

# Investment Policy

# Approval Frequency

Presented By

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# Background

- The Federal Employees' Retirement System Act of 1986 (FERSA) does not prescribe a specific frequency for the review of the TSP's investment policies.
- By current practice, the Executive Director proposes a Board resolution for the approval of the TSP's investment policies on a quarterly basis.
- OI commissioned a study by one of its consultants to summarize best practices with respect to the frequency of board approval of investment policies.

# Consultant Approach

- FRTIB current practices and guidance from statutes and regulations
- Guidance from a review of literature on fiduciary and governance topics
- Additional RVK perspectives on IPS review frequency
  - General client guidance and consultant survey
  - Industry survey data
  - Client practices and the practices of additional large public DC plans

# Key Findings of Consultant Study

- FERSA does not prescribe a specific IPS review frequency
- Limited regulatory guidance exists as to the frequency of review
- Fiduciary and governance literature supports IPS as a critical fiduciary document but offers limited guidance on frequency of review
- DC plan recordkeeper data suggests annual updates most common
- Reviews of RVK's larger public fund client implementations and its general pool of larger clients indicate annual review most common
- No clear differences in frequency based on asset allocation or fund strategy or active vs. passive manager deployment

# Additional Considerations

- Investment policy setters should maintain long-term view; high bar for changes
- Quarterly reviews might imply recent investment performance or trends motivate Board policy
- Annual reviews more consistent with long-term nature of TSP's investment policy
  - TSP offers a small number of index strategies supporting four of the five statutorily created Funds
  - Changes in the type and number of Funds is rare as are changes to benchmarks
  - Review consists of monitoring passive strategies; Funds are not actively managed and expected deviations are small

# Proposal

- The Executive Director will submit a resolution on investment policy on an annual basis.
- The Board last approved the resolution on investment policy in January 2022, so the next resolution will be submitted in January 2023.

# 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 C, F, S, I and G Funds are created by statute and are long-term investments; and

WHEREAS the Board currently reviews the TSP Funds' investment policies on a quarterly basis; and

WHEREAS the Board's due diligence suggests that fiduciaries of similar plans review investment policies on an annual basis;

NOW THEREFORE BE IT RESOLVED that the Board will review the TSP's investment policies going forward on an annual basis.

# Questions?