



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

MINUTES OF THE MEETING OF THE BOARD MEMBERS

March 25, 2019

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 25, 2019, 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 Ronald D. McCray of Texas, member; David A. Jones of Connecticut (by telephone), 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; Karen Francis, Deputy 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 February 25, 2019 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the February 25, 2019 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 25, 2019 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 highlighted that the hardship withdrawal and participation rates affected by the government shutdown had returned to normal. There was a 44 percent decrease in hardship withdrawals, from 13,000 to 7,300. Mr. Ramos noted uniformed service active duty participation rates are climbing and is currently at 61 percent. FERS participation remained flat, and above the 90 percent target rate. Lastly, Mr. Ramos reported that the BRS opt-in period closed, and the Agency is now in line with DoD after a previously reported two month lag. Board

Member McCray asked if Mr. Ramos had data regarding the median TSP account balance, as opposed to mean. Mr. Ramos responded that he will have that data for the April Board Meeting. Chairman Kennedy asked for an update on Blended Retirement. Mr. Ramos stated Blended is going well, and a technology refresh uncovered hidden capacity in our call centers, so with the addition of the Texas Contact Center, service levels are easily being met across platforms.

b. Legislative Report

Ms. Weaver provided an update on the Senate budget resolution, which was released Friday March, 22nd, and included a \$15 billion reconciliation instruction to the Senate Homeland Security and Governmental Affairs Committee, that suggests an increase in employee contributions to their retirement system. Member Jasien inquired whether the suggested rate was known, or if there were any other specifics. Ms. Weaver replied there were no specifics, and that it is just a suggestion of one way to get to the \$15 billion savings target. Ms. Weaver also indicated there was a G Fund issue and turned to Ms. Crowder. Ms. Crowder reported that, as of March 5th, the Treasury declared extraordinary measures and the G Fund has been operating under those since that time. Ms. Crowder noted this is normal operations for the Agency, and does not negatively impact our participants.

c. Monthly Investment Performance Report

Mr. McCaffrey reviewed the monthly investment performance report. See "February 2019 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. McCaffrey noted that for the month of February, performance for the F, C, S, and I Funds was in line with indices. Performance for the S Fund was ahead of the benchmark by five basis points, primarily as a result of securities sampling.

Mr. McCaffrey noted that the year has gotten off to a good start for many investors. Global stocks increased as a result of favorable results about Federal Reserve Policy, corporate earnings growth, and hope for a trade deal. In the U.S., information technology and industrial stocks performed the best of the eleven sectors. Small company stocks overall performed better than large company stocks. International stocks improved despite concerns about slower growth in Europe and China. The C, S, and I Funds, as well as the L Funds, achieved gains. The F Fund had a small loss as interest rates trended higher.

Mr. McCaffrey reported stocks were mixed this month through the close on Friday, March 22. The C Fund has gained 0.71 percent, the S Fund has lost 2.91 percent, the I Fund is up just 0.11 percent, and the F Fund is higher by 1.59 percent. Lastly, Mr. McCaffrey stated that once again, participants in aggregate were not seeking the perceived safe haven status of the G Fund in February. Instead, there was some movement into the equity funds overall, though inconsistently.

3. Quarterly Vendor Risk Management Report.

Ms. Karen Francis, Deputy Chief Risk Officer, provided an overview of the Office of Enterprise Risk Management's, vendor risk assessment. See "Quarterly Vendor Financial Assessment" (attached). Ms. Francis reported nine vendors were analyzed based on various data, and concluded there is no indication that any of the vendors will be unable to provide their respective services to the Agency.

4. Office of External Affairs Annual Report.

Ms. Weaver presented the Office External Affairs (OEA) Annual Report. See "Office of External Affairs Annual Report" (attached). Ms. Weaver reviewed the Office of External Affairs' functional statement and organizational chart.

Ms. Weaver then reported on relevant committee changes that arose as a result of the previous election cycle.

Ms. Weaver discussed current legislation that involves the Thrift Savings Plan directly, which includes five bills pending that deal with the furlough and lapse of appropriations. Ms. Weaver noted that there was a significant amount of cross-functional work within the Agency to vet these five bills, and provide comments back to the congressional staffs. Ms. Weaver pointed out the Agency's Office of Communication and Education (OCE) was very involved in getting information on our website, to keep participants informed.

Ms. Weaver also reported there are eight bills pending that limit the ability of members of Congress to participate in FERS. Similar bills have been introduced before, and have had very little movement in past Congresses. Ms. Weaver stated that she believed that one or more of the furlough bills will move, however, it is unclear whether it will be a standalone bill.

Ms. Weaver discussed the other types of legislation OEA tracks, including a pending bill that gives the Federal Trade Commission six months to develop and propose a comprehensive privacy law. The Agency will follow that closely to ensure the Agency is on the cutting edge of current privacy structures.

Ms. Weaver further reported the President's budget proposal was released two weeks prior. From the Agency's perspective, the three most notable items that affect federal employees and their retirement are as follows: (1) the reduction of the statutory G Fund interest rate, which has been proposed before, and opposed by the Agency; (2) a new item to provide tax preemption for federal dental and vision programs, which allows premiums to be paid pre-tax; and (3) a proposal for term employees, hired for a maximum of four years, that would eliminate FERS defined benefit, but increase Agency Automatic and Matching Contributions to the TSP. Ms.

Weaver concluded stating that all proposals are analyzed on the basis of whether they're in the best interest of our participants and beneficiaries.

Board Member McCray inquired as to the frequency and nature of the Agency's contact with oversight bodies. Ms. Weaver responded that she sends them the monthly Board meeting materials, and has fairly regular communications to share information. Board Member McCray also inquired whether the Executive Director had regular or occasional visits with the committees, which Ms. Weaver stated has not happened during her tenure with the Agency. Chairman Kennedy stated he has not participated in any courtesy visits either, but is a topic the Board should consider in the future. Board Member Jasien endorsed the idea of courtesy visits.

Chairman Kennedy asked for an update on the American Savings Act, which would have impacted the Board. Ms. Weaver replied that legislation has not been reintroduced yet. Mr. Jasien asked for specifics on the G Fund interest rate. Ms. Weaver stated the budget says "short term" but that the budget does not elaborate as to whether that means the four-week or the 3 month rate. Lastly, Member McCray asked if there have been any inquiries about the TSP restricting its investments from certain countries, or companies that do business in certain countries. Ms. Weaver replied she has not received any such inquiries.

5. Additional Withdrawals Project Update.

Mr. Tanner Nohe, Supervisory Project Manager, provided an update on the Additional Withdrawals Project. See "Additional Withdrawals Project" (attached). Mr. Nohe began by giving a status of all phases of the project, with all three currently in various points of development. Phase One is in testing, with 375 of the 403 test cases completed. Phase Two development is currently at 82 percent, and is getting ready to move into testing. Phase Three development, is at 16 percent completion, and all three phases are moving along as planned. Member Jasien asked if all phases were in line with expectations and schedule, which Mr. Nohe confirmed they are, and additionally noted that there is communications work that is actually ahead of schedule.

Mr. Nohe provided an update on three risks reported last meeting. The first risk dropped off, as it had to do with the furlough at the beginning of the year. The second risk, which deals with the emergency legislation reported by Ms. Weaver earlier, was downgraded from a red risk. The last risk deals with the Web/Wizard, which has been a consistent risk, as the wizards are still being developed. Mr. Nohe noted this risk will stay red for a few more months, until Phase Three moves further along.

Lastly, Mr. Nohe reported that once the regulations are out for publication, the team will be reviewing regulation comments as they come in, and the project is on schedule for a go live date of September 16th.

6. Office of Communications and Education Awards

Mr. Courtney reported that OCE received two Eddy Awards from Pensions & Investments at their annual awards ceremony. The first award was a second place finish for OCE's "Now You Know" videos, which were a series of videos of frequently asked questions, hosted by Agency employees. The second award, was a second place finish for the communications preparation and launch of Blended Retirement System. This encompassed revising publications, creating new publications, videos, and instructions for agencies.

7. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 9:00 a.m. for executive session.

At 9:41 a.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

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. 2019 Performance Review – G, F, C, S, I, and L Funds
3. Quarterly Vendor Financial Assessment
4. Office of External Affairs Annual Report
5. Additional Withdrawals Project