

THRIFT SAVINGS FUND
Washington, DC

FINANCIAL STATEMENTS
December 31, 2021 and 2020



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INDEPENDENT AUDITORS' REPORT

Members of the Board, Executive Directors and Participants
Federal Retirement Thrift Investment Board
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Thrift Savings Fund (the Fund), which comprise the statements of net assets available for benefits as of December 31, 2021 and 2020, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits for the Fund as of December 31, 2021 and 2020, and the changes in its net assets available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a

Members of the Board, Executive Directors and Participants
Federal Retirement Thrift Investment Board

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 5, 2022

FINANCIAL STATEMENTS

THRIFT SAVINGS FUND

Statements of Net Assets Available for Benefits

As of December 31, 2021 and 2020

(In thousands)

	2021	2020
ASSETS:		
Investments, at fair value:	\$827,281,188	\$735,207,877
Receivables:		
Employer contributions	524,266	517,370
Participant contributions	1,284,909	1,237,138
Notes receivable from participants (loans)	8,575,643	9,077,459
Accrued interest	-	-
Due for securities sold	379,711	463,986
Total receivables	10,764,529	11,295,953
Fixed assets:		
Furniture, equipment, and leasehold improvements, net of accumulated depreciation and amortization of \$6,692 in 2021 and \$33,261 in 2020	5,306	8,979
Computer software, net of accumulated amortization of \$58,398 in 2021 and \$63,854 in 2020	-	109
Total fixed assets	5,306	9,088
Other assets	1,910	1,932
Total assets	838,052,933	746,514,850
LIABILITIES:		
Accounts payable	53,959	61,182
Accrued payroll and benefits	5,757	5,700
Benefits and participant loans payable	124,388	168,328
Deferred rent and lease credits	6,396	7,302
Due for securities purchased	430,324	206,461
Cash collateral payable	15,535,349	25,550,000
Total liabilities	16,156,173	25,998,973
FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	(3,231)	(3,362)
NET ASSETS AVAILABLE FOR BENEFITS	\$821,893,529	\$720,512,515

See notes to financial statements and Independent Auditors' Report.

THRIFT SAVINGS FUND

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2021 and 2020

(In thousands)

	2021	2020
ADDITIONS:		
Investment income:		
Interest	\$4,051,618	\$2,767,296
Net appreciation of investments	<u>90,070,475</u>	<u>66,046,046</u>
Net investment income	<u>94,122,093</u>	<u>68,813,342</u>
Contributions:		
Participant	27,512,762	25,346,552
Employer	<u>11,759,476</u>	<u>11,087,058</u>
Total contributions	<u>39,272,238</u>	<u>36,433,610</u>
Loan administrative fees	11,539	11,625
Interest income on notes receivable from participants (loans)	<u>149,116</u>	<u>190,053</u>
Total additions	<u>133,554,986</u>	<u>105,448,630</u>
DEDUCTIONS:		
Benefits paid to participants	31,421,939	27,095,076
Administrative expenses	413,689	368,358
Notes receivable from participants declared taxable distributions	<u>338,476</u>	<u>339,793</u>
Total deductions	<u>32,174,104</u>	<u>27,803,227</u>
CHANGE IN FUNDS RESTRICTED FOR THE PURCHASE OF FIDUCIARY INSURANCE	<u>132</u>	<u>127</u>
Net increase	101,381,014	77,645,530
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of period	<u>720,512,515</u>	<u>642,866,985</u>
End of period	<u><u>\$821,893,529</u></u>	<u><u>\$720,512,515</u></u>

See notes to financial statements and Independent Auditors' Report.

THRIFT SAVINGS FUND
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

1. PLAN DESCRIPTION

The following description is provided for general information purposes. Participants should refer to the *Summary of the Thrift Savings Plan*, www.tsp.gov, and applicable legislation and regulations for more complete information.

General— The Thrift Savings Plan (the Plan or the TSP) is a retirement savings and investment plan for Federal employees and members of the uniformed services. It was authorized by the United States Congress in the Federal Employees' Retirement System Act of 1986 (FERSA). The Plan provides Federal employees and members of the uniformed services with a savings and tax benefit similar to what many private sector employers offer their employees under 401(k) plans. The Plan was primarily designed to be a key part of the retirement package (along with a basic annuity benefit and Social Security) for employees who are covered by the Federal Employees' Retirement System (FERS).

The Plan is administered by an independent Government agency, the Federal Retirement Thrift Investment Board (the Agency), which is charged with operating the Plan prudently and solely in the interest of the participants and their beneficiaries. Assets of the Plan are maintained in the Thrift Savings Fund (the Fund).

Federal employees, who are covered under FERS, the Civil Service Retirement System (CSRS), or equivalent retirement systems (as provided by statute) and members of the uniformed services, who are covered under the Blended Retirement System (BRS), or the legacy uniformed services retirement system, are eligible to join the Plan immediately upon hire. Generally, FERS employees are those employees hired on or after January 1, 1984, while CSRS employees are employees hired before January 1, 1984, who have not elected to convert to FERS. BRS participants are members of the uniformed services who first entered the uniformed services on or after January 1, 2018. Members covered under the legacy uniformed services retirement system were hired before January 1, 2018, with an opportunity for certain members, based on years of service, to elect coverage under BRS. Each group has different rules that govern contributions. As of December 31, 2021, there were approximately 6.5 million participants in the Plan, with approximately 3.9 million contributing through payroll deductions. As of December 31, 2020, there were approximately 6.2 million participants in the Plan, with approximately 3.8 million contributing through payroll deductions.

Contributions— The Plan is a defined contribution plan and, as such, the law specifies how much an employee may contribute and how much the employing agency must contribute to each FERS employee's or BRS member's account. No participant under age 50 may contribute more than the Internal Revenue Service (IRS) elective deferral limit of \$19,500 in 2021 and \$19,500 in 2020.¹ Participants age 50 and older who are already contributing the maximum amount of contributions for which they are eligible may make supplemental tax-deferred catch-up contributions (up to \$6,500 in 2021 and \$6,500 in 2020) from their basic pay. FERS and eligible BRS participants are entitled to receive agency matching contributions on the first 5 percent of basic pay that they contribute each pay period, according to a formula prescribed by FERSA (5 United States Code (U.S.C.) § 8432(c)).² For FERS and eligible BRS participants, their employing agencies also contribute an agency automatic contribution equal to 1 percent of the employee's or member's basic pay

¹ Members of the uniformed services who are serving in a combat zone earn tax-exempt pay. Contributions from tax-exempt pay do not count towards this elective deferral limit.

² BRS participants who first entered service on or after January 1, 2018, are eligible to receive matching contributions after 2 years of service. BRS participants who first entered service on December 31, 2017, or earlier and opted into the BRS are immediately eligible to receive matching contributions.

each pay period, as prescribed by FERSA (5 U.S.C. § 8432(c)).³ Uniformed services members may also contribute up to 100% of designated special pay, incentive pay, and bonuses. These contributions are not eligible for matching contributions. The Federal Government or uniformed services do not match amounts contributed by CSRS employees or uniformed services members in the legacy retirement system. Civilian Federal Agencies and the uniformed services are required to automatically enroll newly hired (and rehired) eligible employees or members unless the employee or member makes an affirmative election not to participate in the Plan or to participate at other than the default rate of five percent.⁴

Participants may also transfer funds from traditional individual retirement accounts (IRAs) or other eligible employer plans into the Plan. The Plan also allows qualified Roth contributions and transfers from qualified Roth plans.

Investments— Pursuant to FERSA (5 U.S.C. § 8438), Plan participants are offered five investment funds: the Government Securities Investment Fund (G Fund), the Fixed Income Index Investment Fund (F Fund), the Common Stock Index Investment Fund (C Fund), the Small Capitalization Stock Index Investment Fund (S Fund), and the International Stock Index Investment Fund (I Fund). The Agency has contracted with BlackRock and Street State Global Advisors (SSGA) to act as investment managers, custodians and securities lending agents for the F, C, S, and I Fund accounts. The contract with SSGA was signed on October 21, 2020. SSGA began managing Plan assets on April 19, 2021.

The TSP Lifecycle Funds are asset allocation portfolios that use the Plan's existing investment funds. As described in the L Funds Information Sheet on the TSP website (www.tsp.gov), the L Income Fund is designed to produce current income for participants who are already withdrawing money from their accounts. The L 2065 Fund is designed for participants who will begin withdrawing in 2063 or later. The remaining eight L Funds are designed for participants who will begin withdrawing in certain five-year time periods. For example, the L 2040 Fund is designed for participants who will begin withdrawing between 2038 and 2042. The asset allocations of these funds adjust quarterly, moving to a more conservative mix over time. These asset allocations are based on economic assumptions regarding future investment returns, inflation, economic growth, and interest rates. The asset allocations of each fund are maintained through daily rebalancing to that fund's target allocation. With the help of an investment consultant, the Agency reviews the assumptions underlying the asset allocations regularly, typically on an annual basis.

Participants may allocate any portion of their contributions among the five individual investment funds and the ten TSP Lifecycle Funds. Also, participants may reallocate their account balances among the individual investment funds and the TSP Lifecycle Funds through the interfund transfer process. In order to curb frequent trading and its associated costs to all TSP participants, the Agency restricts the number of interfund transfers a participant can make per month. The first two interfund transfers per calendar month are unrestricted. After that, participants may move money only from the F, C, S, and I Funds and the TSP Lifecycle Funds to the G Fund.

Vesting— Plan participants are immediately vested in all of their own contributions and attributable earnings. Participants are also immediately vested in any agency matching contributions and attributable earnings. In order to be vested in the agency automatic (1%) contributions, a FERS employee must have either 2 or 3 years of service and a BRS participant must have 2 years of service as described in section 8432(g) of FERSA.

³ BRS participants who first entered service on or after January 1, 2018, are eligible to receive government automatic contributions after 60 days of service. BRS participants who first entered service on December 31, 2017, or earlier and opted into the BRS are immediately eligible to receive government automatic contributions.

⁴ Certain members of the uniformed services are also subject to annual automatic re-enrollment every January 1 if they have stopped making contributions in the previous calendar year.

FERS and BRS employees who are not vested and who separate from the Federal Government forfeit all agency automatic contributions and attributable earnings.⁵

Forfeitures— Forfeited funds, consisting primarily of statutory forfeitures (pursuant to 5 U.S.C. § 8432(g)) and agency contributions forfeited due to retirement coverage corrections, the majority of which are made under the Federal Erroneous Retirement Coverage Correction Act (FERCCA), totaled \$62,574,857 and \$50,075,122 for the year ending December 31, 2021 and 2020, respectively. Under FERCCA, when a participant's retirement coverage is corrected from FERS to CSRS, any excess agency contributions are forfeited to the Plan. All forfeitures are used by the Plan to offset accrued administrative expenses. If the forfeited funds (along with participant loan fees) are not sufficient to meet all administrative expenses, earnings on investments are then charged.

Individual Accounts— An individual account is maintained for each Plan participant. As applicable, each participant's account is credited with the participant's contributions, agency automatic and matching contributions, and loan repayments and charged with loans and withdrawals. The value of the participant's account reflects the number of shares and the daily share prices of the funds in which the participant is invested. Administrative expenses are a component of the share price calculation. The benefit to which a participant is entitled is the amount of the participant's vested account balance.

Notes Receivable From Participants (loans)— Participants may apply for loans from their accounts. There are two types of Plan loans: general purpose and residential. General purpose loans can be obtained for any purpose, with a repayment period from 1 to 5 years. Residential loans can be obtained for the purpose of purchasing a primary residence, with a repayment period from 1 to 15 years. Participant loans may only be taken from participant contributions and attributable earnings. The minimum loan amount is \$1,000 and the maximum loan amount is \$50,000. A \$50 fee is deducted from the proceeds of the loan. During the twelve months ending December 31, 2021 and 2020, loan fees of \$11,539,850 and \$11,625,450, respectively, were used to offset administrative expenses.

The interest rate for loans is the G Fund rate at the time the loan agreement is issued. The rate is fixed at this level for the life of each loan. Participant loans are valued at their unpaid balances. Interest earned on loans is allocated to the participant's account as loan payments are made to that account.

By IRS regulation, each calendar quarter the Agency must identify any participant loan that is in default. The participant then has until the end of the following calendar quarter to pay the overdue amount. If not paid, a taxable distribution of the unpaid loan balance, plus accrued interest, is reported to the IRS and the loan is closed. Taxable loan distributions also occur when a participant separates from service and does not repay an outstanding loan balance. Participants should refer to the booklet, *TSP Loans*, for more information.

Payment of Benefits— After leaving service, participants may leave their money in the TSP. If they choose to withdraw their money, they may elect payment in the form of a partial withdrawal or total withdrawal. They may choose payment as a single withdrawal, a series of installment payments, or a life annuity. Participants may choose to combine any two or all three of the available withdrawal options. Participants should refer to the booklet, *Withdrawing Your TSP Account After Leaving Federal Service*, for more complete information.

Participants should refer to the booklet, *TSP In-Service Withdrawals*, for information on withdrawal options while employed in Federal service.

⁵ Civilian and military service cannot be combined to meet the vesting requirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting— The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when incurred. Benefits and participant loans payable for the last three trade dates of each month are recorded when withdrawn from participants' accounts.

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. In June 2020, the FASB approved ASU 2020-5, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2020-05, ASU 2016-02 is effective for the Fund for the fiscal year beginning after December 15, 2021 and all interim period within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Fund is currently evaluating the impact of ASU 2016-02 on the financial statements.

Investments— All investments are stated at fair value, based upon the quoted market values of the underlying securities at the end of each period. The Agency invests in (or redeems from) the Thrift Savings Fund investment funds each business day. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

The Plan offers its participants various investment funds that are exposed to different types and amounts of risk, including interest rate, credit, and market risk. Except for the G Fund, which is invested in a way to avoid losses, depending upon each fund's individual risk profile, the funds can be expected to experience volatility over time, thus affecting the fund balances from one period to the next.

During the twelve-month periods ended December 31, 2021 and December 31, 2020, the Plan's investment funds consisted of the following (objectives of the investment funds are described in the various TSP Fund Information Sheets, available on www.tsp.gov):

The G Fund invests in short-term nonmarketable U.S. Treasury securities specially issued to the Government Securities Investment Fund (GSIF). By law, investments in the GSIF earn interest at a rate that is equal to the weighted average yield on outstanding U.S. Treasury marketable securities with 4 or more years to maturity. The interest rate is set every month based on the data as of the last business day of the previous month. As of December 31, 2021, and December 30, 2020, the total investment in the GSIF was \$285.7 billion and \$292.7 billion, respectively.

The F Fund invests in separate accounts that are passively managed to track the Bloomberg Barclays U.S. Aggregate Bond Index. Both managers of the F Fund use sampling to replicate the characteristics of the index. As of December 31, 2021, and December 31, 2020, the separate accounts held \$37.4 billion and \$39.7 billion of securities, respectively. For the period ended December 31, 2020, BlackRock was the sole manager of the F Fund. SSGA began managing approximately 20% of the F Fund assets on June 21, 2021.

The C Fund invests in separate accounts that are passively managed to track the S&P 500 Index. The C Fund separate accounts holds stocks of all the companies represented in the S&P 500 Index in virtually the same weights as the index. As of December 31, 2021 and December 31, 2020, the separate account held \$326.8 billion and \$251.5 billion of securities, respectively. For the period ended December 31, 2020, BlackRock was the sole manager of the C Fund. SSGA began managing approximately 10% of the C Fund assets on April 19, 2021.

The S Fund invests in separate accounts that are passively managed and track the Dow Jones U.S. Completion Total Stock Market Index by holding most of the stocks with larger capitalizations in virtually the same weights as the index and by holding a representative sample of the remaining stocks in the index. As of December 31, 2021, and December 31, 2020, the separate accounts held \$106.9 billion and \$92.4 billion of

securities, respectively. For the period ended December 31, 2020, BlackRock was the sole manager of the S Fund. SSGA began managing approximately 20% of the S Fund assets on May 17, 2021.

The I Fund invests in a separate account that is passively managed to track the MSCI EAFE Index. The I Fund separate account holds stocks of all the companies in the MSCI EAFE Index in virtually the same weights as the index. As of December 31, 2021 and December 31, 2020, the I Fund held \$70.5 billion and \$58.9 billion of securities, respectively. For the periods ending December 31, 2021 and December 31, 2020, BlackRock was the sole manager of the I Fund.

Fair Market Valuations— The Plan’s agents, BlackRock and State Street Global Advisors (SSGA), follow the FASB’s ASC 820-10, which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FASB ASC 820-10 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques.

Under FASB ASC 820-10, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, and Level III. Inputs may be based on independent market data (“observable inputs”) or they may be internally developed (“unobservable inputs”). The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level I) and the lowest priority to unobservable inputs (Level III).

An “independent market quotation” for a security or other asset is defined as a quoted price in an active market for an identical security or asset (a “Level I Price”).

As a general principle, the current “fair market value” of a security or other asset is the amount that a Fund might reasonably expect to: (i) receive upon the sale of the security or asset; or (ii) pay to transfer the liability associated with the security or asset in an orderly transaction between market participants on the date on which the security or asset is being valued. In the event that a Level I Price is not based on a quoted market price for a given type of security or asset, the fair value of the security or other asset is determined by using pricing inputs that are either directly or indirectly observable on the valuation date for the security or asset, which may include the use of models or other valuation methodologies (a “Level II Price”).

For BlackRock, Level I Prices and Level II Prices are provided by broker dealers or by pricing providers, services, and vendors (together, “pricing sources”) approved by the BlackRock Global Valuation Committee or its delegates. The pricing sources approved by the BlackRock Global Valuation Committee vary according to security or asset type and include, but are not limited to, Thomson Reuters, FTSE TMX (formerly PC-Bond/DEX), Bloomberg, ICE Data Services (formerly Interactive Data/Standard and Poor’s Securities Evaluation Service) and IHS Markit.

For SSGA, Level I Prices and Level II Prices are provided by broker dealers or by pricing providers, services, and vendors (together, “pricing sources”) approved by the SSGA North America Valuation Committee or its delegates. The pricing sources approved by the SSGA North America Valuation Committee vary according to security or asset type and include, but are not limited to, Bloomberg, ICE Data Services (formerly Interactive Data/Standard and Poor’s Securities Evaluation Service) IHS Markit, JP Morgan Pricing Direct and Refinitiv.

The separate accounts have a readily determinable fair value as these securities transact on a daily basis without restrictions. The readily determinable fair value is used to determine net asset value per share. The net asset value is based upon the fair value of the underlying investments.

The table at Appendix 1 sets forth by level, within the fair value hierarchy and at net asset value, the Plan’s assets at fair value as of December 31, 2021 and 2020.

The F Fund, C Fund, S Fund, and I Fund include temporary investments in the same U.S. Treasury securities held by the G Fund pending daily purchase of shares in their respective index funds and to cover liquidity needs, such as loans and withdrawals from the Thrift Savings Fund.

The separate accounts incurred investment fees payable for the separate account program management for the prior twelve months as follows: the F Fund (\$5.8 million and \$4.4 million as of December 31, 2021 and 2020, respectively), the C Fund (\$3.3 million and \$3.4 million as of December 31, 2021 and 2020, respectively), the S Fund (\$17.2 million and \$13.6 million as of December 31, 2021 and 2020, respectively) and the I Fund (\$6.3 million and \$3.1 million as of December 31, 2021 and 2020, respectively). The separate accounts in which the C, S, and I Funds are invested may invest in futures contracts and other derivatives to the extent contemplated by the fund guidelines. As part of the investment strategies, derivative instruments may be used to provide liquidity for daily investments or to manage currency, interest, and other exposures.

The F, C, S, and I Funds also participate in securities lending activities, under agreements between the Plan's lending agents and their third parties to lend debt and equity securities in exchange for collateral. The collateral received, which is required to equal 102% of the value of the domestic securities lent and 105% of the value of international securities, is marked to market each day, and is invested either in the G Fund or in cash collateral funds managed by BlackRock and SSGA, which in turn invest in money market securities and instruments. The portion of the cash collateral that is invested in the G Fund (\$15.5 billion and \$25.6 billion as of December 31, 2021 and 2020, respectively), is shown on the Statement of Net Assets as "Investments" and the corresponding cash collateral payable.

A major source of risk in any securities lending program is that the securities and instruments in which the cash collateral received (against security loans) is invested may decline in value. BlackRock's and SSGA's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examiner Council standards regarding securities lending. The tables at Appendix 2 show how the participants' account balances in the various investment options are allocated among the core TSP Funds as of December 31, 2021 and 2020, respectively.

Securities Lending Income— Securities lending income represents the income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the securities lending agent. During the term of the loan, the Fund earns dividend or interest income on the securities loaned but does not receive interest income on any securities received as collateral. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Fund could experience delays and costs in gaining access to the collateral. The Fund also could suffer a loss if the value of an investment purchased with cash collateral falls below the market value of loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original cash collateral received.

Fixed Assets—All fixed assets were recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, which range as follows:

- Furniture and Equipment 3 to 10 Years
- Leasehold Improvements 15 years
- Data Processing Software 3 to 10 years

During the twelve-month period ended December 31, 2021 and 2020, depreciation and amortization expense was approximately \$2.3 million and \$1.9 million for the years ended December 31, 2021 and 2020, respectively.

Earnings Allocation— Net earnings are used to calculate the daily share price of each investment fund as defined in regulations issued by the Agency (5 Code of Federal Regulations (CFR) Part 1645).

Contributions Receivable— Contributions receivable are estimated as the amount of contributions recorded through the first 2 weeks of the month following the date of the financial statements and represent both participant and employer portions of contributions.

Estimates— The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Thrift Savings Plan Enhancement Act of 2009— On June 22, 2009, the Thrift Savings Plan Enhancement Act (the Act or P.L. 111-31) was signed into law. The Act provides for immediate agency automatic (1%) and matching contributions for FERS employees (implemented in August 2009). The Act also requires civilian Federal agencies to automatically enroll newly hired (and rehired) eligible employees unless the employee makes an affirmative election not to participate in the Fund or elect a deferral rate other than the deferral rate of 3 percent (implemented in August 2010). The default deferral rate was changed to 5 percent in October 2020. The Act also allows the Agency to establish accounts for the surviving spouses of TSP participants (implemented December 2010). In addition, the Act also gives the Federal Retirement Thrift Investment Board the authority to establish a qualified Roth contribution program (implemented in May 2012) and the authority to establish a mutual fund window.

Coronavirus Aid, Relief, and Economic Security Act— On March 27, 2020, Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security (CARES) Act became law. The CARES Act provided the FRTIB with the authority to implement 4 provisions to assist participants that were affected by COVID 19. The FRTIB elected to implement all of these provisions. On April 14, 2020, the FRTIB suspended required minimum distributions (RMDs) for calendar year 2020. On June 13, 2020, the FRTIB implemented the option to allow TSP participants to take loans up to \$100,000 and allow participants to suspend loan payments for calendar year 2020. On July 11, 2020, the FRTIB allowed participants to take a withdrawal of up to \$100,000 which can then be repaid over three years, or the participant can elect to have the taxes spread over 3 years. The provisions allowing new loans and new withdrawals ended in 2020.

3. INCOME TAX STATUS

FERSA (5 U.S.C. § 8440(a)(1)) states that the Thrift Savings Fund shall be treated as a trust described in section 401(a) of the Internal Revenue Code (I.R.C. or Code), which is exempt from taxation under section 501(a) of the Code. This status was reaffirmed in the Tax Reform Act of 1986, Section 1147 (codified at I.R.C. § 7701(j)). It is not necessary for the Plan to apply for a tax status determination letter as it is qualified by statute.

4. COMMITMENTS AND CONTINGENCIES

The Agency has contracted with Science Applications International Corporation (SAIC) to provide a broad range of IT and IT-related recordkeeping support services, including program management and cross functional services, infrastructure and operations (data center, data network, service desk, voice network, end user services), application services, and recordkeeping. During the twelve-month period ended December 31, 2021 and 2020, the cost of all recordkeeping systems and operations support was approximately \$281 million and \$254.2 million, respectively.

The Agency has contracted with Accenture Federal Services (AFS) to provide a broad range of TSP Recordkeeping Services. This contract will replace our existing operations support, contact center, print/mail, and IT Recordkeeping services. The transition to the AFS service is underway and is expected to complete mid calendar year 2022. During the twelve-month period ended December 31, 2021 and 2020, the cost of the AFS contract was approximately \$85.4 million and \$4.4 million, respectively.

The Agency has contracted with Serco to provide operations support and a contact center in Alabama and Virginia, as well as with RA Outdoors, LLC to provide a contact center in Maryland and Texas. During the twelve-month period ended December 31, 2021 and 2020, the cost of the Serco contact center contract is approximately \$42.9 million and \$47.2 million, respectively. During the twelve-month period ended December 31, 2021 and 2020, the cost of the RA Outdoors, LLC contract is approximately \$29.4 million and \$31.1 million, respectively.

The Agency leases the office space it occupies in Washington, DC and the call center space in Virginia.

The current Washington, DC operating lease ends September 2026. Monthly base rental payments under the current lease range from approximately \$442,369 to \$488,214. The Agency subleases office space in the same building it occupies in Washington, D.C. The current subleases end March 2023. Monthly base rental payments under the current subleases range from approximately \$383,381 to \$392,973.

The contact center operating lease in Virginia ends August 2022. The monthly base rental payments under the current lease are \$11,603.

Future minimum lease commitments (through calendar year 2026) under the operating leases are:

Calendar Year	Amount
2022	\$11,149,628
2023	6,650,444
2024	5,597,394
2025	5,737,393
2026	4,383,356
Total	\$33,518,215

Rent expense is recorded on a straight-line basis over the lease terms. During the twelve-month period ending December 31, 2021 and 2020, rent expense under the leases was approximately \$10 million and \$10.2 million, respectively.

5. FIDUCIARY INSURANCE

FERSA (5 U.S.C. § 8479(b)(1)) provides that the Executive Director may assess Federal agencies for the purpose of buying fiduciary insurance. The Agency's Executive Director exercised this authority in 1987 and required agencies to submit an amount equal to 1 percent of their agency automatic contributions. Such sums were collected during 1987 and 1988 and are invested to the extent not currently required to purchase fiduciary insurance. In February 1988, the Executive Director instructed agencies to discontinue the 1 percent fiduciary insurance contributions. The balance of funds available for the purchase of fiduciary insurance as of December 31, 2021 and 2020 was \$3,230,537 and \$3,234,763, respectively. These funds are invested in the same securities held by the G Fund and are included in total investments on the accompanying statements of net assets available for benefits, with a corresponding reduction in the net assets available for benefits. By statute, such amounts cannot be allocated to participants' accounts. The Agency has determined that the current insurance reserve is adequate to fund coverage needs for the foreseeable future.

6. SUBSEQUENT EVENTS

Agency management evaluated subsequent events through April 5, 2022, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2021 but prior to April 5, 2022, that provided additional evidence about conditions that existed at December 31, 2021, have been recognized in the financial statements for the twelve-month period ending December 31, 2021. Events or transactions that provided evidence about conditions that did not exist at December 31, 2021 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the twelve-month period ended December 31, 2021.

Appendix 1

Fair Value Measurements as of December 31, 2021				
(in thousands)				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Government Securities Investment Account	\$285,688,790	\$ -	\$ -	\$285,688,790
TSP F Fund – U.S. Debt Index Account	-	37,363,105	-	37,363,105
TSP C Fund - Equity Index Account	-	326,776,180	-	326,776,180
TSP S Fund- Extended Equity Index Account	-	106,932,031	-	106,932,031
TSP I Fund- EAFE Equity Index Account	-	70,521,082	-	70,521,082
Total assets at fair value	\$285,688,790	\$541,592,398	\$ -	\$827,281,188

Fair Value Measurements as of December 31, 2020				
(in thousands)				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Government Securities Investment	\$292,725,495	\$ -	\$ -	\$292,725,495
TSP F Fund – U.S. Debt Index Account	-	39,710,730	-	39,710,730
TSP C Fund - Equity Index Account	-	251,538,774	-	251,538,774
TSP S Fund- Extended Equity Index Account	-	92,382,904	-	92,382,904
TSP I Fund- EAFE Equity Index Account	-	58,849,974	-	58,849,974
Total assets at fair value	\$292,725,495	\$442,482,382	\$ -	\$735,207,877

Appendix 2

Investment Summary by Fund as of December 31, 2021 (in thousands)						
Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	\$210,575,058	-	-	-	-	\$210,575,058
F Fund	-	\$24,928,829	-	-	-	24,928,829
C Fund	-	-	\$268,694,066	-	-	268,694,066
S Fund	-	-	-	\$91,182,323	-	91,182,323
I Fund	-	-	-	-	\$30,737,717	30,737,717
L Income	21,698,529	1,761,351	3,768,140	901,086	2,525,090	30,654,196
L 2025	5,247,683	639,457	2,305,880	579,790	1,560,189	10,332,999
L 2030	17,955,147	3,498,728	16,647,423	4,312,945	11,323,637	53,737,880
L 2035	1,228,181	334,100	1,548,822	411,117	1,059,071	4,581,291
L 2040	9,561,772	3,458,394	16,844,484	4,585,181	11,577,228	46,027,059
L 2045	377,995	199,563	963,081	272,348	667,444	2,480,431
L 2050	3,342,733	2,513,552	13,188,920	3,808,718	9,183,090	32,037,013
L 2055	9,476	9,293	942,146	274,099	657,074	1,892,088
L 2060	5,481	6,856	619,240	180,157	431,865	1,243,599
L 2065	8,395	14,530	1,127,616	327,899	786,570	2,265,010
Differences (*)	15,678,340	(1,548)	126,362	96,368	12,107	15,911,629
Statement of Net Assets	\$285,688,790	\$37,363,105	\$326,776,180	\$106,932,031	\$70,521,082	\$827,281,188

(*) Differences are a result of timing differences, including investment transactions not settled as of December 31, 2021. These differences may not be allocated down to the L Funds until the following business day. The differences in the G Fund is largely due to the securities lending program for the F, C, S and I Funds.

Investment Summary by Fund as of December 31, 2020 (in thousands)						
Investment Options	G Fund Investment	F Fund Investment	C Fund Investment	S Fund Investment	I Fund Investment	Total
G Fund	\$215,855,714	-	-	-	-	\$215,855,714
F Fund	-	\$29,079,471	-	-	-	29,079,471
C Fund	-	-	\$204,864,269	-	-	204,864,269
S Fund	-	-	-	\$79,221,038	-	79,221,038
I Fund	-	-	-	-	\$27,115,944	27,115,944
L Income	21,571,118	1,749,750	3,561,196	857,603	2,355,902	30,095,569
L 2025	2,932,926	393,269	1,573,768	406,097	1,054,137	6,360,197
L 2030	15,664,272	3,217,151	14,660,219	3,920,131	9,895,696	47,357,469
L 2035	565,012	160,236	718,206	198,151	488,192	2,129,797
L 2040	8,044,399	3,006,127	14,260,192	4,056,905	9,756,488	39,124,111
L 2045	165,835	91,290	426,492	127,359	295,042	1,106,018
L 2050	2,551,555	2,020,004	10,229,233	3,131,523	7,117,659	25,049,974
L 2055	3,428	3,431	338,418	104,520	236,005	685,802
L 2060	1,862	2,371	208,812	64,548	145,653	423,246
L 2065	3,635	6,757	512,595	158,444	357,526	1,038,957
Differences (*)	25,365,739	(19,127)	185,374	136,585	31,730	25,700,301
Statement of Net Assets	\$292,725,495	\$39,710,730	\$251,538,774	\$92,382,904	\$58,849,974	\$735,207,877

(*) Differences are a result of timing differences, including investment transactions not settled as of December 31, 2020. These differences may not be allocated down to the L Funds until the following business day. The differences in the G Fund is largely due to the securities lending program for the F, C, S and I Funds.

This information is an integral part of the accompanying financial statements.