



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

June 26, 2017

Employee Benefits Security Administration Performance Audit of the Thrift Savings Plan
Lifecycle Funds Process dated April 14, 2017

Audit Scope Period:

April 1, 2015 through September 30, 2016

Audit Objectives:

- Determine if the Agency had implemented certain procedures to (1) rebalance the L Funds on a daily basis to reflect the fund's target allocation for the current quarter; (2) adjust the asset allocations of the L Funds each quarter based on each fund's prescribed time horizon; (3) review the assumptions of the L Funds at least annually to determine whether any changes to the allocations are warranted; (4) conduct the most current assumptions review in accordance with the terms of the contract between the Agency and the vendor; (5) accurately calculate the published ratio of the administrative expenses per \$1,000 of account balance in the L Funds; and (6) verify that the published asset allocations for each L Fund agree to the actual asset allocation;
- Determine if the assumptions used to develop the L Funds' allocations, as identified in the vendor's annual review as of September 2015, were consistent with industry benchmarks;
- Test compliance of the TSP L Funds process with 5 CFR 1601.40; and
- Determine the status of the prior EBSA TSP open recommendation reported in the *Performance Audit of the Thrift Savings Plan Lifecycle Funds Process, December 17, 2015*.

Audit Results:

EBSA concluded that for the period April 1, 2015 through September 30, 2016, the Agency implemented certain procedures to (1) rebalance the L Funds on a daily basis to reflect the fund's target allocation for the current quarter; (2) adjust the asset allocations of the L Funds each quarter based on each fund's prescribed time horizon; (3) review the assumptions of the L Funds at least annually to determine whether any changes to the allocations are warranted; (4) conduct the most current assumptions review in accordance with the terms of the contract between the Agency and the vendor; (5) accurately calculate the published ratio of the administrative

expenses per \$1,000 of account balance in the L Funds; and (6) verify that the published asset allocations for each L Fund agree to the actual asset allocation. EBSA determined the assumptions used to develop the L Funds' allocations, as identified in the vendor's annual review as of September 2015, were consistent with industry benchmarks.

EBSA presented four new recommendations related to controls over the lifecycle funds process. EBSA also reviewed one prior EBSA recommendation related to the TSP lifecycle funds process to determine its current status. That recommendation remains open.

As a result of EBSA's compliance testing, EBSA did not identify any instances of noncompliance with Agency Regulations.