August, BlackRock’s performance for the F, C, and S Funds was in line with the Funds’ respective indices. Its performance for the I Fund fell behind the International Index by seven basis points, primarily due to fair value pricing. State Street’s August performance for the F, C, S, and I Funds was in line with the respective indices.

Mr. McCaffrey reported that in August's markets, despite recent signs of inflation cooling, the Federal Reserve continued to emphasize that inflation remains unacceptably high. As investors considered future monetary policy actions, market sentiment for stocks was largely bearish. The C, S, and I Funds posted losses as a result. Interest rates rose during the month, contributing to a loss for the F Fund. All L Funds finished lower.

Regarding BlackRock’s year-to-date performance, Mr. McCaffrey provided that for the F Fund, it was ahead of the Fixed Income Index by 20 basis points due primarily to a difference in the timing of year-end pricing for the index versus the manager’s pricing. Performance for the C Fund matched the Large Cap Index. S Fund performance exceeded the Small Mid Cap Index’s return by 15 basis points, primarily due to securities lending. I Fund performance lagged the International Index by 10 basis points, primarily due to fair value pricing.

Addressing State Street's year-to-date performance, Mr. McCaffrey reported that performance for the F Fund exceeded the Fixed Income Index's return by 20 basis points, primarily due to the year-end pricing difference. Performance for the C Fund matched the Large Cap Index. The S Fund performance exceeded the Small Mid Cap Index's return by seven basis points, primarily due to securities lending. I Fund performance was ahead of the International Index by 35 basis points, primarily due to tax advantage.

For the month through September 25, 2023, the C Fund has lost 3.70 percent, the S Fund has lost 5.30 percent, and the I Fund was down 2.71 percent. The F Fund was down 2.27 percent, and the G Fund earned 0.29 percent.

c. Legislative Report

Ms. Weaver reported on the possibility of a government shutdown. Both the House of Representatives and Senate are working on their respective plans for how to address and prevent a lapse in appropriations. Ms. Weaver reiterated that the Agency is ready with a communications plan if there is a lapse in appropriations.

3. Quarterly Vendor Risk Management Report.

Mr. Brandt provided the vendor risk assessment for the second quarter of 2023. See "Quarterly Vendor Risk Assessment – 2nd Quarter Calendar Year (CY) 2023" (attached). The Agency looked at factors including financial health, operational/reputational credit, cybersecurity, and other risks that could affect the vendors and their ability to provide services to FRTIB.

Mr. Brandt noted that one of the resources used as part of the Agency's assessment are cybersecurity ratings from Bitsight. Bitsight periodically reviews the risk environment and adjusts the weighting in their algorithm, and they made an adjustment last quarter. For example, the patching cadence of some organizations has been given higher weighting. The change in the algorithm has affected the scores of four of the Agency's five key vendors although there is no significant change to their cybersecurity posture. Based on the Agency's review, there are no concerns about the ability of FRTIB's key vendors to fulfill their contractual obligations to FRTIB.

4. Enterprise Risk Management Update.

Mr. Brandt provided the Enterprise Risk Management update. See "Enterprise Risk Management Update" (attached). He reported that, of the 12 risks identified for tracking, five have scored at medium-high, five at medium, and two at medium-low. Per the Agency's policy, any risks that score at medium-high or higher require the development of a risk treatment plan. For 2023, those are cybersecurity, procurement, contract management, supply chain risk management, and reputational risk of TSP operations to customer experience.

Accomplishments related to the cybersecurity risk treatment plan include achieving a Level Five in three of the nine Federal Information Security Modernization Act audit domains and a Level Four in the remainder, finalizing content procedures for a new Cybersecurity Risk Register, transitioning to a new continuous penetration testing model, and implementing ongoing requirements of the 2021 Cybersecurity Executive Order. Although the risk score for cybersecurity is expected to remain at medium-high next year, it has dropped several points within the medium-high range.

Regarding the risk treatment plan for procurement, Mr. Brandt explained that this risk concerns the extent to which the agency is adjusting its approach to effectively handle performance-based contracts. Through training for the Agency's Contracting Officers' Representatives and additional actions to enhance procurement actions, the Agency is on track to reduce this risk score from medium-high to a medium by year-end.

Mr. Brandt explained that the contract management risk is related to the sufficiency of the Agency's quality assurance and surveillance personnel to provide the necessary levels of oversight of its contracts. Because the Agency has taken actions regarding certification, training, and mentorship to ensure that personnel performing these duties have sufficient expertise, the Agency expects this risk score will be reduced from medium-high to medium.

To address supply chain risk, Mr. Brandt reported that the Agency is in the process of bringing onboard a new third-party risk analyst. The Agency has also developed training and communications on roles and responsibilities for managing supply chain risk, updated its taxonomy, and enhanced its monitoring capabilities. As a result, the Agency expects to reduce this risk score from medium-high to medium.

Accomplishments related to the reputational risk of TSP operations risk treatment plan include conducting oversight of the Agency's Service Level Requirements and Key Performance Indicators, leveraging key accomplishments in the Agency's procurement and contract management risk treatment plans to improve oversight, and using web comments and participant feedback to identify improvements to the participant experience. As a result, the Agency has already seen improvements in its participant satisfaction month-over-month, exceeding its target levels for the first time in the month of August. Mr. Brandt also noted the Agency's robust cycle of external and internal audits that help identify areas for improvement. The Agency expects that all of these actions will reduce this risk score from medium-high to medium.

Finally, Mr. Brandt provided a brief look at some of the activities the Enterprise Risk Management team has underway, which include implementing its integrated risk management tool, refreshing its Risk Appetite Statement, and implementing supply chain and vendor risk management process improvements.

5. Adjourn.

Whereupon there being no further business, the following motion was made, seconded, and adopted without objection and Chair Gerber closed the meeting at 9:27 a.m. to enter into executive session.

At 11:10 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 11:11 a.m.

MOTION: That this meeting be adjourned.

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Dharmesh Vashee  
General Counsel and Secretary

#### Attachments

1. Thrift Savings Fund Statistics August 2023
2. August 2023 Investment Program Review
3. Quarterly Vendor Risk Assessment – 2nd Quarter Calendar Year (CY) 2023
4. Enterprise Risk Management Update