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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

July 22, 2025

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on July 22, 2025, at 10:00 a.m., Eastern Daylight Time. The meeting was held at the Board's offices at 77 K Street, NE, Washington, D.C., and was open to the public via teleconference. In attendance were Dana K. Bilyeu of Oregon (via telephone), member; Leona M. Bridges of California, member; Stacie Olivares of California, member; Ravindra Deo, Executive Director; Dharmesh Vashee, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer and Deputy Executive Director; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Participant Experience; Sean McCaffrey, Chief Investment Officer; Thomas Brandt, Chief Risk Officer; Trevor Williams, Chief Financial Officer; James Kaplan, Director, Office of External Affairs; and Jason Boyd, Chief Information Officer.

Welcome and Introductions.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:00 a.m. and welcomed everyone in attendance to the meeting.

1. Approval of the Minutes of the June 24, 2025, Board Meeting minutes.

Chair Gerber entertained a motion for approval of the minutes of the June 24, 2025, Board meeting. The following motion was made, seconded, and adopted without objection:

> MOTION: That the minutes of the Board meeting held on June 24, 2025, be approved.

Mr. Deo then gave opening remarks and provided a brief summary of the agenda.

2. Monthly Reports.

a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Participant Activity Report July 2025" (attached). He reported that overall participant satisfaction has remained over 93 percent for the past 12 months. For the month of

June, satisfaction among callers to the ThriftLine was over 94 percent.

Mr. Courtney also noted that general purpose loans increased from May to June of 2025, but general purpose loans over the first six months of 2025 are down four percent as compared to the same period last year.

b. Legislative Report

Mr. Kaplan provided the legislative update. The House of Representatives and Senate passed a reconciliation bill that was signed into law by the President on July 4th. No provisions directly impacted the FRTIB or the Thrift Savings Plan (TSP), as most of the federal retirement provisions included in earlier versions of the bill were removed before its passage. The bill increased the debt ceiling, allowing the Treasury Department to discontinue its use of extraordinary measures.

House Democrats confirmed Representative Robert Garcia of California as the new ranking member on the Committee on Oversight and Government Reform.

Both Chambers of Congress are focused on Fiscal Year (FY) 2026 appropriations bills and are in session for the remainder of July with a recess scheduled for much of August before returning after Labor Day. Congress must pass either the appropriations bills or a continuing resolution by September 30th to avoid a government shutdown.

Finally, the Senate Armed Services Committee advanced the annual National Defense Authorization Act out of committee on July 9th, and the House Armed Services Committee approved the bill on July 16th. While some provisions of the bill relate to benefits for uniformed personnel, none are related to the TSP. The Office of External Affairs (OEA) will continue to monitor the bill for legislative language that could impact the Agency, the TSP, or its participants and beneficiaries.

3. Quarterly Reports.

a. Investment Review

Mr. McCaffrey reviewed the investment performance report. See "June 2025 Investment Program Review" (attached). He reported that, in June, BlackRock's and State Street's performance for the F, C, and S Funds matched the Funds' indices. BlackRock's and State Street's I Fund performance exceeded the International Index by 24 and six basis points, respectively, primarily due to fair value pricing.

Mr. McCaffrey reported that, for the month of June, investor bullishness for stocks prevailed once again. The C and S Funds posted strong gains, and the I Fund also finished higher, bolstered by a weaker U.S. dollar. The F Fund rose as longer-term interest rates fell, and all L Funds finished higher.

Mr. McCaffrey next reported that for the year-to-date, BlackRock's performance for the F, C, and S Funds was in line with indices. I Fund performance was ahead of the International Index by 90 basis points, primarily due to fair value pricing.

State Street's year-to-date performance for the F Fund was ahead of the Fixed Income Index's returns by three basis points, primarily due to interest earned on cash. C Fund performance matched the Large Cap Index returns. S Fund performance was ahead of the Small Mid-Cap Index by five basis points, primarily due to securities sampling and securities lending. I Fund performance was ahead of the International Index by 51 basis points, primarily due to tax advantage and fair value pricing.

Mr. McCaffrey also reported that U.S. stock returns are positive so far this month through the July 21st close. The C Fund is ahead by 1.68 percent, the S Fund has returned 2.31 percent, the I Fund is up 0.14 percent, the F Fund is off a little bit at negative 0.46 percent, and the G Fund is ahead 0.25 percent. Mr. McCaffrey also noted that participant allocations between the G, F, C, S, I, and L funds, as well as the mutual fund window, now total over a trillion dollars.

Net interfund transfers (IFTs) were relatively muted on an absolute basis, not reflecting any particularly strong bias either way for taking overall stock market risk. However, at the margin the I Fund found favor over the two domestic stock Funds. On a percentage basis, approximately 2.2 percent of participants moved assets between Funds in June, which is slightly above the long-term median of about two percent.

Mr. McCaffrey next reported that an audit of BlackRock's proxy voting conducted by Institutional Shareholder Services (ISS) found no exceptions to BlackRock's established guidelines during the period. Similarly, an audit of State Street's proxy voting conducted by ISS found no exceptions to State Street's established guidelines during the quarter.

Finally, Mr. McCaffrey reported that BlackRock began the 1st quarter with 109 open class action settlement claims. During the quarter, 18 new claims were opened and 30 claims were closed. Total amounts collected were about 2.52 million dollars, which included recent settlements of over 2.48 million dollars and total residual payments from previously closed claims netting about 31 thousand dollars. Ninety-seven claims remained open at the end of the quarter. State Street began the 1st quarter with 49 open claims. Twelve new claims were opened and 11 claims were closed. One settled claim resulted in a receipt of about 417,500 dollars, and 50 claims remained open at the end of the quarter.

b. Budget Review

Mr. Williams presented the quarterly budget update. See "FY2025 3rd Quarter Budget Review" (attached). He reported that the FY 2025 Board-approved budget was 500.9 million dollars. Through the 3rd quarter, the Agency had executed 411.3 million dollars, leaving 89.6 million dollars remaining for the remainder of the fiscal year. The 411.3 million dollars spent though the 3rd quarter represents 88 percent of the 3rd quarter spend plan target and 82 percent of the FY 2025 approved budget. Mr.

Williams reminded the Board that if the Agency does not need the money, it does not spend the money, as every dollar not spent is a dollar invested for participants and beneficiaries. Mr. Williams concluded his report by noting that the majority of the Agency's executed budget is for recordkeeping.

c. Audit Status

Mr. Williams next presented the quarterly external audit and remediation status. See "Quarterly External Audit and Remediation Status July 2025" (attached). He reported that there are 12 audits for FY 2025, with four being complete and the remaining eight in progress. Of those 12, the Employee Benefits Security Administration (EBSA) has nine, Sikich has one, the Government Accountability Office (GAO) has one, and Williams Adley has one.

Overall the Agency has seen a downward trend of open recommendations, from 384 in 2020 down to 90 to begin FY 2025. Mr. Williams also reported that the Agency began this quarter with 90 open audit recommendations. Of those 90, 43 have been implemented, meaning corrective actions have been taken and the recommendation is considered closed, pending the auditors' review. During the quarter, the Agency closed four recommendations and received two new recommendations, ending the quarter with 88 open recommendations. Of those 88, 42 have been implemented and 46 remain in progress.

4. Annual Financial Audit.

Mr. Williams next introduced lead auditor Cassie Crist from Sikich to present the results of the annual financial statement audit, which covers calendar year 2024. See "2024 Financial Statement Audit Results" (attached). Ms. Crist reported that the financial statement audit resulted in an unmodified or clean opinion. The auditors did not issue a specific internal control letter on the financial reporting related to the Plan. They did not identify any specific control matters for the year, and the control matter identified in a prior year's audit was closed this year. The auditors also did not identify any misstatements with respect to the Agency's financial statements and found them to be clear, appropriate, and precise.

5. Internal Audit Update.

Ms. Barbara Holmes, Chief Audit Executive, provided an internal audit update. See "Internal Audit Update" (attached). Ms. Holmes reported that the Oracle financial audit and the budgeting audit have been completed. The Zero Trust Architecture audit is in the report-writing phase and the draft report will be issued shortly. The business continuity audit has also been completed, with a draft report issued to program offices the previous Friday. The FISMA audit is expected to be completed this week, with a draft produced early next week and results reported at the end of the month. The Interagency Agreement audit and the Integrated Risk Management (IRM) tool audit are in progress.

Ms. Holmes reported that the purpose of the budgeting process audit was to determine whether the Agency's controls for the budgeting process are designed properly and operating effectively to comply with applicable laws, regulations, and Agency policy. The audit, which covered calendar year 2024, resulted in no findings or recommendations. Ms. Holmes next reported that the purpose of the Oracle financial audit was to determine whether the Agency's internal controls for the Oracle financial processes were designed properly and are operating effectively. The audit, which covered February 2024 through January 31, 2025, resulted in no findings or recommendations.

Ms. Holmes further reported that several audit findings have been closed since the last update, with three to five more currently being reviewed. She expects that this time next month there will be additional movement on audit closings. Other upcoming internal audit activities include reviewing for potential changes to the 2026 Internal Audit Plan, continuing to execute the 2025 Internal Audit Plan, and completing the FISMA audit by the end of July.

In response to a question from Member Olivares, Ms. Holmes confirmed that she had sufficient resources to independently conduct the audits.

6. Office of Investments Annual Review.

Mr. McCaffrey provided the annual review of the Office of Investments (OI). See "Annual Review of the Office of Investments" (attached). He began by stating that OI's function is to develop and implement investment policy and provide subject matter expertise for TSP investment programs. OI consists of six experienced investment professionals, including Mr. McCaffrey, the Deputy Chief Investment Officer, and four Financial Analysts, and leverages strong partnerships with other Agency offices.

OI's main responsibilities are supervising investment managers hired by the Agency, conducting regular reviews of the asset allocation for the L Funds' glide paths, developing and maintaining written investment policies and procedures, ensuring that the TSP's core Funds are invested in accordance with law and applicable policy, and providing investment subject matter expertise to Agency leadership, the Board, and other Agency offices.

OI has agreements with investment consultants (Aon, Callan, Meketa, Mercer, and RVK) to work on projects as needed. Some efforts, such as review of the L Funds' asset allocations, assessments of the menu of investment options offered to participants, and examination of the core Funds' indices, occur regularly. Others may occur on a one-time basis, such as advice about establishing the frequency of the Board's TSP Fund Investment Policy review, evaluation of investment manager proposals, and assistance with coordinating the transfer of assets upon implementation of the two-manager model.

Mr. McCaffrey noted that OI recognizes the honor and responsibility of being entrusted with oversight of more than one trillion dollars in assets for over 7.2

million participant accounts. He also noted how important it has been over 35 years for the Board and TSP leadership to develop an appropriate investment menu to respond to the growth in assets and to meet the needs of millions of participants.

Mr. McCaffrey next highlighted OI's accomplishments over the past ten years and noted that the OI team always strives for operational excellence, such as ensuring the smooth functioning of the two-manager model. Much of the work has been automated, and the team has built quality control checks into daily work routines. Mr. McCaffrey also reported that a TSP investment manager operations audit took place earlier in the year, and there were no findings or recommendations.

Mr. McCaffrey discussed recent changes to the I Fund index, pointing to differences in market coverage between the current and former indices, and then reported on L Fund asset allocation and participation. The L Funds are built from allocations to the G, F, C, S, and I Funds along pre-determined glide paths, and the allocations are reviewed periodically. He noted that, for participants not expected to retire for another 30 or 40 years, greater allocation to the C, S, and I Funds, which represent greater stock market risk, makes sense. L Funds with shorter maturities have increasingly higher allocations to fixed income, such as to the G Fund, to reduce volatility over time. However, allocations to the stock market never fully disappear. Even for the L Income Fund, there is a much smaller amount invested in stocks but still enough to give participant balances a better chance to grow at faster rates and to try to keep up with inflation than they would have with just fixed income.

Mr. McCaffrey reported that the total number of participant accounts in the TSP has grown to over 7.2 million, and about 55 percent of those accounts have at least some assets in the L Funds, with 40 percent of accounts having all their assets in the L Funds. The L Funds now trail only the C Fund in terms of asset allocation for participants. The Agency believes this growth is mostly attributable to the automatic enrollment of new participants whose contributions are invested by default into age-appropriate L Funds, but who are welcome to move to different funds based on their unique circumstances. The continued increase in allocations to the L Funds suggests that participants find value in the convenience and diversification offered by this part of the TSP's investment lineup.

OI's future activities include continuing to ensure that supervision of investment managers is comprehensive, consistent, and proactive; building upon automation efforts to make efficient use of data; developing contingency planning for unexpected external risk events; maintaining and following policies and procedures; and continuing to serve as the Agency's trusted source for investment knowledge.

7. FY 2026 Budget Proposal.

Finally, Mr. Williams presented the budget proposal for FY 2026 through FY 2028. See "FY2026-2028 Budget Proposal" (attached). Mr. Williams began by noting that the Agency's current priorities are making greater use of data and analytics to improve the participant experience; leveraging compliance, oversight, and assurance processes to optimize vendor performance; continuing to focus on quality and improvement; and embracing a culture of collaboration and trust to achieve Agency goals. He also stated that, of the Agency's Board-approved FY 2025 budget of 500.9 million dollars, 69 percent was for recordkeeping, 16 percent was for Agency operations, 12 percent was for payroll, and three percent was for communications.

Mr. Williams reported that in FY 2025, the Agency handled over four million participant- and beneficiary-initiated transactions, answered over six million inquiries, mailed over eight million pieces of communications materials to participants, processed over 94 million participant contributions totaling approximately 35 billion dollars, and managed a projected 966 billion dollars in average assets for over seven million active and separated participants.

Mr. Williams then stated that the Agency's priorities for FY 2026 are maintaining high levels of confidence and trust in the TSP, enhancing the retirement readiness of participants, supporting a high-performing workforce by being responsive to employee needs and concerns, and continuing to pursue improvements in Agency operations while maintaining a strong cybersecurity posture.

Mr. Williams next presented the Agency's budget proposal for FY 2026 through FY 2028. The Agency's requested budget for FY 2026 is 490.3 million dollars, which is a two percent decrease from FY 2025. For FY 2027, the Agency's requested budget is 503.5 million dollars, and for FY 2028, the requested budget is 501.5 million dollars. Mr. Williams noted that some of the year-to-year changes are due to better contract pricing and reduced postage.

Mr. Williams also noted that he expects the Agency's assets and accounts to continue to rise as the budget remains steady. As the Agency's assets rise, its budget-to-assets ratio goes down. In 2024, the ratio was 0.052 percent. Mr. Williams also reported that in FY 2024, the budget per account was 67 dollars.

Mr. Williams reported that, from 2018 to 2024, the Agency has averaged around 86 percent of its budget actually expended. The Agency's gross expense ratio is typically lower than its budgeted expense ratio as a result of not spending 100 percent of the budget. He also noted that the Agency's net expense ratio, which is charged to participants, is lowered by forfeitures. In 2024, the net expense ratio was 3.6 basis points, which was down from the previous year's 4.8 basis points.

Mr. Williams then concluded by restating the Agency's requested budget of 490.3 million dollars for FY 2026, 503.5 million dollars for FY 2027, and 501.5 million dollars for FY 2028.

Chair Gerber entertained a motion for approval of the FY 2026 through 2028 budget. The following motion was made, seconded, and adopted without objection:

MOTION: That the FY 2026 through 2028 budget be approved.

8. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 10:55 a.m. for executive session.

Upon completion of the executive session, the members reconvened the open portion of the meeting off the record.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chair Gerber adjourned the meeting at approximately 11:48 a.m.

MOTION: That this meeting be adjourned.

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Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Participant Activity Report July 2025
2. June 2025 Investment Program Review
3. FY2025 3rd Quarter Budget Review
4. Quarterly External Audit and Remediation Status July 2025
5. 2024 Financial Statement Audit Results
6. Internal Audit Update
7. Annual Review of the Office of Investments
8. FY2026-2028 Budget Proposal