



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 22, 2016

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on February 22, 2016, 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; David A. Jones of Connecticut, member; Greg Long, Executive Director; Megan G. Grumbine, Secretary and General Counsel; Mark E. Walther, Chief Operating Officer (by telephone); Kimberly A. Weaver, Director, External Affairs; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; Miriam Settles, Deputy Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Scott Cragg, Chief Technology Officer (by telephone); Ravindra Deo, Chief Investment Officer; Renée C. Wilder Guerin, Acting Director, Office of Participant Operations and Policy; Karen Vaughn Peck, Acting Director, Office of Enterprise Planning; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the January 25, 2016 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the January 25, 2016 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 25, 2016 be approved.

2. Thrift Savings Plan (TSP) Activity Report.

Mr. Long gave opening remarks, introducing Megan Grumbine as the new General Counsel. Mr. Long noted that there would be the standard monthly reports, a quarterly report on performance metrics, a report from the CFO, and a presentation on the new blended retirement system for members of the uniformed services.

a. Monthly Participant Activity Report

Ms. Wilder Guerin reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Ms. Wilder Guerin noted that there was an expected increase in the January participation rate up to 88.9%. She also noted that the number of post-separation withdrawals will level off as the year goes on.

Ms. Settles provided an overview of the agency's participation in Military Saves Week which involves 27 training events for the month of February. Ms.

Settles also indicated that the agency's writers will be writing numerous articles for the Military Saves Blog and other military publications. Mr. Long noted that the demand for trainers is high leading to events being done outside of Military Saves Week.

**b. Investment Policy Report**

Mr. Deo reviewed the monthly investment performance report. See "January 2016 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. Deo indicated that in January, Blackrock outperformed in the F Fund due to securities lending and pricing, outperformed in the S Fund due to securities lending and sampling, and outperformed in the I Fund due to fair value pricing. Mr. Deo also noted that the C and S Funds fell due to worries about global economic weakness and oil prices. He also indicated the I Fund fell for the same reasons in addition to the one and a half percent drag because of the strength of the U.S. dollar.

Mr. Deo explained that through the 19th of February, the C Fund is down about 93 basis points, the S Fund is down about 2 percent, the I Fund is down about 3 percent, and the F Fund is up about 52 basis points.

**c. Legislative Report**

Ms. Weaver reported that earlier this month, Senator Jeff Merkley (D-OR) introduced a bill called the American Savings Act. This bill would create a retirement savings scheme similar to the Thrift Savings Plan for all Americans who currently don't have access to retirement savings through their employer. There would be a nine member fiduciary board of which the Executive Director of the FRTIB and three FRTIB Board Members would be fiduciaries to that plan as well. Ms. Weaver noted that there is a lot of focus in the bill on how to invest the money, which would be similar to the funds invested in by the TSP. After discussion with the Board members, Ms. Weaver noted that the bill has not been scored and would not be scored until a committee takes action on the bill.

**3. Quarterly Reports.**

**a. Quarterly Management and Performance Metric Report**

Toni Bush Neal, Management and Performance Division Chief, provided the Quarterly Management and Performance Metric Report. See "FRTIB Performance Measure Report: 1st Quarter Fiscal Year 2016" (attached). As of December 2015, there was a 88.06 percent participation rate for FERS participants. The FERS post-separation retention rate, reflecting the percentage of FERS participants who maintained a balance a year after their separation, trended downward and research is being done to study this trend. Mr. Long noted that there is not high confidence in this number. After inquiry from Chairman Kennedy, Mr. Long noted that there will be an update on this statistic within the next quarter. Ms. Bush Neal indicated that the active duty uniformed service member average participation rate

is 42.79 percent. Ms. Bush Neal noted that this number is expected to increase with the implementation of blended retirement.

Ms. Bush Neal indicated that 100 percent of Agency staff members had performance management plans in place by the October 31, 2015 threshold. She also indicated that the Agency ranked in the top 32 percent of small agencies in the Best Places to Work index based on the Federal Employee Viewpoint Survey.

Ms. Bush Neal noted that there were two days, once in November and once in December in which participant account information was not updated by 8:00 a.m. Eastern Time due to system issues. Mr. Cragg indicated that those two days were related to testing that occurred and a disk storage issue. Ms. Bush Neal indicated that 89 percent of withdrawal transactions were processed within 5 business days of receipt of a valid package. Additionally, 81.27 percent of written requests for information were responded to within 5 business days. Ms. Wilder Guerin indicated that issues with aging scanners and call center volumes had an impact on the withdrawal transaction rate and the participant correspondence rate.

Ms. Bush Neal noted that there were 4 new metrics for the tracking error on the C, S, F, and I funds. She noted that the I fund did not meet its threshold due to fair value pricing at the end of 2015. Board Members Bilyeu and Jones had a discussion about tracking the I Fund error rate. Mr. Long indicated that he would have further discussions with agency staff about the efficacy of the metric.

Ms. Bush Neal noted that two out of the six open external audit findings that were scheduled to close in the first quarter did in fact close. Mr. Walther provided information on the external audit finding closure rate. Mr. Walther indicated that the remaining four were close to being closed and should be closed within a month. Ms. Bush Neal stated that two out of three assessments and authorizations planned for this quarter were completed.

Chairman Kennedy inquired into the amount of yellow and red in the quarterly metric report. Mr. Long indicated that this is not a trend and there is no concern of a long-term operational problem. Chairman Kennedy asked if the open audit findings will have an impact on future audit findings. Mr. Walther indicated there would be no impact on future audit findings.

#### 4. Office of the Chief Financial Officer Annual Board Report.

Ms. Crowder provided the Office of the Chief Financial Officer ("OCFO") Annual Board Report. See "Office of the Chief Financial Officer Annual Board Report" (attached). The OCFO provides leadership and support to all of FRTIB and stakeholders on all financial matters. Ms. Crowder explained the organizational structure of OCFO and the results of the 2015 reorganization.

Ms. Crowder gave an overview of the 2015 accomplishments for the office and the progress made in preparing for the Financial Systems Modernization ("FSM") project. Ms. Crowder indicated that this project would replace some of the out-of-date systems currently in use by the Agency. Ms. Crowder discussed the benefits of the FSM project including the merging of reports and a consolidated general ledger.

Ms. Crowder addressed and responded to Board Member questions regarding the prioritization of the FSM project and not introducing risk into the project. There was further discussion about how the FSM project is related to the implementation of improvements to the Plan's investment structure.

5. Blended Retirement Project Report.

Thomas Emswiler, Senior Advisor for the Uniformed Services, provided a report on the blended retirement project. See "Implementing Uniformed Services Retirement Modernization" (attached). Mr. Emswiler gave an overview of the new blended retirement system which must be implemented by January 1, 2018. The discussion included details of the new system such as a reduced defined benefit for members of the uniformed services, enhanced TSP contributions from the services, and retention bonuses throughout a member's career.

Mr. Emswiler indicated that some of the new features of the system include automatic enrollment for certain Service members and default contributions to an age-appropriate Lifecycle Fund. Service members covered by the new system include members who join on or after January 1, 2018 and Service members with less than 12 years of service as of December 31, 2017 who elect to be covered.

Mr. Emswiler gave an overview of the work being done by the blended retirement project team, including weekly status meetings and working groups with the Department of Defense ("DoD"). Mr. Emswiler addressed and responded to Board Member questions related to increased volumes in the Plan and collaboration with DoD. Mr. Emswiler then provided an overview of error correction procedures that will need to be addressed as a component of the project. Mr. Emswiler indicated that the current project work involved gathering requirements. Mr. Long indicated that there would be periodic reporting on the status of the blended retirement project.

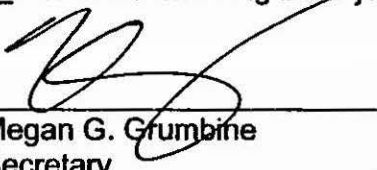
6. Adjourn.

After a brief discussion on prioritization and Agency resources and on a vote taken by the Chairman, the members closed the meeting at 9:49 a.m. for executive session.

At 1:35 p.m., 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 1:35 p.m.

MOTION: That this meeting be adjourned.



---

Megan G. Grumbine  
Secretary

#### Attachments

1. Thrift Savings Fund Statistics
2. January 2016 Performance Review – G, F, C, S, I, and L Funds
3. FRTIB Performance Measure Report: 1st Quarter Fiscal Year 2016
4. Office of the Chief Financial Officer Annual Board Report
5. Implementing Uniformed Services Retirement Modernization