



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

June 26, 2017

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on June 26, 2017, at 8:31 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; William S. Jasien of Virginia, member; Ravindra Deo, Acting Executive Director and Chief Investment Officer; Megan G. Grumbine, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer and Deputy Executive Director; Kimberly A. Weaver, Director, External Affairs; Susan C. Crowder, Chief Financial Officer; Jay Ahuja, Chief Risk Officer; James Courtney, Director, Office of Communications and Education; Gisile Goethe, Director, Office of Resource Management; Renita Anderson, Chief Technology Officer; Tee Ramos, Director, Office of Participant Services; and Renée C. Wilder Guerin, Director, Office of Enterprise Planning; and Ernest Witherspoon, Executive Advisor to the Executive Director.

1. Approval of the Minutes of the May 31, 2017 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the May 31, 2017 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 May 31, 2017 be approved.

2. Monthly Reports.

Mr. Deo gave opening remarks, including a brief summary of the agenda for the meeting. Mr. Deo also introduced David Harvey, the new head of Internal Audit.

a. Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The FERS participation rate remained steady at 90.1 percent and the Uniformed Services participation rate increased slightly to 47.4 percent. Mr. Ramos noted that the number of open accounts for beneficiary participants continued to trend upward, reaching over 20,000 with an average balance of over \$101,000.

#### **b. Monthly Investment Performance Report**

Mr. Deo reviewed the monthly investment performance report. See "May 2017 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. Deo noted that for the month of April, the F Fund was ahead of the benchmark by 4 basis points, primarily due to securities lending, while the I Fund was ahead of the benchmark by 10 basis points, primarily due to tax reclaims. Mr. Deo stated that the C and S Funds matched the benchmark.

Mr. Deo continued his report stating that for the year-to-date returns, the F and S Funds were ahead of the benchmark by 20 and 5 basis points, respectively, primarily due to securities lending, while the I Fund is ahead of the benchmark by 31 basis points, primarily due to tax reclaims. Mr. Deo noted that the C Fund is in line with its benchmark.

Mr. Deo continued his report noting that interest rates declined during the month of May on concerns of future economic growth. This, in turn, increased returns for the F Fund similar to April. The C Fund returns are largely due to positive corporate earnings. Mr. Deo reported that the S Fund did not show any gain due to weaknesses in energy and financials. Mr. Deo concluded his report stating that for the month-to-date returns, the F Fund is up 50 basis points, the C Fund is up 1.21 percent, the I Fund is up 8 basis points, and the S Fund is up 2.36 percent.

#### **c. Legislative Report**

Ms. Weaver reported that on Friday, June 23, 2017, Congressman Cummings, the ranking member of the Oversight and Government Reform Committee, and Congressman Meadows, the Chairman of the Government Operations Subcommittee, introduced the TSP withdrawal legislation, H.R. 3031. In response to a question from Member Jasien, Ms. Weaver explained that the bill now had bipartisan support in both the House and the Senate and that while the bill was currently free-standing, it could be attached to other legislation.

#### **3. Quarterly Vendor Financial Assessment**

Mr. Ahuja provided an update on the operation and financial health of seven of FRTIB's key vendors including, BlackRock Inc., Broadridge Financial Solutions, Inc., Equinix, Inc, MetLife, Inc., Serco Group Plc, Fidelity National Information Services, and Science Applications International Corp. See Quarterly Vendor Financial Assessment (attached). He reported that there was no indication that any of these vendors would be unable to fulfill their contractual obligations to FRTIB.

#### **4. EBSA Audit Reports Update**

Mr. Ahuja provided an update on 9 audits that were recently issued. Mr.

Ahuja explained that overall in these 9 audits, the auditors issued 47 new audit findings, reissued 36 audit findings from previous audits, and closed 16 audit findings.

The first audit Mr. Ahuja discussed was the performance audit of the Thrift Savings Plan Annuity Process, which focused on the process for annuity payments and payments to beneficiaries, in addition to compliance with FERSA. This audit was performed primarily at MetLife facilities. There were three new recommendations and no reissued recommendations. Mr. Ahuja also discussed the performance audit of the Department of Agriculture's National Finance Center, which similar to MetLife, focused on work that was done outside of the Agency. There were no new recommendations and one reissued recommendation as a result of this audit.

Mr. Ahuja also discussed the performance audit of the Thrift Savings Plan Lifecycle Funds Process which focused on the L Funds. As a result of this audit, there were four new recommendations that were issued, and one recommendation that was reissued. The Loans process audit was focused on whether loan transactions were promptly and accurately recorded in the individual participant accounts and resulted in three new recommendations and no reissued recommendations. With respect to the performance audit of the Participant Support Operations, there were six new recommendations and 14 reissued recommendations. This audit focused on whether FRTIB was providing timely and accurate information to TSP participants and was focused primarily on the call centers and their processes.

The National Defense Authorization Act Pre-Implementation Controls audit was the first of two audits on the Blended Retirement Program. This audit focused on developing security, the controls around security, and capacity planning. There were two new recommendations issued. With respect to the Performance Audit of the Service Continuity Controls, there were seven new recommendations and eight reissued recommendations that focused on contingency and recovery planning, segregation of duties, access controls, contract management and policies and procedures.

Mr. Ahuja then discussed the mobile device security and governance control audit and the computer access and security controls audit. Mr. Ahuja noted that the mobile device security and governance control audit was the first one done by the Employee Benefits Security Administration (EBSA) and included 11 new recommendations related to governance structure, access controls, device approval, configuration management, vulnerability management, and policies and procedures. Finally, the audit of computer access and security controls focused on the physical and logical controls over the Agency and included 11 new recommendations and 13 reissued recommendations.

##### 5. IT Update.

Ms. Anderson provided an update on IT security. See "IT Security Remediation Brief" (attached). She explained that she is working on a major

modernization of the Agency's IT infrastructure to address a number of security issues addressed in the audit findings. She stated that, first, the Agency is working on modernizing the infrastructure at both of the data centers, standardizing our assets at remote sites, and implementing an agency-wide access management initiative for secure, two-factor authentication.

Next, Ms. Anderson provided an update that the Agency is encrypting data; implementing additional monitoring tools and new security modernization tools. Ms. Anderson also described the Agency's implementation of Splunk, an IT data analytics, logging, and security monitoring enhancement. Last, Ms. Anderson noted that the Agency will be replacing the workstations at this location.

6. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 8:57 a.m. for executive session.

At 1:57 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 1:58 p.m.

MOTION: That this meeting be adjourned.

  

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Megan G. Grumbine  
Secretary

**Attachments**

1. Thrift Savings Fund Statistics
2. May 2017 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment
4. Performance Audits
  - a. Performance Audit of the Thrift Savings Plan Mobile Device Security and Governance Controls
  - b. Performance Audit of the Thrift Savings Plan National Defense Authorization Act Pre-Implementation Controls

- c. Performance Audit of the Thrift Savings Plan Operations at the U.S. Department of Agriculture's National Finance Center
  - d. Performance Audit of the Thrift Savings Plan Participant Support Operations
  - e. Performance Audit of the Thrift Savings Plan Annuity Process
  - f. Performance Audit of the Thrift Savings Plan Computer Access and Security Controls
  - g. Performance Audit of the Thrift Savings Plan Service Continuity Controls
  - h. Performance Audit of the Thrift Savings Plan Lifecycle Funds Process
  - i. Performance Audit of the Thrift Savings Plan Loans Process
5. IT Security Remediation Brief