



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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 24, 2017

Michael D. Kennedy, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on July 24, 2017, 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; David A. Jones of Connecticut, member; William S. Jasien of Virginia, member (by telephone); 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; Renée C. Wilder Guerin, Director, Office of Enterprise Planning; and Ernest Witherspoon, Executive Officer.

1. Approval of the Minutes of the June, 26, 2017 Board Member Meeting.

Chairman Kennedy entertained a motion for approval of the minutes of the June 26, 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 June 26, 2017 be approved.

2. Monthly Reports.

Mr. Deo gave opening remarks, including a brief summary of the agenda for the meeting which included review of monthly reports, quarterly reports, a Blended Retirement update, and an IT update.

a. Participant Activity Report

Mr. Ramos reviewed the monthly participant activity report. See "Thrift Savings Fund Statistics" (attached). The FERS participant rate remained steady at 90.1 percent and the Uniformed Services participant rate continued to rise with a slight increase to 47.7 percent. Mr. Ramos noted that the roll-in contribution amounts are continuing to climb, currently at 720 million dollars for the year. The total dollar amount for partial withdrawals is up, and the number of withdrawals is on pace with other years. Mr. Ramos noted that participants have slightly higher amounts in their accounts and are taking larger distributions. In response to a question from Chairman Kennedy regarding whether the change is due to seasonal factors, Mr. Ramos responded that the

trend is seasonal, but that they are on the same pace as last year, there is just slightly more money in the accounts.

b. Legislative Report

Ms. Weaver reported that the House Oversight and Government Reform Committee approved H.R. 3031, the TSP withdrawal legislation by voice vote with all members voting aye. Ms. Weaver noted that three members, Congressman Connolly, Congressman Meadows, and Congresswoman Eleanor Holmes Norton spoke about the bill, with Congressman Meadows noting that he believes the TSP does a great job. Ms. Weaver added that after the bill was approved, Congressman Connolly was added as an original cosponsor. Ms. Weaver also noted that the Senate scheduled S.873, the TSP withdrawal bill, to be marked up.

Ms. Weaver reported that the House Budget Committee marked up its budget resolution. The budget resolution contained a savings target for House Government Reform of 32 billion dollars which could affect either health benefits or retirement benefits for federal employees. Ms. Weaver stated that the narrative accompanying the budget resolution called for federal employees to make greater contributions to their retirement and would end the special retirement supplement for FERS retirees. Lastly, the narrative commented on the need for new employees to transition to a defined contribution retirement system. Ms. Weaver stated that there were few details about what this comment means, and added that she will be watching this development very closely.

3. Quarterly Reports.

a. Monthly Investment Performance Report

Mr. Deo reviewed the monthly investment performance report. See "June 2017 Performance Review – G, F, C, S, I, and L Funds" (attached). Mr. Deo noted that for the month of June, the F Fund exceeded the benchmark by 2 basis points, primarily due to securities sampling. The S Fund was also ahead of its benchmark by 2 basis points, primarily due to securities lending. Mr. Deo stated that the C and I Funds were in line with benchmarks.

Mr. Deo continued his report stating that for the first six months of the year, the F and S Funds were ahead of the benchmark by 23 and 8 basis points, respectively, both primarily due to securities lending, while the I Fund is ahead of the benchmark by 30 basis points, primarily due to tax reclaims. Mr. Deo noted that the C Fund is mostly in line with its benchmark.

Mr. Deo continued his report noting that the Federal Reserve raised its target range for the Federal Fund rate by 25 basis points in June and signaled that a balance sheet reduction may be coming in the future. Mr. Deo noted that longer term rates closed by about 10 basis points, although the 30 year rate was an exception. The

rise in rates caused the F Fund to fall by 8 basis points for the month. Increasing confidence in global economic growth caused the C and S funds to go up, while the I Fund fell slightly due to weakness in Europe overshadowing the benefit from a weakening dollar.

Mr. Deo continued his report by stating that as of Friday's close, the F Fund is up by 64 basis points, the C Fund is up 2.13 percent, the S Fund is up by 1.65 percent and the I Fund is up by 2.38 percent. Mr. Deo noted that the I Fund has had the largest inter-fund transfer inflow since April 2007.

Mr. Deo stated that BlackRock voted all proxies in the first quarter of 2017 according to guidelines. Finally Mr. Deo noted that three class actions were opened and one closed in the previous quarter, all in the S fund with zero dollar impact.

Chairman Kennedy asked how often the Agency looks at the proxy guidelines and whether that is something the Agency reviews. Mr. Deo responded that the guidelines are BlackRock's and that the Agency does not review them.

Chairman Kennedy entertained a motion to affirm the current investment policies. The Board members made, seconded, and adopted the following resolution by unanimous vote:

RESOLUTION:

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 et seq.) provides the Board members shall establish policies for the investment and management of the Thrift Savings Fund (5 U.S.C. § 8472(f) (1) and (2)); and

WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and Investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

b. Budget Review

Ms. Crowder gave a 3rd Quarter Budget Review. See "FRTIB FY 2017 3rd Quarter Budget Review" (attached). Ms. Crowder noted that at the end of Q3 the execution rate was 119 percent of the Q3 target due to mainframe capacity, audit remediation and cyber security accelerations. Ms. Crowder noted that the Agency has executed 88 percent of its budget, the majority around record keeping contracts for hardware, software, benefits, operations, and record keeping operations.

Board Member Bilyeu asked Ms. Crowder how she felt about where the budget would be by the end of the year. Ms. Crowder responded that she was confident that the Agency would make its budget and was on target. In response to a question from Chairman Kennedy about upcoming scheduled budget discussions, Ms. Crowder responded that there would be an informational session next month, and that the actual budget would be presented in open session in September.

4. Blended Retirement Update.

Mr. Emswiler presented the Board with a Blended Retirement Update. See "FRTIB Blended Retirement" (attached). Mr. Emswiler began the update by showing a video made by the Office of Communication and Education to educate members of the uniformed services about opting-in to the Blended Retirement System. Mr. Emswiler noted that the video is being used by trainers in the field from the Office of the Secretary of Defense.

Mr. Emswiler noted that the Agency has recently formalized its relationship with the uniformed services, and therefore would have regularly monthly calls and would attend strategic communications meetings. Mr. Emswiler noted that the Department of Defense has recently deployed a calculator to help members make the choice whether to opt in to Blended Retirement and demonstrated how the calculator operates.

Mr. Nohe then gave the Board an update on the project-side of the Blended Retirement Project. Mr. Nohe reminded the Board that the project had four phases, phase four being agency-money which includes accepting agency matching and automatic (1%) contributions. Mr. Nohe informed the Board that testing was complete and that phase four would be deployed into production on August 12, 2017. Mr. Nohe also stated that the FRTIB is currently testing with payroll agencies.

Mr. Nohe then explained that phase five addresses rehires, that they do not expect a lot of rehires from the military, and that that this phase goes into production in late September.

Mr. Nohe stated that all remediation efforts from the capacity study from earlier in the year are in place but that there are still some efforts outside the capacity study that they are working on. He noted that they would begin more capacity testing in

the next week. Mr. Nohe then stated that the payroll agency testing would continue, and that they would do another round of testing in September. Mr. Nohe then presented a timeline of other projects, noting that many of them were ahead of schedule.

Mr. Nohe then gave an overview of the status of the critical risks for Blended Retirement. He stated that because certain capacity measures were going into production, associated risks would probably go down. He then addressed risk associated with payroll offices, noting that they had not encountered any issues with testing. Mr. Nohe noted that a risk associated with the ThriftLine had been addressed by adding more T-1 lines to the call centers. He then stated that the hairpin turn update was scheduled and should be completed by the end of August.

5. IT Update.

Ms. Anderson presented an IT Update. See "IT Update" (attached). Ms. Anderson began by presenting a list of initiatives the Agency is working to complete by October 31, 2017. She noted that they are executing projects and progressing on schedule while continuing to balance audit activity with technical execution. Ms. Anderson stated that she did not have any technical concerns for the initiatives.

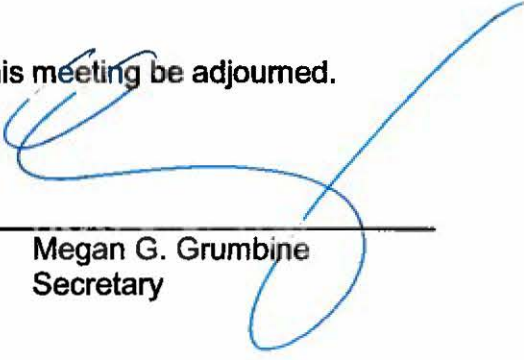
6. Adjourn.

On a vote taken by the Chairman, the members closed the meeting at 8:59 a.m. for executive session.

At 10:39 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 10:39 a.m.

MOTION: That this meeting be adjourned.



Megan G. Grumbine
Secretary

Attachments

- 1. Thrift Savings Fund Statistics**
- 2. June 2017 Performance Review – G, F, C, S, I, and L Funds**
- 3. FRTIB FY 2017 3rd Quarter Budget Review**
- 4. FRTIB Blended Retirement**
- 5. IT Update**