



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 17, 2018

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 17, 2018, at 8:30. 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 Oregon, member (by telephone); Ronald D. McCray of Texas, member; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Ravindra Deo, Executive Director; Megan G. Grumbine, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer; Renée C. Wilder Guerin, Director, Office of Enterprise Planning; Kimberly A. Weaver, Director, External Affairs; Susan Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk 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 Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the October 22, 2018 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the October 22, 2018 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 October 22, 2018 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" (attached). Mr. Ramos noted a new contact center was opened in Texas to assist with increasing volumes and peak season fluctuations. Roll-in activity continued to exceed expectations with \$131 million in October and a cumulative total of \$1.11 billion. The TSP is on track to exceed the previous \$1.33 billion record set in 2017. Mr. Ramos added that the Uniformed Services participation rate rose to 55.7 percent.

b. Monthly Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See "October 2018 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey noted that for the year to date, the F Fund was ahead of the Fixed Income Index by 16 basis points, primarily due to securities lending. The C Fund was in line with the Large Cap Index. The S Fund was ahead of the Small-Mid Cap Index by 20 basis points, primarily due to securities sampling and securities lending. And the I Fund was ahead of the International Index by 40 basis points, mostly due to tax effect.

Mr. McCaffrey noted that sentiment toward U.S. stocks turned negative largely because of increased U.S. interest rate fears and trade policy concerns that dominated the positives from a good corporate earnings picture and economic growth. The C Fund and the S Fund lost significant ground, pushed lower by broad U.S. stock declines across companies of all sizes. The I Fund also declined with international stock and the dollar's rising value. Higher interest rates drove the F Fund's losses. All of the L Funds' returns were negative for the period.

For the month so far, all equities are in a loss position. The C Fund is behind by 1.22 percent; the S Fund declined by 15 percent; the I Fund is down 41 percent; and the F Fund is holding gains at 44 percent. Mr. McCaffrey noted that interfund transfer activity was lower than feared through the first part of the month, given the high level of stock market volatility. During the latter part of the month, transfer activity picked up significantly; it was the second highest levels of transfer activity of the year into the G Fund after February, both on an absolute basis and on a percentage basis. L 2050 Fund ownership continued climb in; this was expected as a result of the Uniformed Services auto-enrollment under the Blended Retirement System.

c. Legislative Report

Ms. Weaver reported that Congress was back in session and had until December 7th to finish seven appropriation bills for the remainder of FY 2019, which includes the provision for federal employee pay raises.

3. Quarterly Metrics Report

Geof Nieboer provided an overview of the Agency's performance metrics for the 4th quarter of FY 2018. See "Performance Measurement Report: 4th Quarter Fiscal Year 2018" (attached). Mr. Nieboer noted that on July 3rd, participant account information was temporarily unavailable, due to an issue with the disc subsystem on the mainframe; the issue was fixed and had almost no participant impact. An extensive root cause analysis was completed and is now being reviewed to determine any preventative actions that can be taken.

Mr. Nieboer noted that one additional finding was closed from the high priority finding list in the 4th quarter. Rather than concentrating efforts solely on the

closure of high priority findings, the Agency is concentrating on mitigating risk; this is a more effective approach to reduce the overall risk. Mr. Nieboer noted that the goal for the Federal Employees Retirement System (FERS) matching contribution rates was not met, however, the results were consistent with the FY 2017 results and were over ten percent higher than the industry average.

4. Office of Participant Services Annual Report

Mr. Ramos provided the Office of Participant Services (OPS) annual report. See "OPS Annual Report Presentation" (attached). Mr. Ramos highlighted OPS's functional statement and organizational structure. OPS administers daily operations and shapes policies, procedures, and process to help TSP participants and beneficiaries achieve their desired outcomes. On average, OPS processes 1,500 phone inquiries per month. The contact center processes approximately 334 eforms per month. In FY 2018, 9,991,192 contributions were processed; and 673,063 forms were processed. Mr. Ramos noted that the total returned mail was 434,624. OPS is considering contracting options for services to assist in locating lost participants; the goal is to have a contract in place sometime this year. The total forms reviewed/case worked was 13,763 through the month of September.

Member Jasien asked if there was a plan to use fully automated forms and DocuSign. Mr. Ramos responded participants use form wizards to assist them in completing the forms; they also help prevent common mistakes. Wet signatures are required on all TPS forms. Ms. Grumbine added that by law certain forms have to be signed but there is some flexibility available to allow for electronic signatures.

Finally, Mr. Ramos highlighted the customer satisfaction rates for FY 2017. The Thrift Savings Plan overall satisfaction rating was 90 percent; the flexibility of withdrawal options rating was 62 percent; the ability to take a loan from a TSP account rating was 75 percent; and the rating for the ability to transfer money from IRAs or other eligible retirement plans into TSP was 64 percent. Mr. Ramos added that the projects we have undertaken related to loans and withdrawals are in direct response to pain points in the survey. Chairman Kennedy asked how frequent the customer satisfaction surveys were conducted. Ms. Wilder Guerin responded every two years, but that the goal was to move to annual surveys. Paper surveys are generally used, however, in 2017, surveys were emailed to TSP participants whose email addresses were on file.

5. Office of Enterprise Planning Annual Report

Ms. Wilder Guerin provided the Office of Enterprise Planning (OEP) annual report. See "OEP Annual Report Presentation" (attached). Ms. Wilder Guerin highlighted OEP's functional statement and organizational structure, and FY 2018 notable accomplishments. OEP supports Federal Retirement Thrift Investment Board (FRTIB) planning—from vision and strategy through implementation, measurement, and continuous improvement—in order to inform and shape its direction and administration of the TSP. In FY 2018, OEP continued to monitor and report progress on 2017 – 2021

strategic planning. The Agency managed several projects, including blended retirement and Plan Operations Modernization Portfolio (POMP).

The enterprise business processes documents the key business processes currently operated by the Agency and TSP. There are currently 223 processes. Ms. Wilder Guerin also noted that there are several key initiative for FY 2019, including continuing to monitor the POMP initiative, the withdrawal project, the L Fund expansion, the website redesign, the multi-manager initiative, completing the enterprise data inventory, prioritization of work in preparation for Recordkeeping Services Acquisition (RKSA) transition, maturing enterprise business processes and coordination with enterprise risk, and the acquisition lifecycle assessment.

Ms. Wilder Guerin noted that the TSP participation rate is 92.6 percent as opposed to 84 percent prior to automatic enrollment. The current deferral rate is 8 percent, down from around 10 percent in 2009. Member Jasien asked if auto-escalation had been considered. Mr. Deo responded that auto-escalation would require a statute change. He also noted that the Employee Thrift Advisory Council (ETAC) disfavored changing the statute to add auto-escalation when it was considered in the fall of 2016.

Ms. Deo noted that FRTIB had a project underway raising the auto-enrollment percentage from 3 to 5 percent. Mr. Jasien noted that 5 percent was still not enough to provide participants/beneficiaries with adequate replacement income. Mr. Deo indicated that the FRTIB would re-engage with ETAC on the issue of auto-escalation.

6. Additional Withdrawals Project

Tanner Nohe provided an Additional Withdrawal Project update. See "Additional Withdrawals Project Presentation" (attached). Mr. Nohe highlighted that the TSP Modernization Act was signed in November 2017; the act allows the TSP to add additional withdrawals options. FRTIB has until November 17, 2019, to implement the changes. He noted other fundamental TSP changes: there will no longer be a withdrawal deadline that requires participants that are 70 and a half to make a full withdrawal election; there will be additional payment options—participants will be allowed to obtain monthly, quarterly, and annual installment payments anytime during the year.

Participants will be able to make changes to their installment payments through the TSP-95 form. Participants who separate will be able to take partial withdrawals even while receiving installment payments. There will no longer be a full withdrawal requirement and limit to post-separation partial withdrawals. Participants who have separated will be allowed to take a partial withdrawal every 30 days. There will be up to four age-based in-service withdrawals per calendar year. TSP will no longer suspend contributions for six months after hardship distributions. Mr. Nohe noted that there are three new withdrawal forms: the TSP 94, TSP-95, and TSP-99; there are also four new withdrawal form wizards. The project was broken up into three

phases. Phase one is the withdrawal maintenance form; phase two is the post-separation distribution; and phase three is the in-service withdrawals and hardship withdrawals.

Member McCray asked if coaching is provided to participants who have questions regarding the optimal income withdrawal stream. Mr. Deo responded FRTIB provides general guidance but does not coach participants or provide investment advice.

Mr. Nohe gave an overview of the project timeline/schedule and project risks. He said that the main risk to the successful implementation of the project is missing requirements. He noted that the proposed regulation will be posted next year for comment. If a large number of public comments are received, it could impact the timeline. In addition, any project scope changes could impact the timeline. He also noted that there have been numerous changes made and over 200 pages of requirements have been updated. The goal is to identify issues in the testing phase.

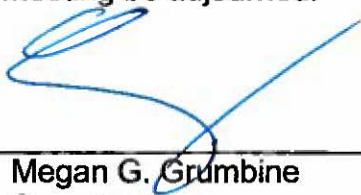
7. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 9:59 am for executive session.

At 12:15 pm 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 Chairman Kennedy adjourned the meeting at 12:16 pm.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. October 2018 Performance Review – G, F, C, S, I, and L Funds
3. Performance Measurement Report: 4th Quarter Fiscal Year 2018
4. OPS Annual Report Presentation
5. OEP Annual Report Presentation
6. Additional Withdrawals Project Presentation

