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

MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 25, 2025

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 25, 2025, at 10:00 a.m., Eastern Daylight Time. The meeting was held at the Board's offices at 77 K Street, NE and was open to the public via teleconference. In attendance were Dana K. Bilyeu of Oregon, member (by telephone); 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 L. 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 present to the meeting.

1. Approval of the Minutes of the August 26, 2025, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the August 26, 2025, Board meeting. The following motion was made, seconded, and adopted without objection:

> MOTION: That the minutes of the Board meeting held on August 26, 2025, be approved.

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

2. Investment Manager Annual Service Review – State Street Investment Management.

Mr. McCaffrey welcomed State Street Investment Management (State Street) associates and provided a brief overview of their role as one of the asset managers of the Thrift Savings Plan (TSP). He introduced Yie-Hsin Hung, President and Chief Executive Officer of State Street, Ronald O'Hanley, Chairman and Chief Executive Officer of State Street Corporation, and Rocky Granahan, lead relationship manager and Head of East Regional Sales of State Street.

Ms. Granahan discussed the concept of “One State Street” and how the firm brings together investment management and investment services in one package. Ms. Granahan introduced Ms. Hung to discuss the growth of State Street over the past three years. This growth resulted from partnering with clients and listening to their needs. State Street aims to be viewed as an extension of its clients’ overall team. Ms. Hung also emphasized State Street’s focus on the retirement sector, with retirement plans accounting for about 25 percent of total assets.

Ms. Hung introduced Mr. O’Hanley to discuss the “One State Street” approach. Mr. O’Hanley provided a historical overview of State Street and explained that all of the company’s lines of business focus exclusively on institutional investors. He stated that State Street is the fourth largest investment manager in the world and the third largest manager of exchange traded funds.

Mr. O’Hanley explained that State Street is in the midst of a multi-year strategic planning session to identify and address client concerns including the nature of investment risk, operational complexity, investment opportunities, and data. State Street is addressing these concerns through continuous development and improvement of its platform and by providing clients with operational certainty. This includes increasing the speed of transactions and data availability, as well as reducing errors and performing faster and more automated reconciliations. Mr. O’Hanley stated that State Street drives innovation through its use of technological tools including artificial intelligence (AI) and machine learning. He closed his presentation by explaining that State Street’s purpose is to serve institutions like the FRTIB.

In response to a question from Member Olivares on how clients engage with State Street, Mr. O’Hanley explained that 10 to 15 years ago, State Street primarily provided investment products. Now, State Street is viewed as an extension of its clients, with ongoing and continuous partnerships as opposed to periodic ones. Ms. Hung echoed Mr. O’Hanley’s comments and explained that State Street prepares custom index mandates, laddered fixed income offerings, and personalization at scale.

In response to a question from Member Bridges, Mr. O’Hanley explained that cybersecurity has started to change the financial industry. He indicated that digitalization continues along with wider deployment of blockchain technologies. Additionally, the regulatory framework for digital currencies is evolving and becoming clearer.

In response to a question from Member Bilyeu, Mr. O’Hanley explained that State Street is slowly adopting AI with the goal of building a responsible AI framework. He emphasized the need to understand how the technology works before using client data. Mr. O’Hanley noted that regulators are focused on preventing potential harm to participants and consumers from AI. Additionally, the United States Government created the Financial Systemic Analysis and Resilience Center to integrate large financial service providers, intelligence agencies, technology providers and defense contractors to understand cyber threats.

In response to questions from Member Olivares on digital assets and decryption risk with quantum technology, Ms. Hung and Mr. O'Hanley discussed portfolio offerings including stablecoin and tokenizing funds. Mr. O'Hanley also briefly touched on the idea of encryption in an age of quantum computing. In response to a question from Member Bridges on recruitment, Mr. O'Hanley discussed how technology underpins everything State Street does, which also plays a part in their recruitment of new employees.

Ms. Granahan next introduced Karl Schneider, Senior Portfolio Manager, Mark DiCosimo, Senior Portfolio Manager, Fixed Income Markets, and Axel Hester, Director of Securities Lending, to provide an overview of investment performance. See "Investment Manager Annual Service Review (State Street Investment Management)" (attached). Mr. Schneider began by providing an overview of the equity markets for 2025. He noted that there was a hiccup in March and April. However, through the end of August, the United States markets are up about 10 percent and non-United States markets are up about 20 percent. Increases were led by technology and communication services. Laggards were healthcare, real estate, and energy.

Mr. Schneider explained that large technology companies continue to grow, raising valuation concerns. Currently, the top 10 names in the S&P 500 represent about 39 percent of the weight of that index. Mr. Schneider noted that while index concentration should be discussed, many of these large companies have diversified revenue streams and can be considered almost as several large companies within an individual mega company.

Mr. Schneider noted that 88 percent of S&P companies beat their estimates in the second quarter of 2025. He went on to explain that the increase in equities was likely the result of the Fed entering an easing cycle, an increase in AI spending, and market-friendly government policies. Mr. Schneider discussed that while some valuations appear to be a bit elevated, most are justified. However, he noted that the labor market and inflation are potential areas of concern.

Mr. Schneider introduced Mr. DiCosimo to provide an economic snapshot of fixed income rates. Mr. DiCosimo explained that the United States has a positive gross domestic product growth of approximately two percent this year, inflation (as measured by the Consumer Price Index) is down to roughly three percent and unemployment is historically low at 4.3 percent. Additionally, he noted equity appreciation to consumers and decreases in rental inflation. Lastly, he noted mortgage rates are fairly normal at 6.25 percent.

Mr. DiCosimo remarked that while the economy is in a very good place, there are also some cracks including a housing rollover in states like Arizona, Nevada, and Florida. Consumer debt, including credit card delinquencies, is increasing as are sub-prime automobile delinquencies. Furthermore, potential tariffs could be inflationary as could de-globalization and immigration policies. The job market is also beginning to soften.

Mr. DiCosimo noted that from a rates standpoint, there is a return to a traditional yield curve. He reiterated that the returns have been good across the curve, and that a six percent return for the F fund is fantastic.

In response to a question from Member Olivares, Mr. DiCosimo explained that tokenization will create efficiencies in the fixed income market. More specifically, it will enable more efficient settlement and reconciliation of accounts from a custody and back-office standpoint.

Mr. Schneider turned next to the performance of the C, S, and I Funds. The C Fund is up 6.2 percent year-to-date and is acting as expected relative to its benchmark. The S Fund is up two basis points over its benchmark in June and is closer to 10 basis points over its benchmark through the end of August. The I Fund is up 51 basis points ahead of its benchmark year-to-date. This is the result of a fair value pricing as well as the withholding tax advantage that the Fund has versus the Index.

Next, Mr. DiCosimo discussed F Fund performance. He noted that the F Fund is a broad market fixed income index across six different sectors: treasuries, mortgages, American Depository Shares, commercial mortgage-backed securities, non-core credit, and investment grade credit. Year-to-date, the F fund performance is up three basis points relative to its benchmark.

Ms. Granahan introduced Mr. Hester, who provided a high-level overview of the State Street securities lending program and performance. In response to a question from Chair Gerber, Mr. Hester indicated that while there may be fewer initial public offerings (IPOs), they tend to be a substantial size when they come to market. Mr. O'Hanley agreed, stating that the IPO market will revert to normal, with analysis supporting a stronger and stronger IPO market.

In response to a question from Member Bridges, Mr. Hester confirmed that there are different approaches to retail securities lending, with a large portion of financial institutions managing such activity internally rather than outsourcing it. In response to another question from Member Bridges, Mr. Hester confirmed that State Street is still developing its operational infrastructure in the Middle East, with the focus on offshore banks at this juncture. Mr. O'Hanley confirmed that State Street has license applications in place for the Middle East/Gulf region and noted Saudi Arabia has a commitment to open and transparent capital markets.

In response to a question from Chair Gerber, Mr. Hester explained that the more efficient use of capital allows investors to back more positions, causing a natural outgrowth. He mentioned that hedging enables more efficient markets overall, which increases volume.

3. Monthly Reports.

a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Participant Activity Report September 2025" (attached). The value of Roth assets reached a new record of 83 billion dollars in August. More than 2.8 million participants or nearly 40 percent have some Roth funds in their TSP account, which is a Plan high.

Mr. Courtney stated that the Agency is working with its recordkeeper to prepare for a possible government shutdown on October 1st. If a shutdown occurs, the TSP will remain open and continue its normal daily operations. For active participants, the TSP will automatically keep outstanding loans in good standing during a lapse in appropriations. TSP will not place active participants in a loan delinquency status simply because their payroll deductions stopped due to a government shutdown.

b. Investment Performance Report

Mr. McCaffrey reviewed the investment performance report. See "August 2025 Investment Program Review" (attached). For the month of August, he reported that both BlackRock's and State Street's performance for the F, C, and S Funds was in line with the Funds' respective indices. BlackRock's and State Street's performance for the I fund exceeded the International Index by 48 and 57 basis points respectively, both primarily due to fair value pricing.

Mr. McCaffrey reported that investors in August looked past some mixed economic data and delivered another positive month for global stock markets. The C and S Funds gained as a result. The I Fund also finished higher, boosted in part by a weaker U.S. dollar. The F Fund rose as most longer-term interest rates fell. All L funds finished higher.

Year-to-date, BlackRock's performance for the F, C, and S Funds was in line with the Funds' respective indices. Its I Fund performance was ahead of the International Index by 48 basis points, primarily due to tax advantage.

State Street's year-to-date performance for the F Fund was ahead of the Fixed Income Index's return by five basis points, primarily due to interest earned on cash in the Fund. Its C Fund performance was in line with the Large Cap Index and its S Fund performance was ahead of the Small Mid-Cap Index by nine basis points, primarily due to securities sampling and securities lending. For the I Fund, State Street's returns exceeded the International Index by 58 basis points, primarily due to tax advantage.

As of market close on September 24th, the C Fund has gained 2.85 percent; the S Fund is ahead 1.97 percent; the I Fund has a gain of 2.59 percent; the F

Fund has a gain of 1.02 percent; and the G Fund is ahead by 0.28 percent. Regarding participation history of the L Funds, Mr. McCaffrey reported that participation increased by approximately 20,000 in August. He noted that the L 2065 and L 2070 Funds saw the largest increases. August 31st marks the first month-end with at least four million accounts invested in the L Funds. It also marks the first time the percentage of accounts with 100 percent of assets in the L Funds lineup crossed 40 percent.

Net interfund transfers for the month of August remained relatively low, with movement toward taking on additional risk. On a percentage basis, 1.8 percent of participants moved assets between Funds, which is below the long run median of 2.0 percent.

c. Legislative Report

Mr. Kaplan reported that the House of Representatives and Senate were in recess for most of August for their district work period. The House of Representatives passed the Streamlining Procurement for Effective Execution and Delivery and National Defense Authorization Act for Fiscal Year 2026 (NDAA). None of over 1,000 potential amendments were directly related to the TSP or the FRTIB. The bill will be considered now by the Senate.

Mr. Kaplan explained that there is concern that Congress will not pass a continuing resolution before the fiscal year ends at midnight on September 30th. On Friday, the Senate failed to approve a House of Representatives continuing resolution or pass an alternative proposal. It seems increasingly unlikely that a resolution will be reached before the end of the fiscal year.

Mr. Kaplan noted that the FRTIB continues to track the status of the continuing resolution and related appropriations bills. He reiterated that a government shutdown will not directly affect the operations of the TSP, and participants and beneficiaries can continue to access their accounts.

4. Quarterly Vendor Risk Management Report.

Mr. Brandt reviewed the Agency's vendor risk assessment for the 2nd quarter of Calendar Year (CY) 2025. See "Quarterly Vendor Risk Assessment – 2nd Quarter CY 2025" (attached). Mr. Brandt stated that having analyzed various sources of data and evaluated metrics to assess solvency, liquidity, and profitability for five critical vendors, all vendors are able to fulfill their contractual obligations to the Agency. The Quarterly Vendor Risk Assessment memorandum to the Board members and the Executive Director provides more detail on the results of the analysis for the second quarter of CY 2025.

5. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 11:36 a.m. to enter into executive session.

At 1:29 p.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 Chair Gerber adjourned the meeting at 1:29 p.m.

MOTION: That this meeting be adjourned.

Digitally signed by DHARMESH VASHEE
Date: 2025.11.12 08:21:23 -05'00'

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Investment Manager Annual Service Review (State Street Investment Management)
2. Participant Activity Report September 2025
3. August 2025 Investment Program Review
4. Quarterly Vendor Risk Assessment – 2nd Quarter CY 2025