



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002
MINUTES OF THE MEETING OF THE BOARD MEMBERS

April 24, 2017

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on April 24, 2017, at 9:00 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; Greg Long, Executive Director; 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; Ravindra Deo, Chief Investment Officer; Tee Ramos, Director, Office of Participant Operations and Policy; 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 March 27, 2017 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the March 27, 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 March 27, 2017 be approved.

2. Approval of Acting Executive Director.

Mr. Long announced that after ten years in the role, he would be stepping down as Executive Director, effective May 5, 2017. Chairman Kennedy thanked Mr. Long for his service.

The Board then entertained a motion for the approval of Ravindra Deo as Acting Executive Director. The following motion was made, seconded, and adopted without objection:

MOTION: In consideration of the Executive Director's announcement that he will be stepping down, the Board appoints Ravindra Deo as acting Executive Director until after a nationwide search the Board selects a permanent Executive Director.

3. Thrift Savings Plan (TSP) Activity Report.

Mr. Long gave opening remarks noting that this meeting would be largely audit-focused, but there would be the standard monthly and quarterly reports, the annual OCFO overview, and presentations from CLA and the Department of Labor.

a. Monthly Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). Mr. Ramos shared that Federal Employees' Retirement System (FERS) participation rates are at an all-time high of 90 percent. He also highlighted an increase in Uniformed Services participation rates from 45.7 percent in January to 46.4 percent. In March 2017, the Plan had its largest volume of roll-ins in history - \$145 million, exceeding the March 2016 roll-in by \$40 million. Mr. Ramos noted that call center service levels have recovered from February, explaining that the dip in February service levels was due to a fire at one call center, server outages at another, and higher than normal call volumes.

b. Legislative Report

Ms. Weaver began her report with news that S. 873, which is withdrawal legislation, was introduced by Senators Portman and Carper in early April. S. 873 liberalizes withdrawal options for plan participants. Ms. Weaver is working to obtain a companion bill in the House.

4. Quarterly Reports.

c. Investment Performance Report

Mr. Deo reviewed the monthly investment performance report. See "March 2017 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. Deo indicated that in March, the I fund outperformed the benchmark by ten basis points, primarily due to tax advantage, and the F Fund outperformed the benchmark by four basis points, primarily due to securities lending. He noted that performance for the C and S Funds were in line with benchmarks. Mr. Deo stated that the I Fund had the strongest returns, primarily due to strong markets in Europe with a slight advantage from a weakened U.S. dollar.

Mr. Deo stated that through close of business on Friday, April 21, the C Fund is down 49 basis points, the S Fund is down 12 basis points, the I Fund is down 49 basis points, the F Fund is up 96 basis points, and the G Fund is up 14 basis points. He also noted that L Funds are performing exactly as expected.

Chairman Kennedy entertained the motions to reaffirm current G, F, C, S, and I Fund investment policies. The Board members made, seconded, and adopted the following recommendations unanimously:

MOTION: That the Board reaffirm the current G Fund policy of investing solely in short term maturities without change.

MOTION: That the Board reaffirm the current F, C, S, and I Fund investment policies without change.

d. Audit Status

Mr. Ahuja began his update on external audit activities by noting that the Agency responded to 17 audits in FY 2016. See "External Audit Activity" (attached). There are 19 audits currently in progress, the majority of which are being conducted by the Department of Labor. These audits also include Office of Personnel Management audits and an Office of Government Ethics program inspection. There will be approximately 10 more audits in this fiscal year. Mr. Ahuja noted that progress is being made on closing open audit recommendations.

5. OCFO Annual Report and Budget Review.

a. 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). OCFO provides leadership and support to all of FRTIB and stakeholders on all financial matters. Ms. Crowder explained the organizational structure of OCFO and highlighted OCFO accomplishments for 2016 and 2017. Looking ahead, she explained that OCFO will complete and finalize the 2016 financial audit and will support the record keeping acquisition. An internal financial investment system replacement is on the horizon for OCFO. Ms. Crowder responded to Board Member questions regarding resource management and personnel planning.

b. Ms. Crowder also provided the second quarter budget review. See "FRTIB FY 2017 2nd Quarter Budget Review" (attached). She noted that while actual execution for this quarter is above the second quarter target, largely due to increased spending on cybersecurity, overall execution for the annual budget is approximately 70 percent. No additional funding was requested.

6. Internal Audit.

Mr. Boone proposed changes to the internal audit schedule, noting the Internal Audit Head and IT Auditor vacancies as reasons for the proposed adjustment. See "Proposed Changes to the 2017 Internal Audit Schedule" (attached). Chairman Kennedy moved for approval. The motion was made, seconded, and the schedule adjustment was adopted without objection.

7. Annual Financial Audit.

Mr. Long introduced the auditors from CliftonLarsonAllen, CLA, who audit the Agency's financial statements. See "FRTIB – Thrift Savings Fund 2016 Audit" (attached). Thomas Rey, CLA's engagement partner, addressed the overall status of

the financial statement audit, which resulted in an unmodified audit opinion, with no material weaknesses identified. In their letter of internal control, CLA noted three significant deficiencies: access control, continuity planning, and IT systems management. Mr. Rey concluded with a summary of the planned summer 2017 review.

8. Department of Labor.

EBSA gave a presentation on its Fiduciary Oversight Program of the TSP for FY 2017. See "U.S. Department of Labor, Employee Benefits Security Administration Fiscal Year 2017 Thrift Savings Plan Fiduciary Oversight Program" (attached). Michael Auerbach, EBSA's Acting Chief Accountant, began the presentation by highlighting key points of contact on the EBSA oversight team and thanked the Board and FRTIB staff for their responsiveness and cooperation in the audit process and noted that the number of open audit findings continues to increase. Ms. Heather Koppe Flanagan, of KPMG, reviewed the FY 2016 and 2017 audits, summarized audit recommendations, and discussed future EBSA initiatives. She concluded by noting that 105 recommendations remain open, 70 percent of which are IT-related.

9. IT Initiatives and Security Remediation.

Ms. Anderson provided an overview of five major Agency IT initiatives: in Infrastructure modernization, IT security audit remediation, increasing call volume capacity, data analytics logging and security monitoring, and two-factor authentication. See "IT Initiatives and Security Remediation" (attached). She discussed Agency plans to address each area over the next six months and the impact of each initiative on Agency mission. Ms. Anderson will provide updates on each initiative at future board meetings.

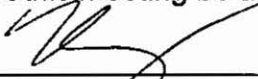
10. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 9:54 a.m. for executive session.

At 11:29 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 11:30 a.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. March 2017 Performance Review – G, F, C, S, I, and L Funds
3. External Audit Activity
4. Office of the Chief Financial Officer Annual Board Report
5. FRTIB FY 2017 2nd Quarter Budget Review
6. Proposed Changes to the 2017 Internal Audit Schedule
7. FRTIB – Thrift Savings Fund 2016 Audit and Thrift Savings Fund Financial Statements December 31, 2016 and 2015
8. U.S. Department of Labor, Employee Benefits Security Administration Fiscal Year 2017 Thrift Savings Plan Fiduciary Oversight Program
9. IT Initiatives and Security Remediation