



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

MEMORANDUM FOR BOARD MEMBERS

GERBER, BILYEU, BRIDGES,
AND OLIVARES

FROM: Ravindra Deo, Executive Director

DATE: July 13, 2023

SUBJECT: June 2023 Investment Program Review

INTRODUCTION

This report reviews key aspects of the TSP's investment program, including performance, benchmark differences, interfund transfer activity, and participant allocations.

RETURNS AND BENCHMARK DIFFERENCES

The tables below contain the monthly and year-to-date (YTD) returns and benchmark differences for the F, C, S, and I Funds and for the separate accounts managed by BlackRock and State Street. Due to rounding, the benchmark differences may not match the differences in displayed returns.

June 2023 Returns and Benchmark Differences

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid Cap</u>	<u>International</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>(S Fund)</u>	<u>(I Fund)</u>
Return (%)	Index	-0.36	6.61	8.30	4.55
	BlackRock	-0.36	6.61	8.31	4.50
	State Street	-0.36	6.61	8.31	4.84
	TSP Fund (Net)	-0.36	6.61	8.31	4.57
Benchmark Difference (%)	BlackRock	0.00	0.00	0.01	-0.05
	State Street	0.00	0.00	0.01	0.29
	TSP Fund	-0.01	0.00	0.01	0.01

BlackRock's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month. Its performance for the I Fund lagged the International Index by 5 basis points, primarily due to fair value pricing.

State Street's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month. Its performance for the I Fund exceeded the International Index by 29 basis points, primarily due to fair value pricing.

2023 YTD Returns and Benchmark Differences

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid</u>	<u>International</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>Cap (S Fund)</u>	<u>(I Fund)</u>
Return (%)	Index	2.09	16.89	12.57	11.67
	BlackRock	2.28	16.90	12.68	12.14
	State Street	2.29	16.89	12.61	12.33
	TSP Fund (Net)	2.25	16.88	12.64	12.16
Benchmark Difference (%)	BlackRock	0.19	0.00	0.10	0.47
	State Street	0.19	0.00	0.03	0.66
	TSP Fund	0.16	-0.02	0.07	0.49

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 19 basis points, primarily due to a difference in the timing of pricing by the index provider and by BlackRock on the last trading day of December 2022. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock exceeded the Small Mid Cap Index's return by 10 basis points, primarily due to securities lending. Its performance for the I Fund exceeded the International Index by 47 basis points, primarily due to tax advantage.

Year-to-date, State Street's performance for the F Fund was ahead of the Fixed Income Index's return by 19 basis points, primarily due to a difference in the timing of pricing by the index provider and by State Street on the last trading day of December 2022. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, State Street exceeded the Small Mid Cap Index's return by 3 basis points, primarily due to securities lending. Its performance for the I Fund was ahead of the International Index by 66 basis points, primarily due to tax advantage and fair value pricing.

TSP Net Returns as of June 30, 2023

	1-Year	3-Year	5-Year	10-Year
G Fund	3.76%	2.22%	2.20%	2.20%

	1-Year	3-Year	5-Year	10-Year
F Fund	-0.87%	-3.81%	0.86%	1.75%
Bloomberg US Agg Bond Index	-0.94%	-3.96%	0.77%	1.52%
Benchmark Difference	0.07%	0.16%	0.10%	0.24%

	1-Year	3-Year	5-Year	10-Year
C Fund	19.54%	14.58%	12.27%	12.87%
S&P 500 Index	19.59%	14.60%	12.31%	12.86%
Benchmark Difference	-0.05%	-0.02%	-0.04%	0.01%

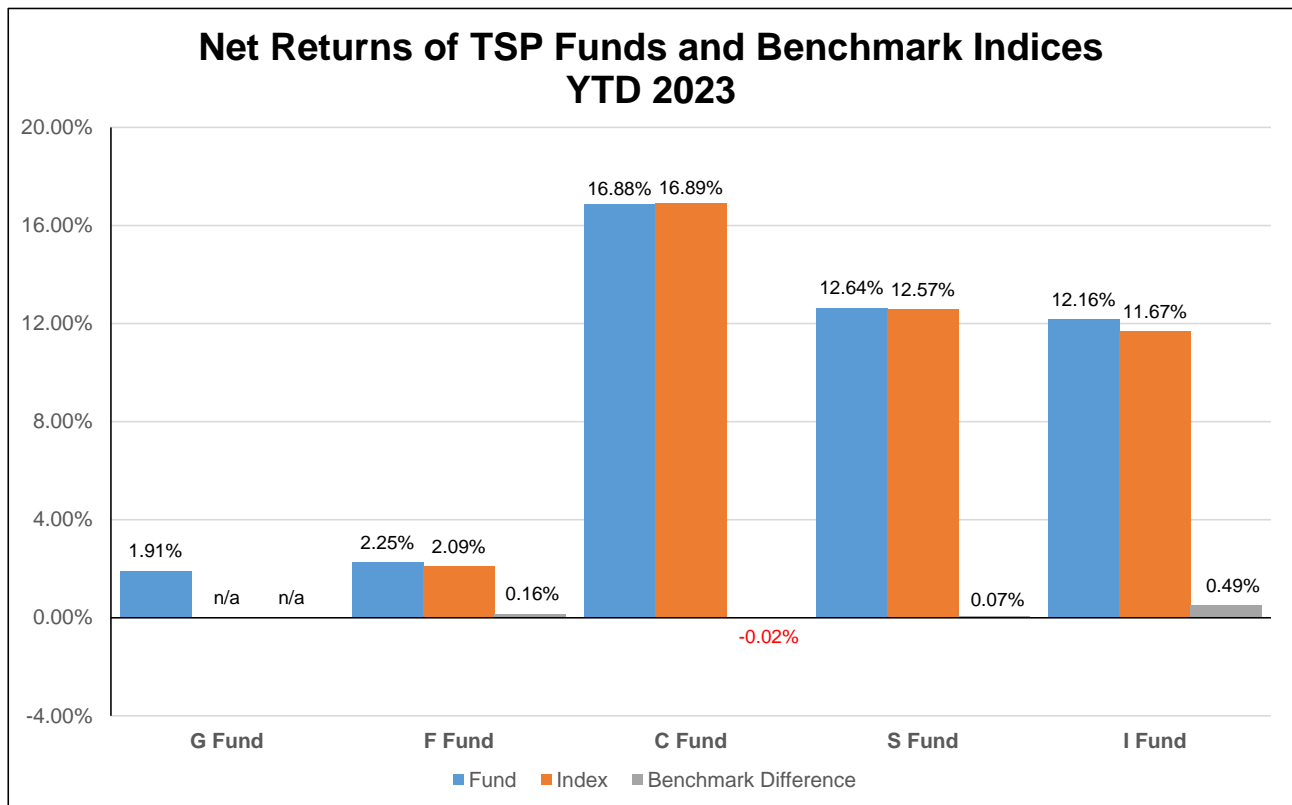
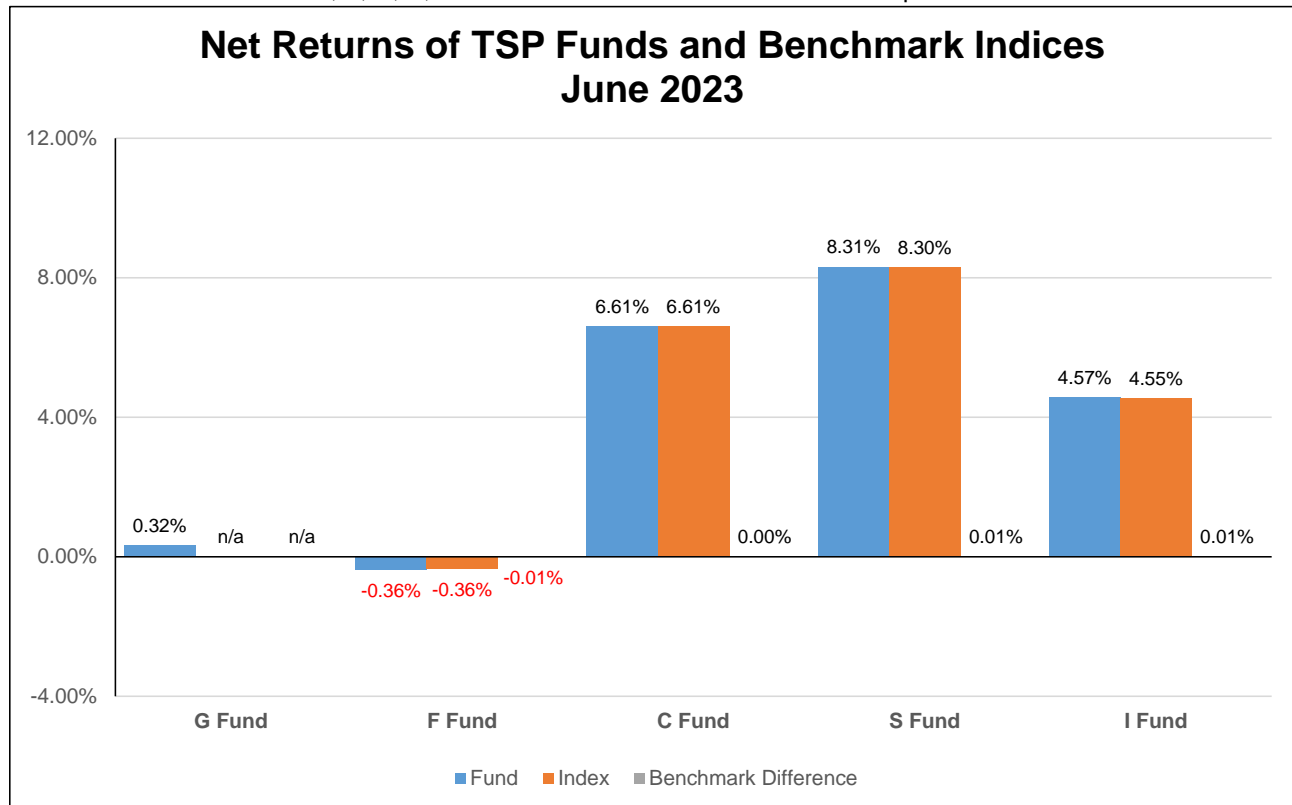
	1-Year	3-Year	5-Year	10-Year
S Fund	15.24%	9.36%	6.14%	9.42%
Dow Jones US Completion TSM Index	15.00%	9.16%	6.02%	9.19%
Benchmark Difference	0.24%	0.20%	0.12%	0.23%

	1-Year	3-Year	5-Year	10-Year
I Fund	19.08%	9.38%	4.81%	5.80%
MSCI EAFE Index	18.77%	8.93%	4.39%	5.41%
Benchmark Difference	0.31%	0.45%	0.42%	0.39%

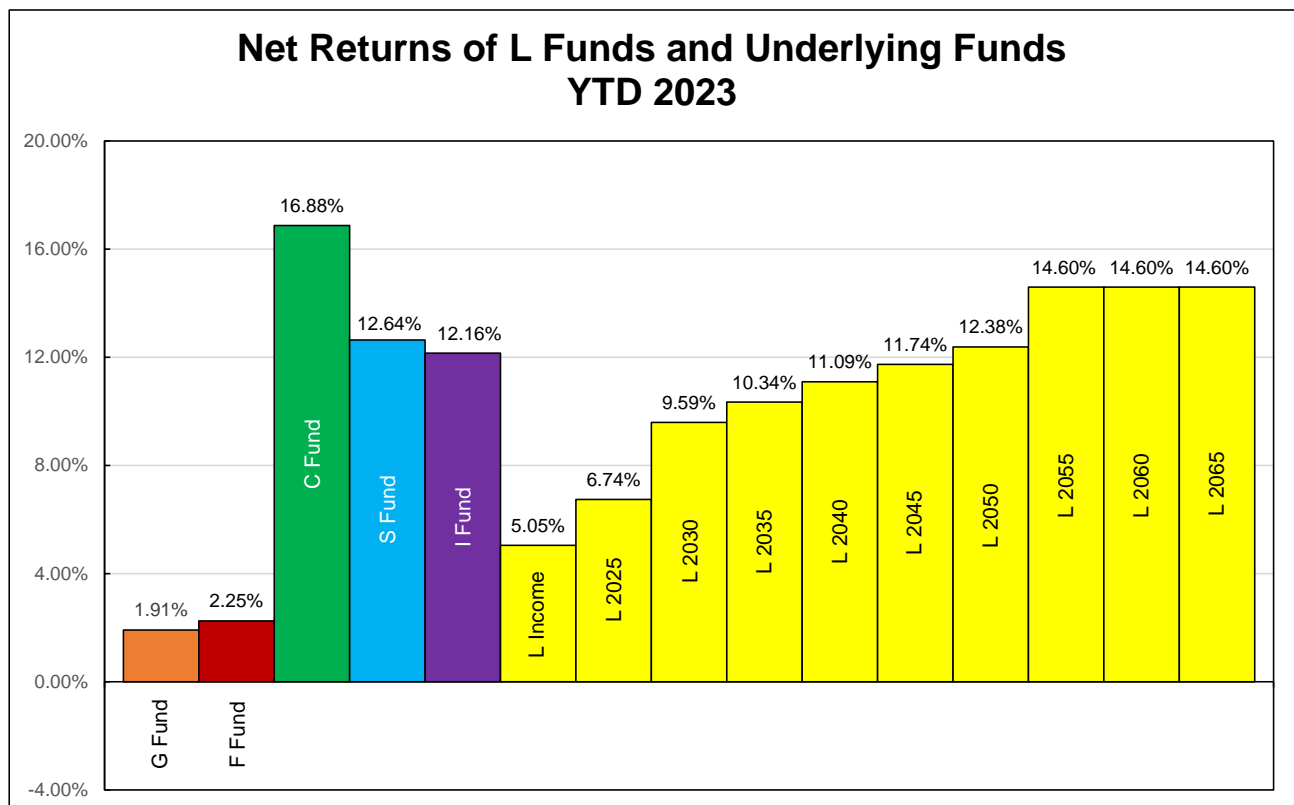
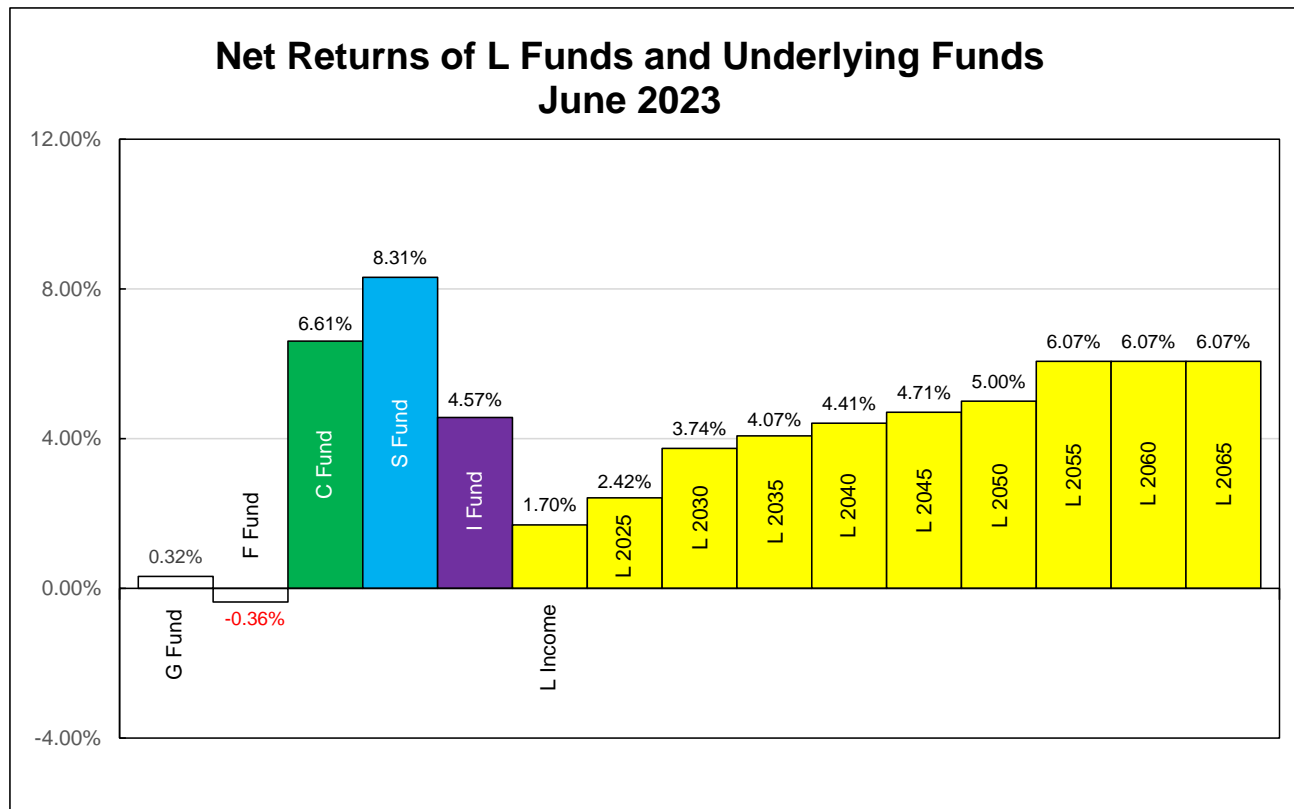
	1-Year	3-Year	5-Year	10-Year
L Income Fund	7.40%	4.33%	3.92%	4.05%
L 2025 Fund	9.38%	N/A	N/A	N/A
L 2030 Fund	12.81%	8.13%	6.55%	7.40%
L 2035 Fund	13.64%	N/A	N/A	N/A
L 2040 Fund	14.49%	9.17%	7.24%	8.22%
L 2045 Fund	15.20%	N/A	N/A	N/A
L 2050 Fund	15.94%	10.08%	7.79%	8.91%
L 2055 Fund	18.84%	N/A	N/A	N/A
L 2060 Fund	18.83%	N/A	N/A	N/A
L 2065 Fund	18.83%	N/A	N/A	N/A
Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020				

Performance of TSP Funds

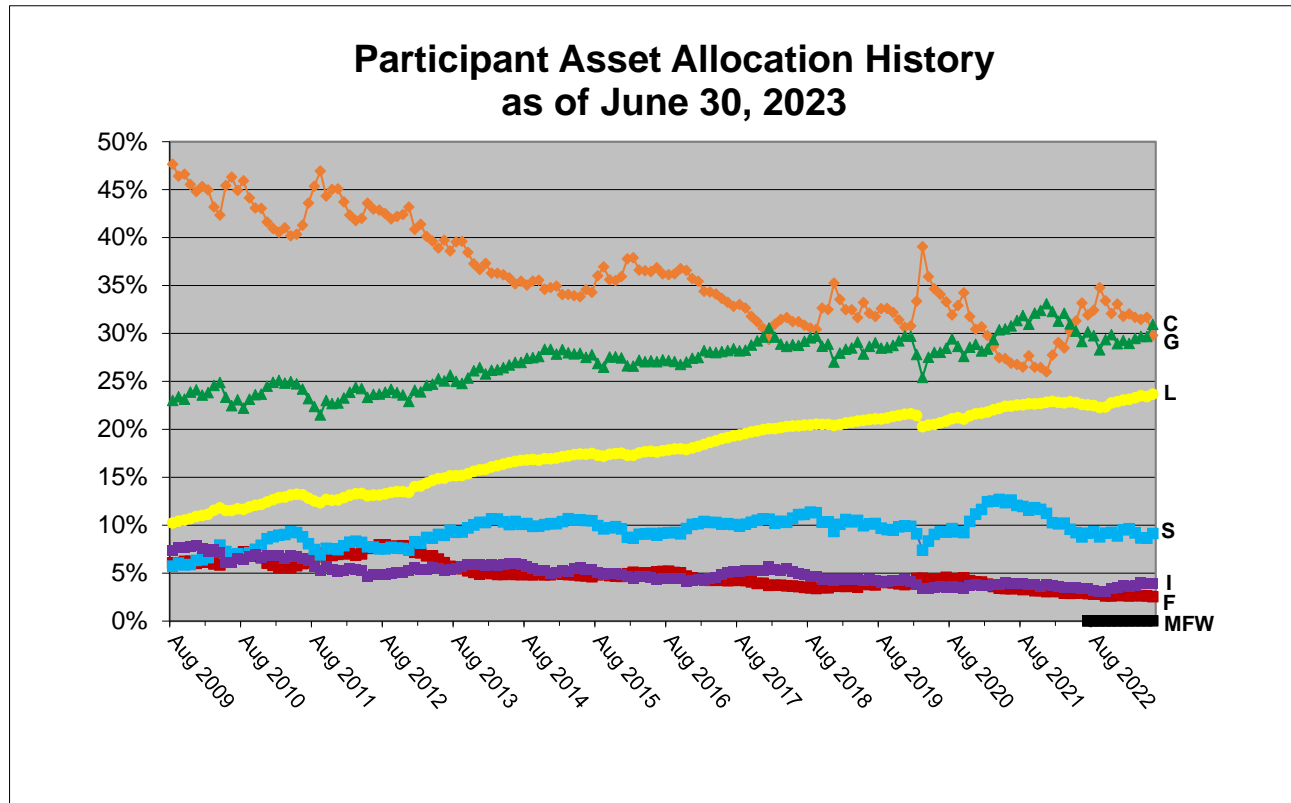
The charts below show the G, F, C, S, and I Fund net rates of return vs. their respective benchmark indices.



Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



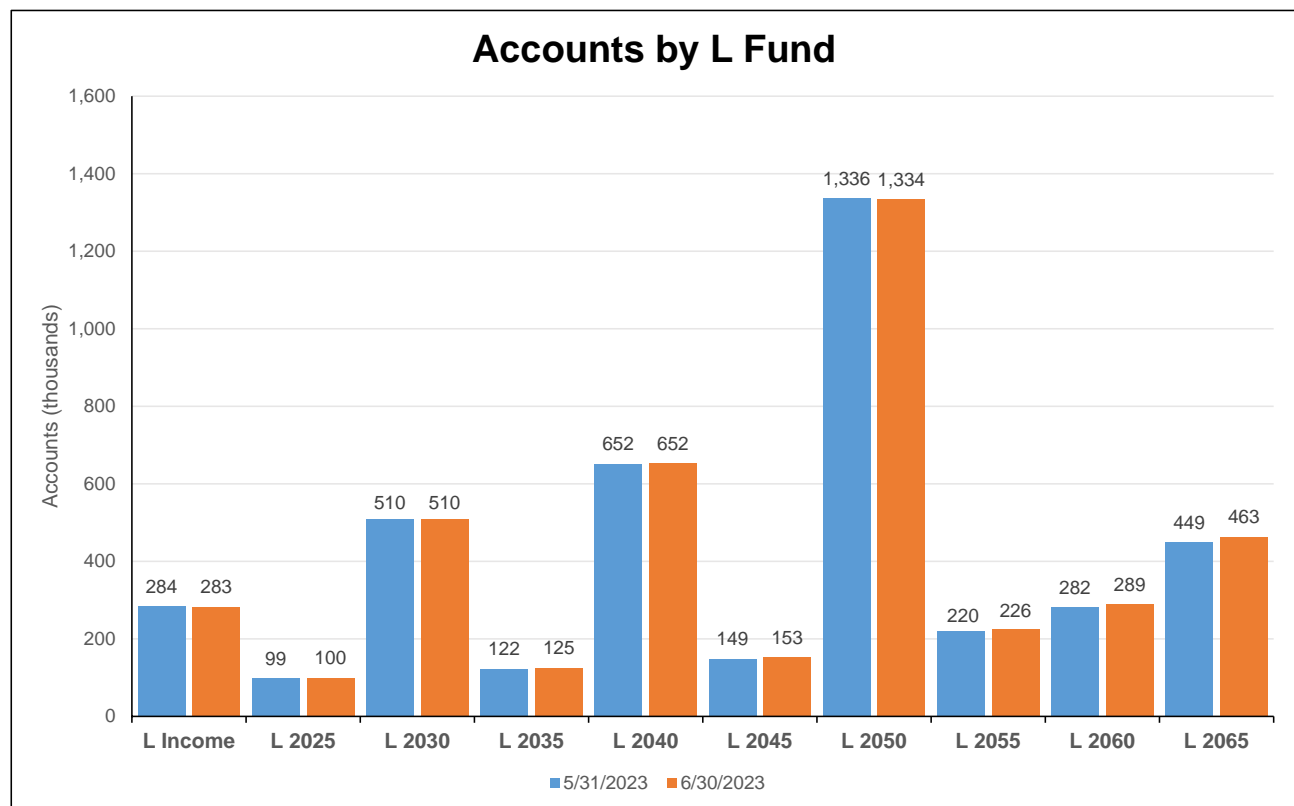
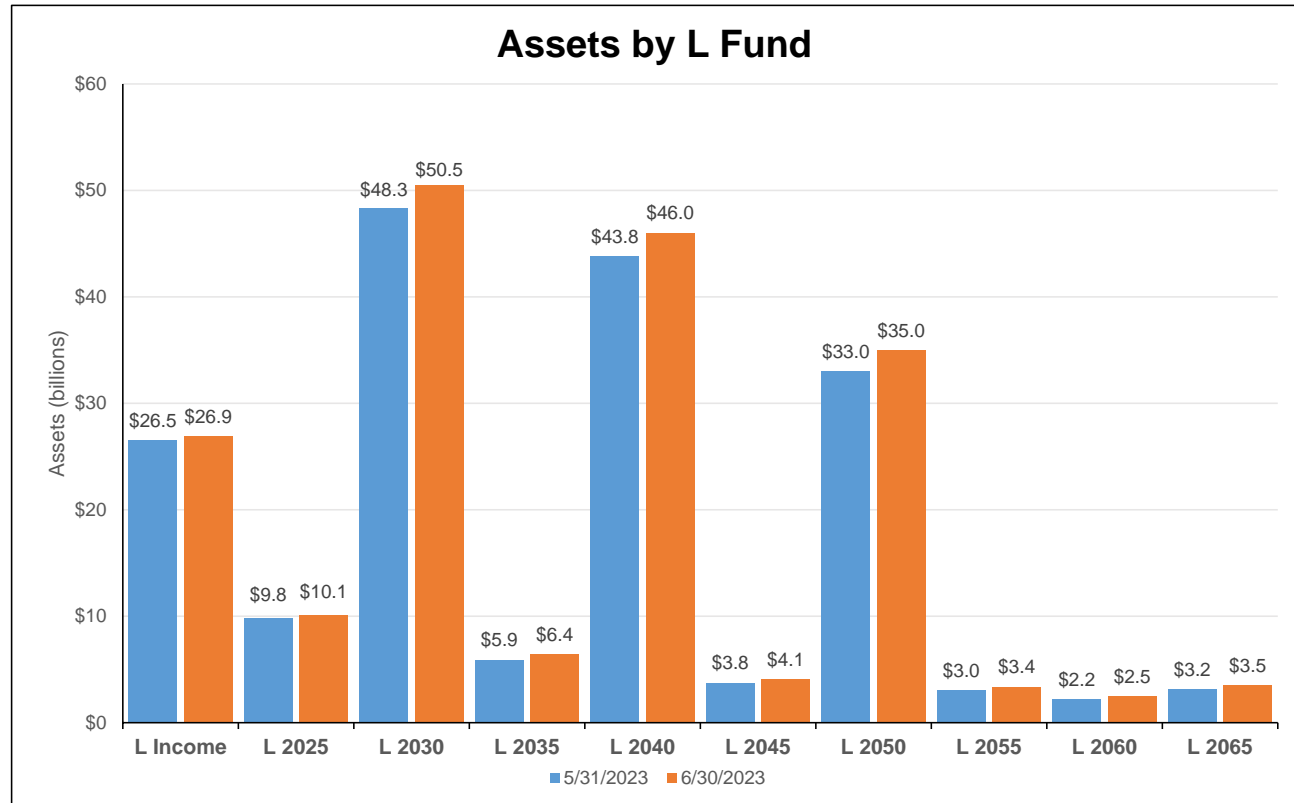
Asset Allocation



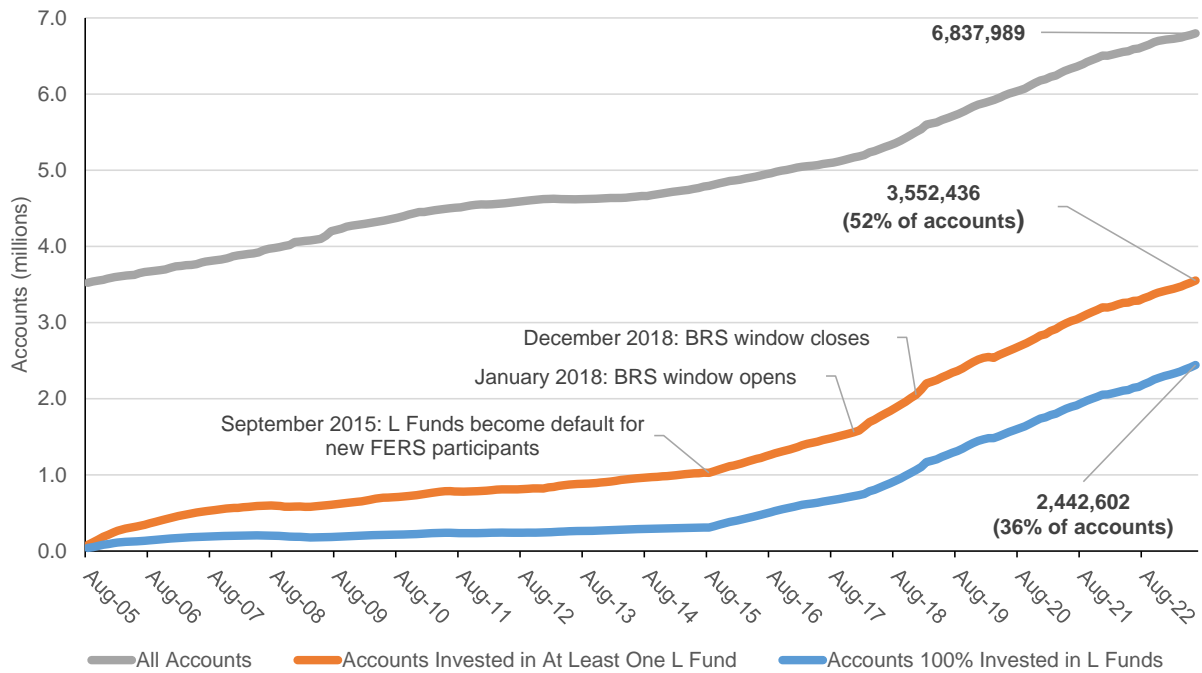
Asset Allocation as of June 30, 2023				
	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets</u> (Billions)	<u>Share of</u> <u>Total</u>	<u>Assets</u> (Billions)	<u>Share of</u> <u>Total</u>
G Fund	\$237.1	29.8%	\$294.1	37.0%
F Fund	\$20.2	2.5%	\$32.1	4.0%
C Fund	\$246.3	30.9%	\$307.8	38.7%
S Fund	\$72.7	9.1%	\$88.8	11.2%
I Fund	\$30.9	3.9%	\$72.6	9.1%
L Funds	\$188.3	23.7%	n/a	n/a
<u>MFW</u>	<u>\$0.2</u>	<u>0.0%</u>	<u>\$0.2</u>	<u>0.0%</u>
Total	\$795.8	100.0%	\$795.8	100.0%

*Components may not sum to totals due to rounding.

Lifecycle (L) Funds

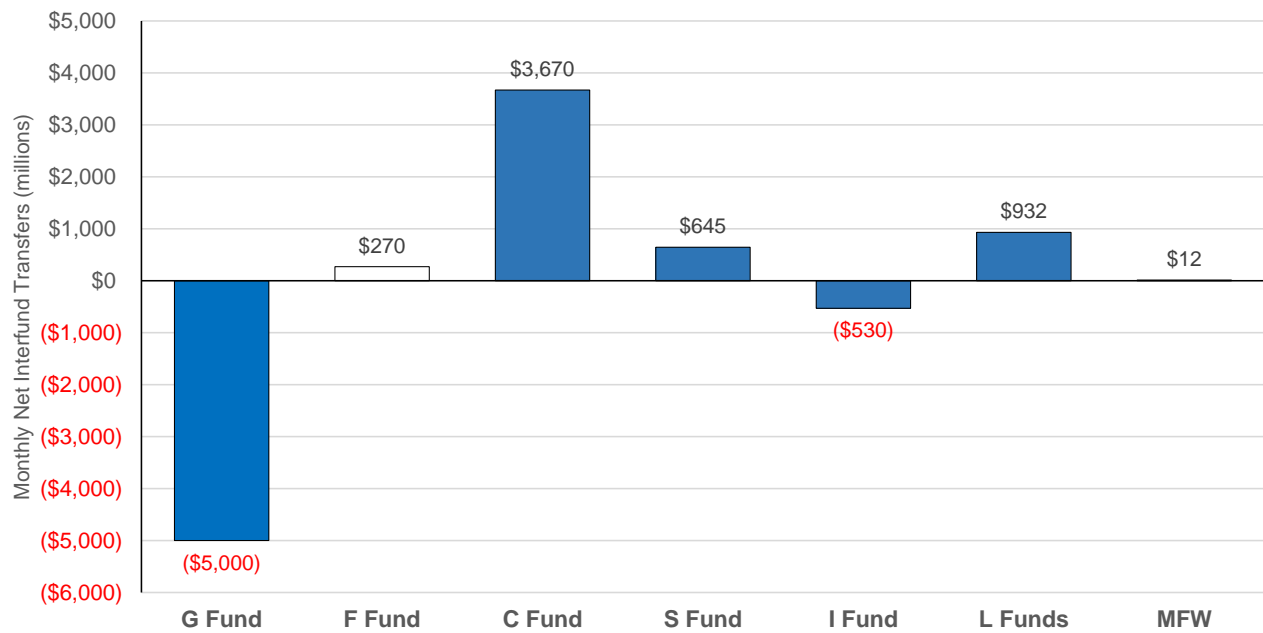


Participation History of the L Funds as of June 30, 2023



Interfund Transfer Activity

Monthly Net Interfund Transfers June 2023



*Values may not sum to zero due to rounding.

PROXY VOTING – FIRST QUARTER 2023

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the first quarter of 2023. Likewise, an audit of State Street's proxy voting conducted by ISS found no exceptions to State Street's established guidelines during the first quarter of 2023. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the second quarter of 2023 are not yet available.

CLASS ACTION SETTLEMENTS – FIRST QUARTER 2023

BlackRock began the first quarter with 110 open claims. During the quarter, 13 claims were opened: one in the C Fund, 11 in the S Fund, and one in the I Fund. Eight claims were closed due to administrator action: three in the C Fund, four in the S Fund, and one in the I Fund. Fourteen claims in the S Fund were settled for a total of \$3,474,105. Additionally, residual payments from four previously closed claims in the S Fund yielded \$456, bringing total settlement proceeds for the quarter to \$3,474,562. One hundred one claims remained open at the end of the quarter.

	<u>Open at Start of Quarter</u>	<u>Opened During Quarter</u>	<u>Closed During Quarter</u>	<u>Open Claims Outstanding</u>	<u>Total of Settled Claims in 2023</u>
F Fund	2	-	-	3	\$0
C Fund	24	1	3	22	\$0
S Fund	82	11	18	75	\$3,474,562
I Fund	2	1	1	2	\$0
Total	110	13	22	101	\$3,474,562

State Street began the first quarter with eight open claims. During the quarter, one claim was opened in the C Fund and three claims were opened in S Fund. Two claims in the S Fund were closed due to administrator action. Ten claims remained open at the end of the quarter.

	<u>Open at Start of Quarter</u>	<u>Opened During Quarter</u>	<u>Closed During Quarter</u>	<u>Open Claims Outstanding</u>	<u>Total of Settled Claims in 2023</u>
F Fund	-	-	-	-	\$0
C Fund	-	1	-	1	\$0
S Fund	8	3	2	9	\$0
I Fund	-	-	-	-	\$0
Total	8	4	2	10	\$0

ATTACHMENTS

Attachment 1: Audit Report on BlackRock's Proxy Voting in the First Quarter of 2023

Attachment 2: Audit Report on State Street's Proxy Voting in the First Quarter of 2023



April 19, 2023

Ms. Michelle Edkins
Managing Director
Corporate Governance & Responsible Investment
BlackRock
55 East 52nd St
New York, NY 10055

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 1st quarter of 2023. Our review found that there were no exceptions to policy over this period.

Best regards,



Recoverable Signature

X Andrew E. Linberg

Signed by: 1aaf751b-7442-4f70-b17f-f5ac0cd97cac

Andrew E. Linberg
Head of Custom Research – Americas

INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

[ISSGOVERNANCE.COM](https://www.issgov.com)



MEMORANDUM

The results of our review of BlackRock's 1st quarter proxy voting for US meetings are as follows:

- Votes at 34 meetings were examined.
- Votes at 9 of the 34 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 25 remaining meetings, there 49 were non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	6
Employee share purchase plan	3
Frequency vote on MSOP	10
Reverse stock split	10
Increase authorized common stock	2
Issue shares in connection with merger	1
Approve investment advisory agreement	1
Approve reorganization of funds	1
Issue shares of common stock upon exercise of warrants/notes	2
Issue shares of convertible notes	1
Change state of incorporation	2
Adjourn meeting	9
Declassify board of directors	1
Total:	49

INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

ISSGOVERNANCE.COM

- There were 6 votes cast on executive stock plans:
 - a) 4 votes were cast in favor of the plans (66.7 percent);
 - b) 2 votes were cast against the plans (33.3 percent);
 - i.) 1 plan was opposed due to the ability to reprice options without prior shareholder approval and the presence of an evergreen provision;
 - ii.) 1 plan was opposed as pay was not aligned with performance and peers.
- There were 3 votes cast on employee share purchase plans:
 - a) 2 votes were cast in favor of the plans (66.7 percent);
 - b) 1 vote was cast against the plans due to the presence of an evergreen provision (33.3 percent).
- There were 2 votes cast on increases in authorized common stock:
 - a) 1 vote was cast in favor of the increase (50 percent);
 - b) 1 vote was cast against the increase (50 percent).
- There was 1 vote cast on an issuance of shares pursuant to a merger; the vote was cast in favor of the transaction.
- There were 20 votes cast on management advisory votes on executive compensation:
 - a) 17 votes were cast in favor of the advisory votes (85 percent);
 - b) 3 votes were cast against the advisory votes (15 percent)

There were no exceptions to policy this period.



June 23, 2023

Mr. Benjamin Colton
Global Co-Head of Asset Stewardship
State Street Global Advisors
State Street Financial Center
One Iron Street
Boston, MA 02210

Dear Benjamin,

The Custom Research team has completed its Q1 2023 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 274 agenda items. In reviewing these items against the SSgA policy document, we identified zero (0) errors in the application of SSgA's policy (for an overall error rate of 0%).

Please feel free to contact us should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Glen C. Schillerstrom" followed by two stylized capital letters "AA".

Glen C. Schillerstrom, CFA
Associate Vice President, Custom Research