

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 24, 2022

David A. Jones, Acting Chairperson of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 24, 2022, at 10:00 a.m., Eastern 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; 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 Thomas Brandt, Chief Risk Officer.

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 February 23, 2022 Board Meeting.

Acting Chairperson Jones entertained a motion for approval of the minutes of the February 23, 2022 Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on February 23, 2022 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. Ramos reviewed the monthly Participant Activity Report. See "Thrift Savings Fund Statistics February 2022" (attached). Mr. Ramos highlighted that the number of participants receiving the full matching rate continues to climb; Blended Retirement System (BRS) active-duty participants receiving the full match are now at nearly 78 percent, which is up from 68.5 percent last February. The Federal Employees'

Retirement System (FERS) participation rate has reached a new milestone of 95 percent, which is an increase from 94 percent last February. Uniformed Services participation is just over 81 percent, up from 77 percent at this time last year.

Finally, Mr. Ramos noted that the contact centers have been concentrating on staffing and recruitment efforts, and service levels have rebounded in the first few weeks of March.

b. Investment Performance

Mr. McCaffrey reviewed the monthly investment performance report. See "February 2022 Performance Review – G, F, C, S, I, and L Funds" (attached). For the month of February, BlackRock's performance for the F Fund and S Fund exceeded their respective indices by five basis points each, primarily resulting from securities lending. Its performance for the C Fund was in line with the Large Cap Index. Its performance for the I Fund lagged the International Index by 84 basis points, primarily due to a fair value pricing event that occurred on the last trading day of January.

State Street's February performance for the F, C, and S Funds was in line with the Funds' respective indices for the month.

Higher-than-expected inflation reports led to speculation about how quickly the Federal Reserve might raise short-term interest rates. Geopolitical concerns, specifically Russia's invasion of Ukraine, generated even more uncertainty. Many investors sought safety for their assets as a result. Longer-term interest rates ended the month higher nonetheless, contributing to a loss for the F Fund. The C and I Funds declined while the S Fund was relatively flat. All the L Funds posted losses.

For the year to date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index by 14 basis points, primarily due to a difference in the timing of pricing by BlackRock and by the index provider on December 31, 2021. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock's performance exceeded the Small Mid Cap Index by seven basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by six basis points, primarily due to fair value pricing.

State Street's year-to-date performance for the F and C Funds was in line with the Funds' respective indices. For the S Fund, State Street outperformed the Small Mid Cap Index by six basis points, primarily due to securities lending.

For the current month through Wednesday, March 23, the picture is mixed. The C Fund is ahead 1.99 percent. The S Fund is down 0.28 percent and the I Fund has lost 0.86 percent. The F Fund has a loss of 2.62 percent. The G Fund is ahead by 0.12 percent.

Participation in the L Funds increased in February, primarily driven by automatic enrollment of new participants. Participants moved an approximate net 7.6 billion dollars into the G Fund. Mr. McCaffrey noted that only 2.22 percent of participants conducted an interfund transfer (IFT) in February and, thus, 97.78 percent of participants did not conduct an IFT. Through the first two months of 2022, 3.96 percent of participants have conducted an IFT.

Member Jasien asked how the multi-manager program is working and whether any operational challenges exist. Mr. McCaffrey stated that the Agency has been very pleased with the multi-manager program, and there have been no major operational challenges. The coordination between the two managers has more than met Agency expectations.

c. Legislative Report

Ms. Weaver provided several updates to the Board. The Senate Homeland Security and Governmental Affairs Committee held a hearing on the five nominees for the Board on March 10, 2022. Committee mark-up for these nominees is scheduled for March 30, 2022.

North Carolina Representative Ted Budd introduced a bill that would prohibit the Thrift Savings Plan (TSP) from investing in Russia; Ms. Weaver noted that none of the TSP Funds currently invest in Russia.

Ms. Weaver also provided an update on the Securing a Strong Retirement Act of 2021. This bill, known as the SECURE Act 2.0, is moving to a floor vote in the House of Representatives next week. It currently has two major provisions that will affect the TSP. The first provision is an increase in the required minimum distribution (RMD) age to 73. The RMD age would increase to 74 in 2029, and to 75 in 2032. The second provision requires that all catch-up contributions must be Roth contributions. The Agency has shared concerns about implementation dates to ensure that the Agency has time to plan and program for any required changes.

Member Jasien asked about the next steps for Board nominees after the mark-up in committee. Ms. Weaver stated that after mark-up and referral out of committee, the next step would be a floor vote before the full Senate.

3. Quarterly Vendor Risk Management Report.

Mr. Brandt reported that on a quarterly basis, the Office of Planning and Risk provides the Executive Director and Board members with a synopsis of its Vendor Risk Assessment for key vendors. See "Vendor Risk Assessment Q4 2021" (attached). He reported that there is no indication that the vendors will not be able to fulfill their contractual obligations to the Agency.

4. Enterprise Risk Management Update.

Mr. Brandt provided the enterprise risk management update. See “Enterprise Risk Management Update” (attached). Mr. Brandt reported that the severity of risks is decreasing. This year, the Agency identified 14 risks to track, with the addition of supply chain risk management to the 13 tracked last year. Nine of the risks are rated medium-high; four are rated medium; and one is rated medium-low. Risks rated medium-high require Risk Treatment Plans. Mr. Brandt highlighted work done relating to those medium-high risks: insider threat, information security, human capital management, TSP fraud, data privacy, acquisition planning, and Converge.

Mr. Brandt updated the Board on upcoming Enterprise Risk Management initiatives, including the implementation of an integrated risk management tool that will enable the Agency to integrate supply chain risk management with enterprise risk management, vendor risk management, fraud risk management, and cyber risk management in a manner consistent with both National Institute of Standards and Technology (NIST) and Office of Management and Budget (OMB) guidance.

Acting Chairperson Jones asked for additional details on the new risk management tool. Mr. Brandt replied that this tool allows the Agency to integrate several different processes as part of the same system. This new tool also automates processes that were previously performed manually. Mr. Brandt thinks that it will provide a more user-friendly experience for all parts of the organization in supporting risk assessment and risk management activities. Acting Chairperson Jones asked whether this tool is used widely in other government agencies, and Mr. Brandt noted that it is used within other organizations, but the Agency may be among the leading agencies in implementing and deploying a Governance, Risk, and Compliance (GRC) tool.

5. Internal Audit Update.

Ms. Barbara Holmes, Chief Audit Executive, provided the internal audit update. See “Internal Audit Update” (attached). Ms. Holmes reviewed the status of the 2022 internal audit plan. Since she previously presented, two audit projects have been completed.

Ms. Holmes stated that there is a new Records Management File Plan review scheduled for this year that will cover all program offices. This is a precursor to a records management audit that will occur in 2023. This review should not take a significant amount of time from the program offices, and she will provide reports to the Board for each office. The audit began with a review of the Office of the Executive Director’s shared drive file plan, and the auditors issued one Notification of Findings and Recommendations (NFR).

Ms. Holmes reported on the business continuity management audit, which included one suggestion for improvement and no NFRs.

Ms. Holmes provided an update on the status of internal open audit findings. Four of the five open findings from 2021 relate to the capital asset management audit and should be remediated by the third quarter of 2022.

Ms. Holmes concluded her presentation by stating that the Agency has executed the internal audit blanket purchase agreement and selected and onboarded the vendor to conduct 2022 performance audits. The Agency has also selected the vendor for the 2022 annual Federal Information Security Modernization Act (FISMA) audit and is currently onboarding those contractors.

6. Converge Update.

Mr. Tanner Nohe, Converge Program Manager, provided an update on Converge. See “Converge Update for March 2022” (attached). Mr. Nohe stated that FRTIB remains on track for all five functional areas: data and payroll office readiness, security, service readiness, platform, and participant communications.

Mr. Nohe provided an update on data and payroll office readiness, noting that the Agency was able to successfully transfer its final round of test data at the end of February. Payroll office readiness efforts remain on track, with 72 percent of interconnection security agreements signed; all agreements should be completed by the end of April. For payroll agencies with secure connections, the Converge program continues data testing while also conducting payroll portal training. Memorandums of Understanding have been signed for all 92 originally identified payroll offices; for agencies added after November, the Converge program is targeting end of March. For agencies that needed to be credentialed for the new payroll portal, 100 percent of authorizers have been identified, and 97 percent of agency users have been credentialed.

The Converge Program achieved a major program and security milestone with the approval and issuance of the Authority to Operate (ATO) granted at the end of February.

Mr. Nohe reported that the Converge team has finished user acceptance testing and completed results or remediations from those sessions at the end of February. Any remaining defects or enhancements are on schedule to be completed between now and early May. The Converge teams have started a performance assessment, which is the period of time when they test processes and functionality on an end-to-end basis.

Communications to participants have started, and the Converge Program has reached out multiple times through several channels around the “Get Excited” campaign. Over the next few weeks and into mid-April, a notice will also be sent out through mail and e-mail depending on available participant contact information.

Mr. Nohe noted that the last milestone the program hit was the ATO on February 28; the Converge program is on track for the rest of the milestones. The next milestone will be within the next few weeks around business continuity.

Acting Chairperson Jones expressed confidence in the Converge team, and he asked whether participants are providing any feedback. Mr. Nohe responded that some contact centers have received questions around some communications, but nothing out of the ordinary. Chairman Jones asked for what percentage of participants the Agency does not have an email address and how that is taken into consideration regarding communications. Mr. Courtney responded that the Agency has about 3.5 million email addresses for about 6.5 million participants, and that the Agency included a message previewing Converge changes within the annual statement that all participants receive. For updates about planned downtime, the Agency has emailed participants if the Agency has an email address and mailed a notice to participants if the Agency has a mailing address. Mr. Courtney also stated that all relevant information would be on the website and that the Agency will be working with trusted third parties, including agency human resources divisions and the Employee Thrift Advisory Council (ETAC).

7. Adjourn.

On a vote taken by the Acting Chairperson, the members closed the meeting at 10:37 a.m. for executive session.

At 11:13 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 11:14 a.m.

MOTION: That this meeting be adjourned.

Attachments

1. Thrift Savings Fund Statistics February 2022
2. February 2022 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Risk Assessment Q4 2021
4. Enterprise Risk Management Update
5. Internal Audit Update
6. Converge Update for March 2022