



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 23, 2015

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 23, 2015, at 8:30 a.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 (by telephone); 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; Tracey A. Ray, Outgoing Chief Investment Officer; Ravindra Deo, Incoming 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; Anne Beemer, Deputy Chief Risk Officer; Gisile Goethe, Director, Office of Resource Management; Jim Courtney, Director, Office of Communications and Education; Scott Cragg, Chief Technology Officer, and Charles Bradshaw, Executive Advisor to the Executive Director.

1. Closed Session.

On a vote taken by the Chairman, the members closed the meeting at 8:30 a.m. for Executive Session. At 10:00 a.m., upon completion of the Executive Session, the members convened the open portion of the meeting.

2. Approval of the minutes of the February 23, 2015 Board member meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the February 23, 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 February 23, 2015 be approved.

3. Chief Investment Officer Transition.

Mr. Long gave opening remarks, and introduced the members of the board to the Agency's new Chief Investment Officer, Ravindra Deo. Mr. Long indicated that there would be a transition period between Ms. Ray and Mr. Deo. Mr. Deo gave an overview of his career, which includes over 20 years in the private sector working

with large pension funds and 401(k) plans. Chairman Kennedy welcomed Mr. Deo to the Agency.

4. Thrift Savings Plan ("TSP") Activity Report by the Executive Director.

a. Monthly Participant Activity Report

Mr. Emswiler provided an overview of the Monthly Participant Activity Report. See "Thrift Savings Fund Statistics" (attached). The plan assets grew in February from approximately 436 billion to 451 billion dollars. The participation rate had reached an all-time high of 88 percent in January and rose slightly to 88.1 percent in February. The number of hardship withdrawals was approximately 6,500, down from an average of 10,000 per month. Participant roll-ins were down from 94 million dollars in January to 91 million dollars in February, but Mr. Emswiler pointed out that February contained three fewer business days and that this is still a very positive result.

b. Monthly Investment Performance Report

Ms. Ray reviewed the memorandum entitled "February 2015 Performance Review – G, F, C, S, I, and L Funds" (attached). Ms. Ray examined the tracking error of the funds versus their underlying indices. Ms. Ray noted that all funds closely tracked those indices for the month. For the year-to-date, the fixed income fund outperformed by 7 basis points, primarily because of securities lending income and pricing differences.

For March to date, the F Fund was up 0.32 percent, the S Fund was up 2.4 percent, and the C and I Funds were essentially unchanged. Ms. Ray noted that a strong dollar had a significant impact on the value of international stocks, observing that the I Fund would be up approximately 10 percent more if valued in local currencies rather than United States dollars. The rise in the value of the dollar has also influenced the C Fund's underperformance relative to the S Fund. Lastly, Ms. Ray noted that participants have increased interfund transfers into the I Fund, resulting in the first positive flow for two consecutive months into the I Fund since October and November of 2013.

c. Legislative Report

Ms. Weaver noted that the Military Compensation and Retirement Modernization Commission's final report continued to spark hearings in Congress. House and Senate committees approved budget resolutions; the House budget

resolution called for 100 billion dollars in savings in the jurisdiction of the Government Reform and Oversight Committee. Ms. Weaver reported that the committee report accompanying the House resolution offered examples of how such savings could occur, which included increased contributions to the defined benefit portion of the Federal Employees Retirement System ("FERS"), increased attrition in federal employee rates, and a change to the G Fund interest rate from the current average yield of all U.S. Treasury securities with 4 or more years to maturity to a three-month maturity. Ms. Weaver noted that this change would create a significant negative impact to the utility of the G Fund for participants. Ms. Weaver addressed the remaining legislative steps ahead for the budget resolution. Member Bilyeu asked about the amount of savings assigned to the increased contributions to FERS. Ms. Weaver replied that those amounts were 32 billion dollars regarding the G Fund change and 59 billion dollars for federal employee attrition over 10 years. Chairman Kennedy offered the Board's support to Ms. Weaver's conversations with congressional staff as to the negative impact of the budget resolution's G Fund earnings recommendation.

5. Quarterly Metrics Report.

Ms. Toni Bush Neal addressed first quarter fiscal year 2015 performance measures, highlighting a slight increase in active duty uniformed service member participation and a slight increase in the FERS average participation rate. Ms. Bush Neal then spoke to those metrics that did not meet target goals or thresholds.

Under Strategic Goal 2, "Ensuring FRTIB is a Great Place to Work," Ms. Bush Neal reported that the Agency did not meet its goal of having 100 percent of staff member performance plans in place by December 5th, but did complete 100 percent of performance plans by December 22nd. Additionally, Ms. Bush Neal commented that the Agency's ranking within the Federal Employee Viewpoint Survey ("FEVS") fell from number five to number 10 among small agencies. Ms. Bush Neal reported that the Agency has put in place initiatives to obtain more detailed feedback from staff members in order to understand this change. Ms. Goethe added that the Agency has retained support to help the Agency analyze the FEVS data and target areas for improvement. Mr. Long noted that the Agency's staff numbers have increased significantly and that changes that will have a positive long-term impact on Agency operations may cause short-term disruption.

Under Strategic Goal 3, "Pursuing Flawless Operations," Ms. Bush Neal highlighted the metric regarding written participant correspondence. For the quarter being reported, the Agency missed the threshold objective by approximately seven percent. Mr. Emswiler responded that the shortfall was due to delays in training nine

new participant service representatives, increased call length due to the introduction of password reset, and placing a higher priority on call center phone metrics versus five-day response time to mail correspondence.

Ms. Bush Neal concluded her remarks by reporting that that no new audit reports were issued in the quarter, and all audit findings scheduled to close did so. Ms. Bush Neal also noted the Agency's progress on system authorization completion and progress against the strategic initiatives, specifically, the decision intelligence portfolio.

6. Office of the Chief Financial Officer Report.

Ms. Crowder presented an overview of the Office of the Chief Financial Officer ("OCFO"). See "OCFO Annual Report to the Board" (attached). Ms. Crowder spoke on OCFO's functional statement, organizational structure, office reorganization, functional outlines of the new groups created by the reorganization, and notable OCFO accomplishments in Fiscal Years 2014 and 2015.

Ms. Crowder noted OCFO's functional statement: to provide leadership and support to the Agency and stakeholders on all financial matters. Ms. Crowder delivered a brief overview of OCFO's historical organizational structure, addressed challenges raised by that structure, and noted benefits of the reorganization. These benefits included enhancement of internal controls by creating a fund management and business and policy division; merging two accounting divisions into a single logically aligned division; establishing a fund management division; restructuring the contracting division to better align with the needs of the program offices; and changing the office name from the Office of Financial Management to OCFO.

Ms. Crowder highlighted numerous OCFO accomplishments. Ms. Crowder addressed and responded to Board Member questions concerning vacancies, cross-training, and continuity of operations. Regarding the latter, Ms. Crowder noted that plans were in place to ensure robust cross-functional dissemination of training to provide continuity.

7. Pensions & Investments East Coast Defined Contribution Conference.

Chairman Kennedy noted two items from his recent attendance at the Pensions & Investments East Coast Defined Contribution Conference. First, he noted that the Office of Communications and Education ("OCE") won an award for excellence in communications based on OCE's "Take 5" campaign. Mr. Courtney described the salient features of the campaign, which was aimed at younger participants, incorporated

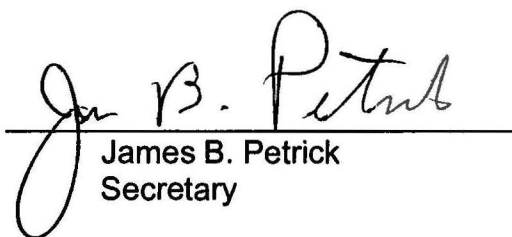
social media and video elements, and led to an 18.4 percent increase in those who were actively contributing among the target audience.

Second, Chairman Kennedy noted that Ms. Wilder had participated on a conference panel addressing retirement income and ensuring that participants were prepared for retirement. Ms. Wilder previewed the Plan's zone of confidence measurement, under which the Agency worked with a consultant to build a model designed to help participants view how their TSP balance translates to retirement income, and noted that it would be available in April. Member Jasien asked whether the measurement would require TSP design changes, and Ms. Wilder responded that it would not. Member Bilyeu asked how the model projected Social Security and Federal Employees' Retirement System annuities, and Ms. Wilder responded that the Agency had reviewed information from the Office of Personnel Management ("OPM") website, talked to OPM actuaries, and made projections based on general Social Security Replacement rates. Therefore, Ms. Wilder concluded, there was no direct tie-in to Social Security by individual, but rather the model would provide projections based on different groups of individuals. Mr. Long noted the model's place as one of a number of TSP innovations designed to provide participants with additional information regarding whether individual participants are on-track with their planned retirement savings.

8. Adjourn.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Kennedy adjourned the meeting at 10:44 a.m.

MOTION: That this meeting be adjourned.



James B. Petrick
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. February 2015 Performance Review –G, F, C, S, I, and L Funds
3. Strategic Performance Metrics: 1st Quarter Fiscal Year 2015
4. OCFO Annual Report to the Board