



## MINUTES OF THE MEETING OF THE BOARD MEMBERS

October 22, 2024

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on October 22, 2024, 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, Office of External Affairs Advisor; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Participant Experience; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Information Officer; Trevor Williams, Chief Financial Officer; and James L. Kaplan, Director, Office of External Affairs.

### Welcome and Introductions.

Chair Gerber 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 September 24, 2024, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the September 24, 2024, Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on September 24, 2024, be approved.

Mr. Deo then gave opening remarks and provided a brief summary of the agenda.

#### 2. Monthly Reports.

##### a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Participant Activity Report October 2024" (attached). He reported that the Federal Employees' Retirement System (FERS) full match rate reached 88.1 percent in September, marking its first-ever rise above 88 percent. He noted that the Blended Retirement System (BRS) full match rate for active-duty participants also achieved a record high, approaching 88 percent. Discussing matching rate increase further, he

noted that since the policy of enrolling participants at five percent of their salary started in October 2020, the overall matching rate has shown a steady increase. Mr. Courtney stated that loan and hardship withdrawals saw a decline in the previous month, after seasonal increases over the summer. Additionally, over 4,300 participants rolled over funds into the TSP in September, reflecting a nine percent increase from the same month last year. Year to date, rollover contributions have risen by 44 percent from the same period last year. Finally, earlier in October, over seven million quarterly statements were issued electronically via My Account.

b. Legislative Report

Ms. Weaver provided the legislative update. She reported that the Congress would reconvene on November 12, and there were no updates in the meantime.

3. Quarterly Reports.

a. Investment Review

Mr. McCaffrey reviewed the investment performance report. See “September 2024 Investment Program Review” (attached). For the month of September, he reported that both BlackRock’s and State Street’s performance for the F, C, and S Funds aligned with respective benchmarks. BlackRock’s I Fund underperformed the applicable international index by 30 basis points, largely due to fair value pricing. State Street’s I Fund also underperformed the applicable international index, in this case by nine basis points, due to securities sampling and currency impacts.

Mr. McCaffrey reported that early in the month of September, the Federal Reserve’s first rate cut in four years helped boost equity markets, leading to gains in the C, S, and I Funds, with the I Fund returns benefiting from a weaker U.S. dollar. Falling long-term interest rates contributed to gains in the F Fund, and all L Funds showed positive performance.

BlackRock’s year-to-date performance for the F Fund was ahead of the Fixed Income Index’s return by nine basis points, primarily due to pricing differences on the last trading day of December 2023. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock was ahead of the Small Mid-Cap Index by 10 basis points, primarily due to securities lending. BlackRock’s, I Fund performance exceeded its applicable International Index’s return by 11 basis points, primarily due to tax advantage.

State Street’s year-to-date performance for the F Fund was ahead of the Fixed Income Index’s return by 10 basis points, primarily due to pricing differences on the last trading day of December 2023. Its performance for the C Fund was in line with

the Large Cap Index. For the S Fund, State Street was ahead of the Small Mid-Cap Index by eight basis points, primarily due to securities lending. The I Fund's performance exceeded the applicable International Index's return by 23 basis points, primarily due to tax advantage.

Mr. McCaffrey provided a brief update on market performance for October, reported as of market close on October 21. He indicated that the C Fund has gained 1.66 percent; the S Fund is ahead 2.03 percent; the I Fund is down 2.44 percent; the F Fund is down 2.04 percent; and the G Fund is ahead by 0.22 percent. Turning to L Funds, Mr. McCaffrey reported that the number of accounts holding assets in L Funds increased by 27,000, due largely to the automatic enrollment of new participants. He noted that the L 2060, L 2065, and L 2070 Funds saw the largest increases.

Net interfund transfers for the month of September remained relatively low, with a slight preference for the G Fund. On a percentage basis, 1.6 percent of participants moved assets between Funds, which is just slightly below the long run median of 2.0 percent.

Finally, Mr. McCaffrey provided the quarterly report covering proxy voting and class action settlements. He noted that audits of both BlackRock and State Street's proxy voting activities revealed no exceptions to their established guidelines. In class action settlements, BlackRock started the quarter with 92 open claims, added 18 new claims, closed 16, and concluded with 94 open claims. The total proceeds for the quarter were 2.8 million dollars. This included 2.7 million dollars from recent settlements as well as residual payments. State Street began the quarter with 12 open claims, added 16 new claims, closed none, and finished the quarter with 28 open claims.

#### b. Audit Status

Mr. Williams presented the quarterly external audit and remediation status. See "Quarterly External Audit and Remediation Status October 2024" (attached). He reported that out of 13 audit reports for Fiscal Year 2024 (FY24), 12 were completed and one was in progress. The Employee Benefits Security Administration (EBSA) had seven audits, CLA/Sikich had three, and the Government Accountability Office (GAO) had two. He noted that 28 recommendations were implemented and 58 were open, out of which 32 were new recommendations for FY24. Mr. Williams indicated that external auditors closed 20 open recommendations in the fourth quarter, bringing total closures for FY24 to 56. This number does not include all of the implemented recommendations, but only those marked as closed.

In response to a question from Member Bilyeu, Mr. Williams responded that the audit recommendations were not categorized by risk. Ms. Tosini added that risk categorization was a useful approach in the past when applied to IT-related recommendations but did not serve a meaningful purpose for current audit

recommendations. Ms. Tosini highlighted that there are no current recommendations that would qualify as high risk.

c. Budget Review

Mr. Williams next presented the quarterly budget update. See “FY2024 4th Quarter Budget Review” (attached). He noted that the Board approved a budget of 476.1 million dollars for FY24, out of which only 434.3 million, or 91 percent, was executed. FRTIB executed 95 percent of its FY24 spend plan target, most of which was spent on recordkeeping.

4. Internal Audit Update.

Ms. Barbara Holmes, Chief Audit Executive, presented the FY24 Internal Audit plan. See “Internal Audit Update” (attached). She reported the completion of a court-ordered payment audit, which is now in the report-writing phase, as well as the closure of eight other audits. Ongoing audits include the contracting audit, the Converge contractor vetting process audit, and the mutual fund window operations audit. She expects to complete the 2024 audit plan by the end of December or early January.

Ms. Holmes also presented a preliminary draft of the 2025 internal audit plan, noting that certain areas may be consolidated. She invited feedback from the Board on the plan. Ms. Holmes also shared the completion of the government purchase card audit, resulting in five Notices of Findings and Recommendations (NFRs) focused on procedural clarity, roles and responsibilities, adequate training, and documentation gaps. The audit covered the period from May 1, 2023, to April 30, 2024.

In concluding, Ms. Holmes reviewed open audit findings, which also incorporated the new findings issued in 2024. She noted that other internal audit activities include updating policies and procedures for the fraud, waste, and abuse hotline, finalizing the tentative 2025 internal audit plan, and progressing with the 2024 audit plan.

5. OEA Annual Presentation.

Ms. Weaver gave the annual Office of External Affairs (OEA) report. See “Office of External Affairs Annual Review” (attached). She introduced Mr. Kaplan, her successor as OEA Director, who joined FRTIB two weeks prior. Ms. Weaver indicated that she has transitioned to the role of OEA Advisor through the end of the year, with her retirement set for December 31, 2024. She also discussed the rest of the OEA structure, highlighting the roles of the Congressional Affairs Analyst and the Congressional Inquiries Analyst, whose responsibilities include managing communications with Congress.

Ms. Weaver outlined the mission of OEA, which is to manage external communications, including interactions with the Employee Thrift Advisory Council (ETAC), the press, other federal agencies, and Congress. In fulfilling this mission, OEA grounds its analysis in the sole interest of participants and beneficiaries. In addition, OEA collaborates closely with other offices, including the Office of Participant Experience (OPE) when handling congressional inquiries. OEA regularly coordinates with ETAC, meeting with them alone every fall and jointly with the Board annually.

Ms. Weaver reminded the Board that Congress exercises its authority to review all agency activities through the GAO, the Congressional Research Service, and the Congressional Budget Office. She noted that while FRTIB's independence from annual appropriations gives it greater budgetary control, OEA is required to engage with the Senate Homeland Security and Governmental Affairs Committee, the Subcommittee on Government Operations and Border Management, the House Committee on Oversight and Accountability, and the Subcommittee on Government Operations and the Federal Workforce.

In concluding, Ms. Weaver reported that OEA is monitoring approximately 45 bills and amendments, with key categories focusing on funding adjustments, mutual fund window impacts, FERS benefit changes, pension law modifications, and legislation affecting all agencies such as information security mandates and federal employee statutes. Ms. Weaver emphasized that, while not all bills are likely to advance, monitoring remains essential to avoid any unexpected legislative changes.

## 6. Social Science Update.

Elizabeth Perry, Chief Scientific Advisor, provided the annual update on the TSP Social Science Program. See "Social Science Update 2024" (attached). The program, launched in 2019, evaluates various behavioral interventions to enhance participant engagement and outcomes. Dr. Perry highlighted five projects to mark the five-year milestone of the program, while emphasizing the complexity of engaging participants and noting that similar organizations invest heavily to achieve response rates above 15 percent.

First, Dr. Perry discussed a project aimed at participants under 50 who are contributing at a rate that could lead them to reach the IRS elective deferral limit before the year ends. When participants hit this limit, further contributions – and consequently, any employer matching – cease for the remainder of the year. In late summer, the project identifies the participants that might reach this limit by early December and then advises them to adjust their saving rates to spread contributions across the entire year to maximize matching. Last year, this projection applied to approximately 8,000 individuals. Dr. Perry highlighted the complexity of this task and indicated that the email sent out to them breaks down the steps that they need to follow. Given these efforts, over 20 percent of the affected participants adjusted their accounts to avoid missing on matching.

In response to a question from Member Bilyeu, Dr. Perry stated that some tax provisions do not apply as the mailings go out to those under 50 years of age. In response to a question from Chair Gerber, Dr. Perry indicated that the Plan is designed to match contributions for each pay period. Ms. Goethe added that this is based on statutory requirements. Mr. Deo added that many public sectors defined contribution plans work this way, as do some in the private sector. In response to a question from Member Olivares, Dr. Perry indicated that this information is available to participants on the TSP website, as well as TSP training classes. In response to a question from Member Bridges, Dr. Perry noted that participants must go back to their individual payroll providers to make applicable changes to their contribution amounts. Mr. Courtney and Ms. Weaver stated that there are over 100 payroll providers, and while the Agency could ask them to implement Member Bridges's suggestion that a line with this information be added to paystubs, it cannot be mandated and would be left to individual providers' discretion. Ms. Weaver also noted that many federal agencies send notifications to employees through their HR departments highlighting how to maximize contributions without exceeding IRS limits. In response to a question from Chair Gerber, Ms. Weaver further stated that the Agency has not explored a statutory change to the matching design, as it affects only about 8,000 out of seven million participants.

Dr. Perry next gave an overview of an outreach initiative conducted in collaboration with OPE, which focused on participants nearing or in retirement. After gathering insights through focus groups, the Social Science Program developed a series of four educational emails highlighting key features of the TSP, such as its low fees and flexible withdrawal options. These emails targeted active and separated participants in their 50s and 60s to ensure participants had the information they needed to make informed choices. Dr. Perry noted that the feedback was highly positive, and newly separated participants who received the series were up to 30 percent less likely to close their TSP accounts compared to previous data.

Next, she discussed a project aimed at roughly 4,000 federal employees below the median salary who were contributing three percent of their income to the TSP. The goal was to encourage an increase in contribution to gain the full match at five percent. Participants were divided into four groups and received tailored messages based on behavioral insights. The first group received a message aimed at incremental goal setting; the second group received a message referring to the five percent matching as a bonus; the third group received a message of "psychological ownership" that framed the full match as a benefit that participants were owed and should claim; and the fourth group was the comparison group. Dr. Perry indicated that the results showed that all messaging groups achieved roughly twice the increase compared to the comparison group. In response to a question from Member Olivares, Dr. Perry and Mr. Courtney indicated that there are various calculators available on [tsp.gov](https://www.tsp.gov) to model retirement and contribution amounts, but not one that allows participants to calculate their final paycheck amount based on different levels of TSP contribution.

Dr. Perry next discussed the growth and impact of the Social Science Program, which has undertaken over a dozen projects in the past five years, reaching nearly 400,000 participants. More than a quarter of these participants took action after outreach, resulting in an estimated 500 million more dollars saved. In conclusion, Dr. Perry highlighted one such recent effort that addressed financial confidence among early-career employees. Social Science Program consulted academics to shape an initiative aimed at younger participants, leading to the launch of the Grow campaign. The campaign aimed to show the potential of early contributions by showing that each dollar invested could grow to 10 over 35 years, using historical data. This initiative included a series of themed educational emails. The Grow campaign achieved high engagement and currently has a dedicated webpage as part of the TSP website, which offers an interactive calculator and educational materials. Dr. Perry noted that in preliminary analysis, participants under 35 years of age who received the Grow messaging were two and a half times more likely to increase their contributions than those who did not initially receive the message, showing increased engagement.

7. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 10:55 a.m. to enter into executive session.

At 2:14 p.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 2:15 p.m.

MOTION: That this meeting be adjourned.

---

Dharmesh Vashee  
General Counsel and  
Secretary

Attachments

1. Participant Activity Report October 2024
2. September 2024 Investment Program Review
3. Quarterly External Audit and Remediation Status October 2024

4. FY2024 4th Quarter Budget Review
5. Internal Audit Update
6. Office of External Affairs Annual Review
7. Social Science Update 2024