



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 25, 2015

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 25, 2015, at 12:30 p.m., Eastern Time. Parts of the meeting were open to the public and parts of the meeting were closed at the Board's offices at 77 K Street, N.E. In attendance were Dana K. Bilyeu of Oregon, member; Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Greg Long, Executive Director; James B. Petrick, Secretary and General Counsel; Mark E. Walther, Chief Operating 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; Ravindra Deo, Chief Investment Officer; and Charles Bradshaw, Executive Advisor to the Executive Director.

1. Executive Session.

Chairman Kennedy called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 12:34 p.m. On a vote taken by the Chairman, the members immediately closed the meeting for executive session.

At 1:33 p.m., upon completion of the executive session, the members convened the open portion of the meeting.

2. Approval of the Minutes of the May 18, 2015 Joint Board Member and ETAC Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the May 18, 2015 joint Board member and ETAC meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the joint Board member and ETAC meeting that was held on May 18, 2015 be approved.

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

Mr. Long gave opening remarks, including a brief summary of the agenda for the meeting. Mr. Long also addressed the two recent OPM cyber breaches. He stated that TSP account numbers are never shared with OPM and, therefore, TSP data was not affected by the two breaches. Mr. Long provided information about the steps the Agency has taken to continue to protect TSP account information in light of the

breaches, including redesigning knowledge-based questions used to authenticate participants, offering the option of putting an administrative hold on a concerned participant's TSP account, and continuing to rigorously examine the Agency's cybersecurity posture and practices.

a. Monthly Participant Activity Report

Mr. Emswiler reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The overall Plan balance increased by approximately \$4.5 billion to \$458 billion, and Roth balances increased by approximately \$145 million to \$2.8 billion. Over the past year, traditional balances grew by approximately 10 percent and Roth balances grew by approximately 100 percent. The average account balance for a FERS participant grew by almost \$1,000 in May 2015. Since May 2014, the average account balance for a FERS participant increased by approximately 6 percent. The FERS participation rate remained steady at the all-time high of 88.5 percent. The CSRS population 10 years ago was approximately 431,000 and is currently slightly over 100,000 and will continue to diminish. The number of uniformed services participants with Roth accounts grew to 290,000, which is an increase of about 13,000 over last month. Uniformed services participants now hold approximately 51.1 percent of Roth accounts despite representing only 24 percent of the TSP's participant population and approximately 38 percent of uniformed services participants have Roth accounts. Participant roll-ins totaled approximately \$104 million for May, down from the previous month. However, Mr. Emswiler indicated that roll-ins for the year still have the potential to reach an all-time high of \$1.25 billion.

b. Monthly Investment Performance Report

Mr. Deo reviewed the monthly investment performance report. See "May 2015 Performance Review – G, F, C, S, I, and L Funds" (attached). All of the TSP funds tracked the benchmarks for May very closely except for the I Fund, which had a positive tracking error of 9 basis points, mostly due to the tax effect. For the year to date, the F, S, and I Funds all had positive tracking errors due to the following: (1) for the F Fund, pricing and securities lending; (2) for the S Fund, sampling and securities lending; and (3) for the I Fund, the fair value pricing adjustment on December 31, 2014.

In May, the F Fund declined by 0.26 percent due to the increase in interest rates resulting from the strength of the U.S. economy, and the I Fund declined by 0.42 percent due to a 2 percent gain in the U.S. dollar.

In June to date, there has been an enormous amount of volatility due to the strength of the U.S. economy and the economic situation in Greece. The F Fund decreased by 1.22 percent.

c. **Legislative Report**

Ms. Weaver provided an update on the Department of Defense Authorization bill which would automatically enroll new uniformed services members in the TSP on a prospective basis at a contribution rate of 3 percent. Both the House and the Senate have passed their respective versions of the bill, which will be going to conference imminently. In addition, the Department of Defense has submitted its own version of the bill for conference. There are three main differences between the House and Senate bills and the Department of Defense bill that will need to be reconciled: (1) the House and Senate bills would invest automatic contributions in the traditional TSP age-appropriate fund whereas the Department of Defense bill would invest contributions in the Roth TSP age-appropriate fund; (2) the House and Senate bills provide for employer matching contributions to start at the beginning of year 3 whereas the Department of Defense bill would start employer matching contributions at the end of year 4; and (3) the House and Senate bills are effective October 1, 2017 whereas the Department of Defense bill is effective January 1, 2018. Ms. Weaver indicated that the Agency has raised one minor technical issue with respect to this proposed legislation but, so far, expects the bill to be workable for the FRTIB. Ms. Weaver also noted that the Senate approved and sent to the President for signature a bill to enable federal law enforcement officials and state and local public safety officers to make withdrawals from the TSP at the age of 50 without incurring penalties, effective December 31, 2015.

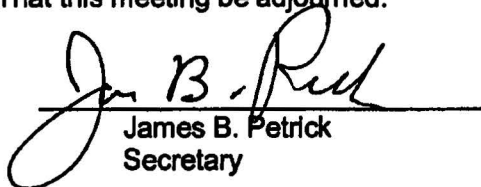
4. **Office of External Affairs Report.**

Ms. Weaver presented the Office of External Affairs Annual Board Report (attached). She provided an overview of the role of the Office of External Affairs, its internal organization, and the Agency's Congressional Oversight Committees. Ms. Weaver also reported on the 21 bills referencing the TSP that have been introduced since January. Ms. Weaver predicted that interest in the TSP will continue and noted that the Agency's evaluation criteria for proposed legislation will remain "the best interest of the participants and beneficiaries."

5. **Adjourn.**

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 2:07 p.m.

MOTION: That this meeting be adjourned.


James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. May 2015 Performance Review – G, F, C, S, I, and L Funds
3. Office of External Affairs Annual Board Report