



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

August 28th, 2017

Dana K. Bilyeu, Acting Chairwoman of the Federal Retirement Thrift Investment Board (by telephone), convened a telephonic meeting of the Board members on August 28, 2017 at 10:00 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 (by telephone); David A. Jones of Connecticut, member (by telephone); Ravindra Deo, Executive Director; Megan Grumbine, Secretary and General Counsel; Suzanne Tosini, Chief Operating Officer and Acting Chief Technology 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; Tee Ramos Director, Office of Participant Services; 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 July 24, 2017 Board Member Meeting.

Acting Chairwoman Bilyeu entertained a motion for approval of the minutes of the July 24, 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 July 24, 2017 be approved.

2. Monthly Reports.

Mr. Deo gave opening remarks, including an announcement that Renita Anderson, the former Chief Technology Officer (CTO), has left the FRTIB. He noted that Suzanne Tosini, FRTIB's Chief Operating Officer, will serve as Acting CTO until a permanent replacement is found.

a. Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The participation rate for federal civilian employees remained steady at 90.1 percent and the uniformed services participant rate continued to rise with a slight increase to 47.7 percent. The participation rate for federal civilian employees and members of the uniformed services have remained steady; however, the total number of participants continues to grow (currently 5.1 million total participants). Mr. Ramos concluded his report by mentioning the roll-in numbers for July dropped to 2,305, which is the lowest total in almost two years.

b. Monthly Investment Report

Mr. Deo reviewed the monthly investment performance report. See "July 2017 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. Deo noted that year-to-date performance across the F, C, S, and I Funds were in line with benchmark performance. Performance for the F Fund was ahead of benchmark by 23 basis points primarily due to securities lending. The S Fund is outperforming its benchmark by 8 basis points year-to-date, primarily as a result of securities lending. The C Fund is largely in line with its benchmark while the I Fund has outperformed by 32 basis points year-to-date, which has been driven primarily by tax reclaims.

Mr. Deo continued his report by stating stock prices for the month of July have been driven higher globally. A meaningful decline in the value of the dollar gave an additional boost to the I Fund. A slight decline in U.S. Treasury yields helped increase the F Fund.

Mr. Deo continued his report stating that for the month-to-date returns, the F Fund is ahead 66 basis points, the C Fund is down 90 basis points, the S Fund is down 2.21 basis points and the I Fund is down by 21 basis points.

c. Legislative Report

Ms. Weaver reported that the House and Senate are currently in recess, and set to return after Labor Day. Upon return, they will be addressing the debt ceiling and government spending bills. Ms. Weaver stated she will also be working with two committees in an effort to move the TSP withdrawal bills forward for action on both the House and Senate floors. In response to a question from Acting Chairwoman Bilyeu regarding whether the agency has received its letter confirming the debt limit, Ms. Weaver responded that the agency had received the letter back in March.

3. Quarterly Reports

a. Metrics Report

Mr. Geof Nieboer, Chief of Business Intelligence, provided an overview of the Agency's performance metrics for the 3rd quarter of fiscal year 2017. See "FRTIB Performance Measurement Report: 3rd Quarter Fiscal Year 2017" (attached). Mr. Nieboer explained that measures report green when the Agency has met or exceeded its target, yellow when the Agency has met its threshold but is short of its target, and red if the Agency has fallen short of its threshold. Mr. Nieboer stated that the report is covered on an exception-only basis.

Mr. Nieboer reported that the Agency did not meet its target for the C, S, and I Funds investment submissions. This metric is yellow this quarter as a result of missing the deadline by one minute, due to a delay in the receipt of the email confirmation. This was an isolated incident and therefore does not present issues or concerns going forward.

Mr. Nieboer continued his report discussing the second metric to miss its target, which is the budget execution rate. This was covered in detail in the July 24, 2017 board meeting, so Mr. Nieboer just noted that the increased execution was due to the Agency prioritizing mainframe upgrades, cyber-security, and audit remediation.

Mr. Nieboer continued his report to discuss the fully matching rate metric. Mr. Nieboer noted this rate remains between target and threshold ranges, but is pleased there has been a noticeable increase in percentage of participants that are contributing 5 percent or greater to the TSP.

b. Project Activity Report

Mr. Steve Huber, EPMO Chief, provided an update on project activity at the Agency. See "FRTIB Key Activity Report 3rd Quarter FY 17" (attached). Mr. Huber explained how a project status is determined: Green means the initiative is expected to be completed on time and within budget; Yellow means the initiative is behind schedule or over budget, but may recover; Red means the initiative is behind schedule, over budget, and intervention is needed; Black means the initiative has not yet been baselined and is in the planning phase; and Blue means the initiative is complete.

Mr. Huber noted the password reset project will be implemented and complete at the end of August. The enterprise space management project fell behind schedule due to delays, but the project is expected to be able to recover and on track next quarter.

c. Audit Status

Mr. Brack Boone, Deputy Chief Risk Officer, provided an update on Audit activity. See "FRTIB Audit Findings Remediation Activity Report" (attached). Mr. Boone explained a new methodology for presenting the auditing finding remediation activity going forward. The reports will display Auditor activity, which is based on the audit reports received from the Department of Labor, KPMG, CLA, etc. The reports will also display FRTIB activity, which is what the agency internally believes the numbers to be based on closures. The goal of this methodology is to reduce the number of new audit findings, and increase the closure rate of current findings. In response to a question from Executive Director Deo regarding a discrepancy on the FRTIB Activity of a negative 14 in closed findings, Mr. Boone responded that the Auditors and FRTIB may

have a disagreement on which findings are closed, therefore there were 14 more findings FRTIB believed to be closed, which the auditors did not.

Mr. Boone noted OERM will have a new process for closing audit recommendations, which includes quality assurance processes and reviewing all external findings from KPMG, CLA, and GAO. Mr. Boone also noted the penetration testing recommendations are slightly different. They are routed to the CISO office as an extra layer of quality assurance, as FRTIB did not believe the auditors were closing as many findings as the agency believed should have been closed. Lastly, Mr. Boone stated he does not expect any new audit reports in the 4th Quarter, and expects to close 35 to 40 recommendations. In response to a question from Acting Chairwoman Bilyeu regarding what is included in this new approach, Mr. Boone responded that it includes findings from KPMG, CLA, GAO, Penetration Testing, as well FISMA, and does not include internal audit. Ms. Tosini also added the agency is currently working on a process to provide a crosswalk between high, medium, and low priority findings, hopefully by next month. This new automated tool will be discussed in greater detail at the September meeting.

4. 2017-2018 Calendar Review

To ensure there are not any conflicts next year, Mr. Deo, Executive Director, provided the 2017-2018 Calendar to the Board for review. Mr. Deo made a suggestion to move the February 28, 2018 meeting from telephonic to in-person, as at that point, Blended Retirement will be operational, and it would be worthwhile to discuss those details in person. Acting Chairwoman Bilyeu, Member Jones, and Member McCray agreed to this change. Acting Chairwoman Bilyeu suggested not discussing the calendar any further until the September meeting, when the full Board will be attendance, to which all parties agreed.

5. Blended Retirement

Thomas Emswiler, Senior Advisor for the Uniformed Services, provided a report on the Blended Retirement project. See "Blended Retirement Project" (attached). Mr. Emswiler noted he attended a meeting with the Senior Officials from the Services' Blended Retirement Working Group, at which time they indicated they were on track for the January 1, 2018 Blended Retirement start date. Mr. Emswiler also reported he gave a presentation to the Executive Working Group on the Agency's efforts to implement blended retirement, in which he emphasized a very productive and cooperative partnership between the services and FRTIB. Lastly, Mr. Emswiler reported the next steps are coordinating training schedules, communication roll-out schedules, and working on retirement system classification errors.

Tanner Nohe, Project Manager for the Blended Retirement Project, provided an update on the accomplishments, risks, and project status. Mr. Nohe reported that Phase Four of the project has been in production since August 12, which has put the majority of the IT programming in place for a January launch. Phase Five, which is for re-hires, will be deployed into production the first weekend of October. Mr. Nohe noted that all of the mediation for capacity has been completed, and there are a couple of external projects in place that will help in completing the capacity study. A capacity test will take place in the next few weeks, which is expected to show that the agency is on track to handle the volume for the January launch.

Mr. Nohe also reported that testing of the Air Force payroll system, which is identical to the Army and Navy systems, is complete and, went smoothly with no issues. Mr. Nohe provided an update on schedule, stating the majority of IT and Communications work is completed. Mr. Nohe stated that the regulations were sent over to ETAC for comment a few weeks ago, and everything was on track for the timeline. Lastly, Mr. Nohe stated there are no risks currently in red. The Thriftline hairpin, which was red at the last meeting, has been downgraded and should be operational in the next few weeks. Mr. Nohe stated they have also added a new risk, which is just a placeholder for the armed services payroll testing, in the event an issue arises.

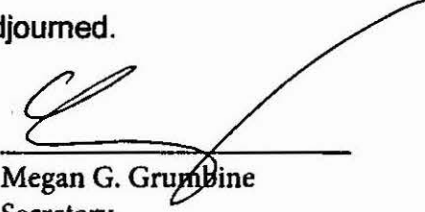
6. IT Update.

Ms. Tosini provided an update on IT initiatives. See "IT Update" (attached). Ms. Tosini is serving as Acting CTO in addition to COO. Ms. Tosini reported there are twelve high-priority initiatives. The execution of these initiatives are progressing and tracking to their respective schedules, with no technical concerns. In response from a question from Acting Chairwoman Bilyeu, Ms. Tosini stated, OTS is balancing moving forward with long term projects, while addressing short term risks. Acting Chairwoman Bilyeu also requested for an IT Audit crosswalk at the September meeting to understand the short-term versus long-term pipeline, which Ms. Tosini agreed to provide.

7. Adjourn.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Acting Chairwoman Bilyeu adjourned the meeting at 10:31 a.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

1. Thrift Savings Fund Statistics
2. July 2017 Performance Review – G, F, C, S, I, and L Funds
3. FRTIB Performance Measurement Report: 3rd Quarter Fiscal Year 2017
4. FRTIB Key Activity Report 3rd Quarter FY 17
5. FRTIB Audit Findings Remediation Activity Report
6. Blended Retirement Project
7. IT Update