



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 23, 2015

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on February 23, 2015, at 10:01 a.m., Eastern Time. The meeting was open to the public at the Board's offices at 77 K Street, N.E. In attendance were Dana K. Bilyeu of Nevada, member (by telephone); Ronald D. McCray of Texas, member (by telephone); David A. Jones of Connecticut, member (by telephone); William S. Jasien of Virginia, member (by telephone); Greg Long, Executive Director; James B. Petrick, Secretary and General Counsel; Mark E. Walther, Chief Operating Officer; Tracey A. Ray, Chief Investment Officer; Renée C. Wilder, Director, Office of Enterprise Planning; Kimberly A. Weaver, Director, External Affairs; Thomas K. Emswiler, Director, Office of Participant Operations and Policy; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; Gisile Goethe, Director, Office of Resource Management; Miriam Settles, Deputy Director, Office of Communications and Education; Scott Cragg, Chief Technology Officer, and Charles Bradshaw, Executive Advisor to the Executive Director.

1. Approval of the minutes of the January 26, 2015 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the January 26, 2015 Board member meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board member meeting that was held on January 26, 2015 be approved.

2. Thrift Savings Plan (TSP) activity report by the Executive Director.

Mr. Long gave opening remarks, and indicated that it was currently Military Saves Week. Ms. Settles then explained the Office of Communication and Education (OCE)'s efforts to reach out to military members, which include messages on TSP.gov and Agency visits to the Pentagon to speak with participants. Member Jasien suggested that next year, the Agency work to develop webinars for military members stationed further abroad, and Mr. Long agreed to explore that option.

Mr. Walther addressed an issue with contacting the TSP Call Centers. The day after Presidents' Day is normally the highest call volume day of the year for the TSP. This year the day coincided with a snowstorm across Virginia, closing one of the call centers. This resulted in the TSP phone system reaching its capacity and prevented some participant phone calls from being completed. Mr. Walther reported

that the Office of Technology Services treated this matter with utmost priority and was working to quickly resolve the issue.

a. Monthly Participant Activity Report

Mr. Emswiler provided an overview of the Monthly Participant Activity Report. See "Thrift Savings Fund Statistics" (attached). The total plan balance dipped in January from \$439 billion to \$436 billion, but Roth balances grew to over 494,000 accounts with over \$2.2 billion in Roth dollars invested in the TSP. The participation rate, which had dropped to 86.9 percent in December, reached an all-time high of 88 percent in January. The number of loans was down 19 percent in January. Finally, roll-ins, which are typically low in January, remained high with \$94 million for the month.

b. Monthly Investment Performance Report

Ms. Ray reviewed the fund performance memorandum entitled "January Performance Review – G, F, C, S, I, and L Funds" (attached). Ms. Ray examined the tracking error of the BlackRock-managed funds versus their underlying indices. Ms. Ray noted that all funds closely tracked those indices except for the I Fund, which out-performed by 71 basis points. This was due to the reversal of the fair value adjustment at the end of December; she indicated that she expected to see that impact on all of the year-to-date numbers.

For February to date, the F Fund decreased by 1.6 percent, the C Fund increased by 6 percent, the S Fund increased by 6.4 percent, and the I Fund increased by 5.5 percent. She concluded by stating that the ten-year Treasury yield rate hit a low yield of 1.64 percent at the end of January, which explains the gains by the F Fund for January; that same Treasury was now at 2.11 percent, which explained why the F Fund was down 1.6 percent.

c. Legislative Report

Ms. Weaver noted that hearings on the Military Retirement Commission report will be held in both the House and Senate. The Office of External Affairs has been receiving requests for information on the Report and has been responding accordingly. Ms. Weaver also stated that the nominations for Chairman Kennedy and Board Member Jones are now ready for action by the Senate.

3. Internal Audit Plan

Mr. Long provided a brief summary of the creation of the Internal Audit Division and introduced Mr. Derek Richardson, Head of the Internal Audit Division, who presented the first Internal Audit Plan (attached). Mr. Richardson described the integrated approach to managing risk throughout the Agency and the risk management lines of defense. He highlighted that the Internal Audit Division plays an independent role conducting risk-based testing of internal functions.

Mr. Richardson explained the life cycle of the internal audit process, which begins with planning the annual audit plan and progresses through the initial audits. He explained the risk assessment methodology and detailed how Internal Audit identifies areas that are high-risk, medium-risk, and low-risk and then selects areas from the medium-risk and high-risk areas to propose to be audited. He indicated that some high-risk areas may not be internally audited because they are already covered by the external auditors.

Mr. Richardson then presented the proposed audit plan for the year. The four areas to be audited were: (1) TSP Daily Investment Processing, (2) Manual Adjustments, (3) Procurement and Contract Management, and (4) Vendor Management. He then requested the Executive Director's and the Board's approval for the plan.

Mr. Long stated that he supported the proposed annual audit plan and that he felt it was appropriate for the Board to vote on it when they were ready. Chairman Kennedy agreed, thanked Mr. Richardson for putting the annual audit plan together, and emphasized that the Internal Audit Division is a high priority for the Board. Board Member Bilyeu asked if he was targeting the end of the fiscal year to complete all four audits. Mr. Richardson said that he was targeting the end of the fiscal year. He indicated that he at least expected all four audits to have been started before the end of the fiscal year, with the Board getting regular progress reports throughout the year.

With no further questions from the Board, the following motion was made, seconded, and adopted without objection:

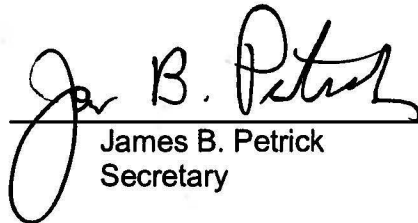
MOTION: That the proposed audit plan for fiscal year 2015 be approved.

4. Adjourn.

Whereupon, there being no further business, the following motion was

made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 10:35 a.m.

MOTION: That this meeting be adjourned.



James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. January 2015 Performance Review –G, F, C, S, I, and L Funds
3. FY 2015 Internal Audit Plan