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

# MINUTES OF THE MEETING OF THE BOARD MEMBERS

## March 29, 2016

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on March 29, 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 (by telephone); David A. Jones of Connecticut, member; William S. Jasien of Virginia, member; Greg Long, Executive Director; Megan G. Grumbine, Secretary and General Counsel; Mark E. Walther, Chief Operating Officer; 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; Scott Cragg, Chief Technology Officer; 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 February 22, 2016 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the February 22, 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 February 22, 2016 be approved.

2.     Thrift Savings Plan (TSP) Activity Report.

Mr. Long gave opening remarks, including a brief summary of the agenda for the meeting.

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 the Plan had reached highs for participation rates among both FERS participants (at 89.1 percent) and members of the Uniformed Services (at 43.1 percent).

b.  Investment Policy Report

Mr. Deo reviewed the monthly investment performance report. See "February 2016 Performance Review – G, F, C, S, I, and L Funds" (attached).  Mr. Deo

indicated that in February, Blackrock outperformed in the S Fund due to securities lending, underperformed by 2 basis points in the F Fund due to a reversal of pricing effects in January, and underperformed in the I Fund due to a reversal of the 100 basis point effect from the end of January. He further noted that the C and S Funds fell during the first half of the month but recovered on evidence of continuing economic growth, the F Fund gained after expectations fell that the Federal Reserve would tighten interest rates, and finally noted that the I Fund was hurt by significant weakness in Japan.

Mr. Deo explained that so far in March the F Fund is up 41 basis points, the C Fund is up 5.58 percent, the S Fund is up 5.49 percent, the I Fund is up 5.03 percent, and the L Funds are all showing positive returns.

c. Legislative Report

Ms. Weaver reported that the House Budget Committee mentioned reducing the G Fund interest rate in its Committee report accompanying the budget resolution. She is updating the FRTIB's talking points to reference the auto enrollment of uniformed service members in the TSP beginning in January 2018 and how changes to the G Fund interest rate will affect these participants.

Ms. Weaver then detailed three proposals that were also referenced in the Committee report that have been previously proposed by Congress. First, is the concept of increasing employee contribution to the FERS defined benefit. Next, there is been a recommendation to eliminate the Special Retirement Supplement for Federal Employees Retirement System ("FERS") employees that retire at their minimum retirement age. Finally, there is a suggestion to reduce the size of the federal workforce by only allowing agencies to hire one person for every three employees lost to attrition.

Chairman Kennedy asked for an update on Sen. Merkley's bill that would establish a plan similar to the TSP for non-federal employees. Ms. Weaver stated that she had passed the Agency's concerns on to Sen. Merkley's staff.

3. Office of Enterprise Risk Management Report.

Mr. Ahuja provided an update on the Office of Enterprise Risk Management ("OERM"). See "Office of Enterprise Risk Management Report" (attached). Mr. Ahuja explained the organizational structure and functions of the various offices within OERM.

Mr. Ahuja provided a maturity scale to depict where he saw the Agency's risk management posture. He explained that OERM is the youngest office in the FRTIB and described the progress OERM had made during the course of its existence in making the Agency more resilient. Mr. Ahuja then explained OERM's role in both conducting internal Audits to evaluate FRTIB's control activities and responding to outside audits of the Agency. He detailed the increasing number of Department of Labor audits and how OERM helps coordinate the Agency's responses to these audits.

Additionally, Mr. Ahuja outlined some of the challenges facing OERM in executing its mission. He specifically explained that change management and capacity were two of the major obstacles to maturing and reinforcing the Agency's risk management posture.

Finally, Mr. Ahuja discussed the Agency's ongoing effort to leverage industry best practices related to cybersecurity.
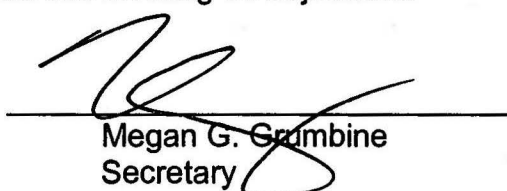
4.    Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 9:18 a.m. for executive session.

At 1:16 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 1:16 p.m.

MOTION: That this meeting be adjourned.

_____
Megan G. Grumbine
Secretary

Attachments

1.    Thrift Savings Fund Statistics
2.    February 2016 Performance Review – G, F, C, S, I, and L Funds
3.    Office of Enterprise Risk Management (OERM) Report