



MEMORANDUM FOR BOARD MEMBERS

GERBER, BILYEU, BRIDGES,  
AND OLIVARES

FROM: Sean McCaffrey, Chief Investment Officer *SMC*

DATE: October 12, 2023

SUBJECT: September 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.

***September 2023 Returns and Benchmark Differences***

|   |                       | <u>Fixed Income</u><br><u>(F Fund)</u> | <u>Large Cap</u><br><u>(C Fund)</u> | <u>Small Mid Cap</u><br><u>(S Fund)</u> | <u>International</u><br><u>(I Fund)</u> |
|---|-----------------------|--|-------------------------------------|---|---|
| <b>Return</b><br><b>(%)</b>                         | <b>Index</b>          | -2.54                                  | -4.77                               | -4.89                                   | -3.42                                   |
|   | <b>BlackRock</b>      | -2.52                                  | -4.77                               | -4.90                                   | -3.53                                   |
|   | <b>State Street</b>   | -2.58                                  | -4.77                               | -4.88                                   | -3.39                                   |
|   | <b>TSP Fund (Net)</b> | -2.54                                  | -4.77                               | -4.90                                   | -3.51                                   |
| <b>Benchmark</b><br><b>Difference</b><br><b>(%)</b> | <b>BlackRock</b>      | 0.02                                   | 0.00                                | -0.02                                   | -0.12                                   |
|   | <b>State Street</b>   | -0.04                                  | 0.00                                | 0.01                                    | 0.03                                    |
|   | <b>TSP Fund</b>       | 0.00                                   | 0.00                                | -0.02                                   | -0.09                                   |

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 12 basis points, primarily due to fair value pricing.

State Street’s performance for the F Fund lagged the Fixed Income Index’s return by 4 basis points, primarily due to securities sampling. Its performance for the C and S Funds was in line with the Funds’ respective indices for the month. For the I Fund, State Street was ahead of the International Index’s return by 3 basis points, primarily due to tax advantage.

**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>      |
| <b>Return (%)</b>               | <b>Index</b>          | -1.21               | 13.07            | 8.76                | 7.08                 |
|                                 | <b>BlackRock</b>      | -1.00               | 13.08            | 8.88                | 6.85                 |
|                                 | <b>State Street</b>   | -1.04               | 13.09            | 8.84                | 7.45                 |
|                                 | <b>TSP Fund (Net)</b> | -1.05               | 13.05            | 8.84                | 6.94                 |
| <b>Benchmark Difference (%)</b> | <b>BlackRock</b>      | 0.21                | 0.01             | 0.12                | -0.23                |
|                                 | <b>State Street</b>   | 0.16                | 0.02             | 0.08                | 0.37                 |
|                                 | <b>TSP Fund</b>       | 0.16                | -0.02            | 0.08                | -0.14                |

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 21 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 outperformed the Small Mid Cap Index's return by 12 basis points, primarily due to securities lending. Its performance for the I Fund lagged the International Index by 23 basis points, primarily due to fair value pricing.

Year-to-date, State Street's performance for the F Fund was ahead of the Fixed Income Index's return by 16 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 was ahead of the Small Mid Cap Index's return by 8 basis points, primarily due to securities lending. Its performance for the I Fund exceeded the International Index by 37 basis points, primarily due to tax advantage.

**TSP Net Returns as of September 30, 2023**

|               | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|---------------|---------------|---------------|---------------|----------------|
| <b>G Fund</b> | 4.03%         | 2.51%         | 2.26%         | 2.25%          |

|                                    | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|------------------------------------|---------------|---------------|---------------|----------------|
| <b>F Fund</b>                      | 0.66%         | -5.05%        | 0.19%         | 1.36%          |
| <b>Bloomberg US Agg Bond Index</b> | 0.64%         | -5.21%        | 0.10%         | 1.13%          |
| <b>Benchmark Difference</b>        | 0.01%         | 0.15%         | 0.09%         | 0.23%          |

|                             | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|-----------------------------|---------------|---------------|---------------|----------------|
| <b>C Fund</b>               | 21.57%        | 10.13%        | 9.88%         | 11.92%         |
| <b>S&amp;P 500 Index</b>    | 21.62%        | 10.15%        | 9.92%         | 11.91%         |
| <b>Benchmark Difference</b> | -0.05%        | -0.02%        | -0.04%        | 0.00%          |

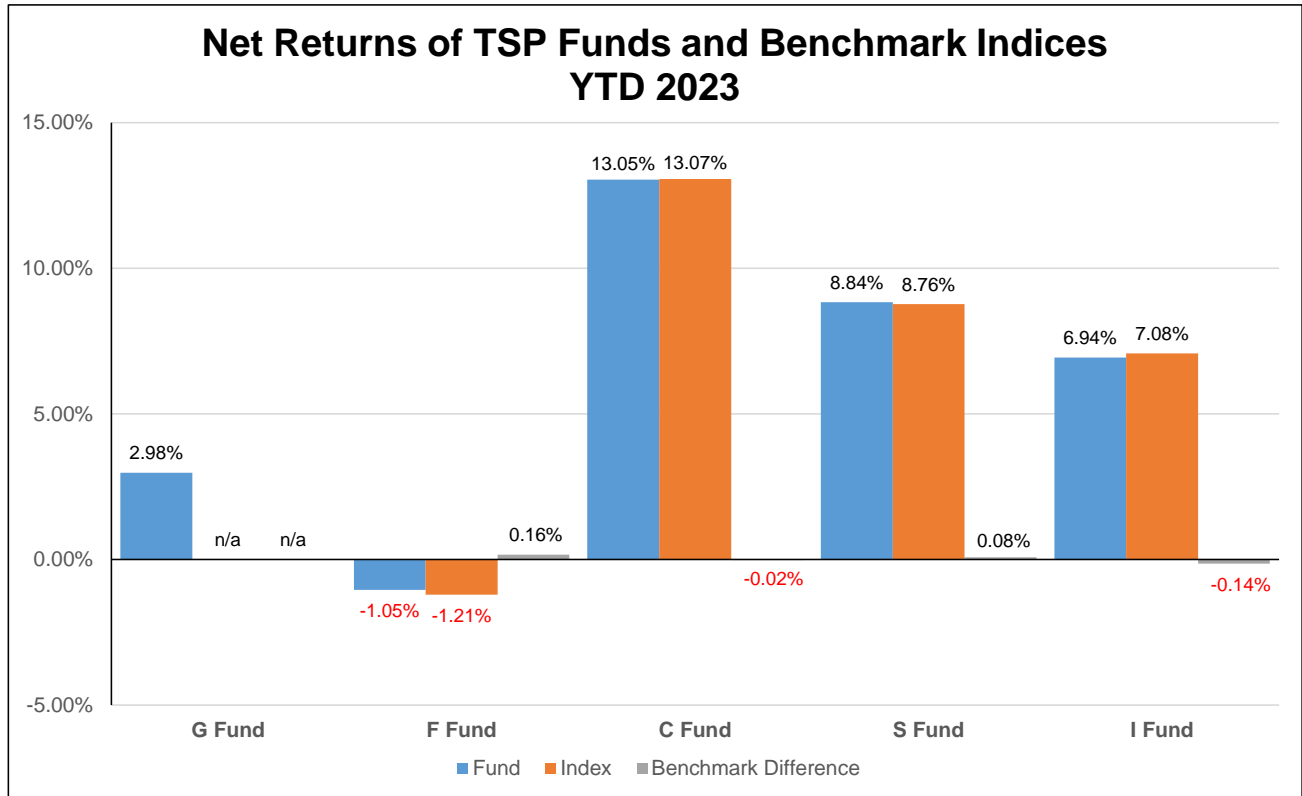
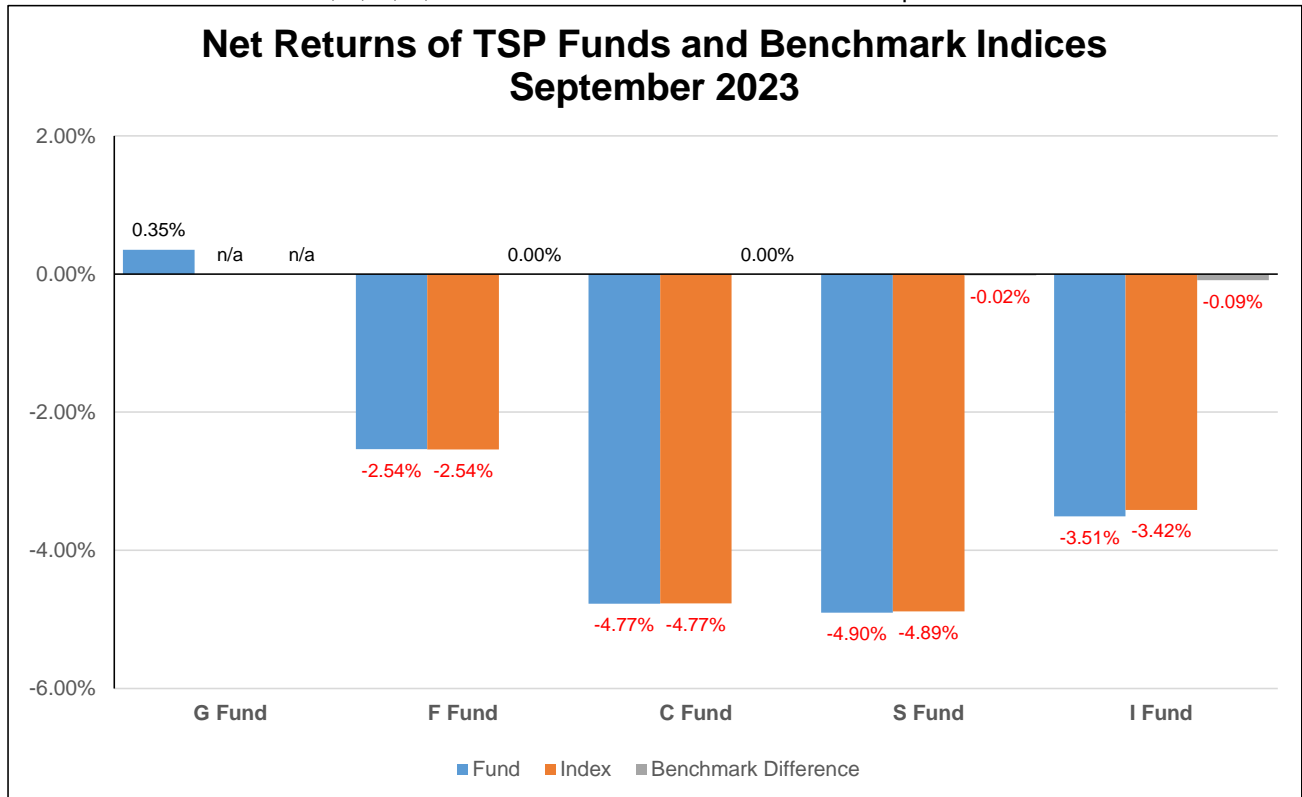
|  | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|--|---------------|---------------|---------------|----------------|
| <b>S Fund</b>                            | 14.42%        | 4.78%         | 4.51%         | 8.01%          |
| <b>Dow Jones US Completion TSM Index</b> | 14.28%        | 4.58%         | 4.40%         | 7.79%          |
| <b>Benchmark Difference</b>              | 0.13%         | 0.20%         | 0.10%         | 0.22%          |

|                             | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|-----------------------------|---------------|---------------|---------------|----------------|
| <b>I Fund</b>               | 26.50%        | 5.99%         | 3.52%         | 4.14%          |
| <b>MSCI EAFE Index</b>      | 25.65%        | 5.75%         | 3.24%         | 3.82%          |
| <b>Benchmark Difference</b> | 0.85%         | 0.24%         | 0.29%         | 0.32%          |

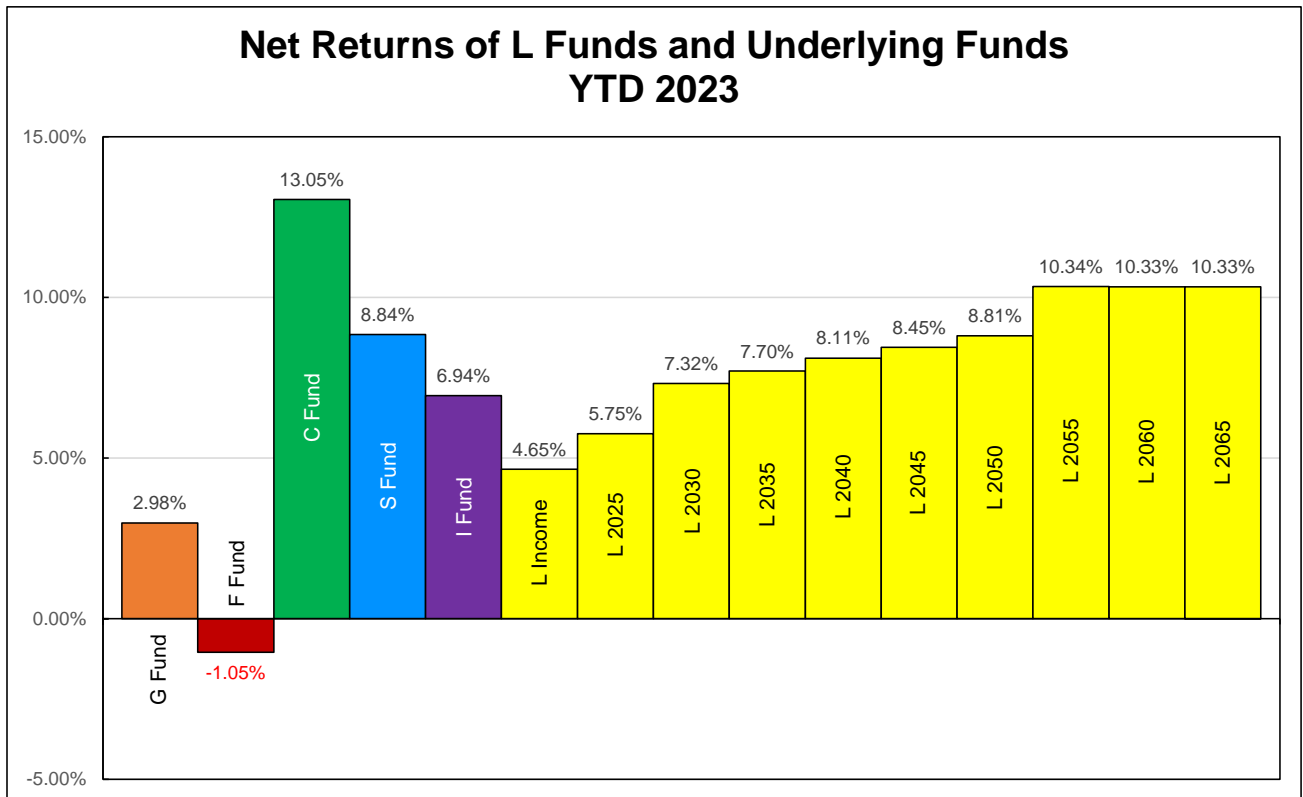
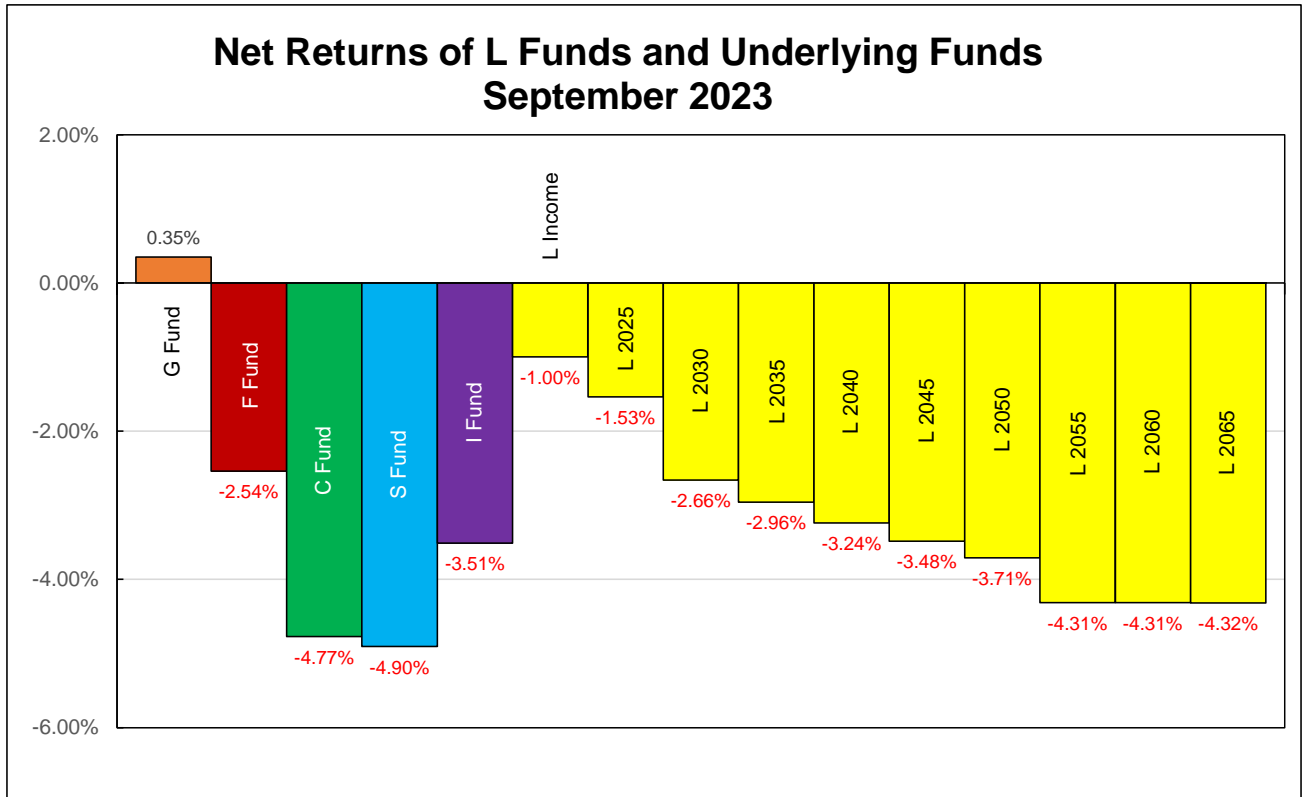
|  | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|--|---------------|---------------|---------------|----------------|
| <b>L Income Fund</b>   | 8.32%         | 3.57%         | 3.51%         | 3.81%          |
| <b>L 2025 Fund</b>   | 11.08%        | 5.20%         | N/A           | N/A            |
| <b>L 2030 Fund</b>   | 14.90%        | 5.74%         | 5.39%         | 6.60%          |
| <b>L 2035 Fund</b>   | 15.93%        | 5.98%         | N/A           | N/A            |
| <b>L 2040 Fund</b>   | 16.98%        | 6.25%         | 5.83%         | 7.26%          |
| <b>L 2045 Fund</b>   | 17.86%        | 6.44%         | N/A           | N/A            |
| <b>L 2050 Fund</b>   | 18.78%        | 6.69%         | 6.18%         | 7.82%          |
| <b>L 2055 Fund</b>   | 22.23%        | 8.05%         | N/A           | N/A            |
| <b>L 2060 Fund</b>   | 22.22%        | 8.05%         | N/A           | N/A            |
| <b>L 2065 Fund</b>   | 22.22%        | 8.04%         | N/A           | N/A            |
| <b>Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020</b> |               |               |               |                |

**Performance of TSP Funds**

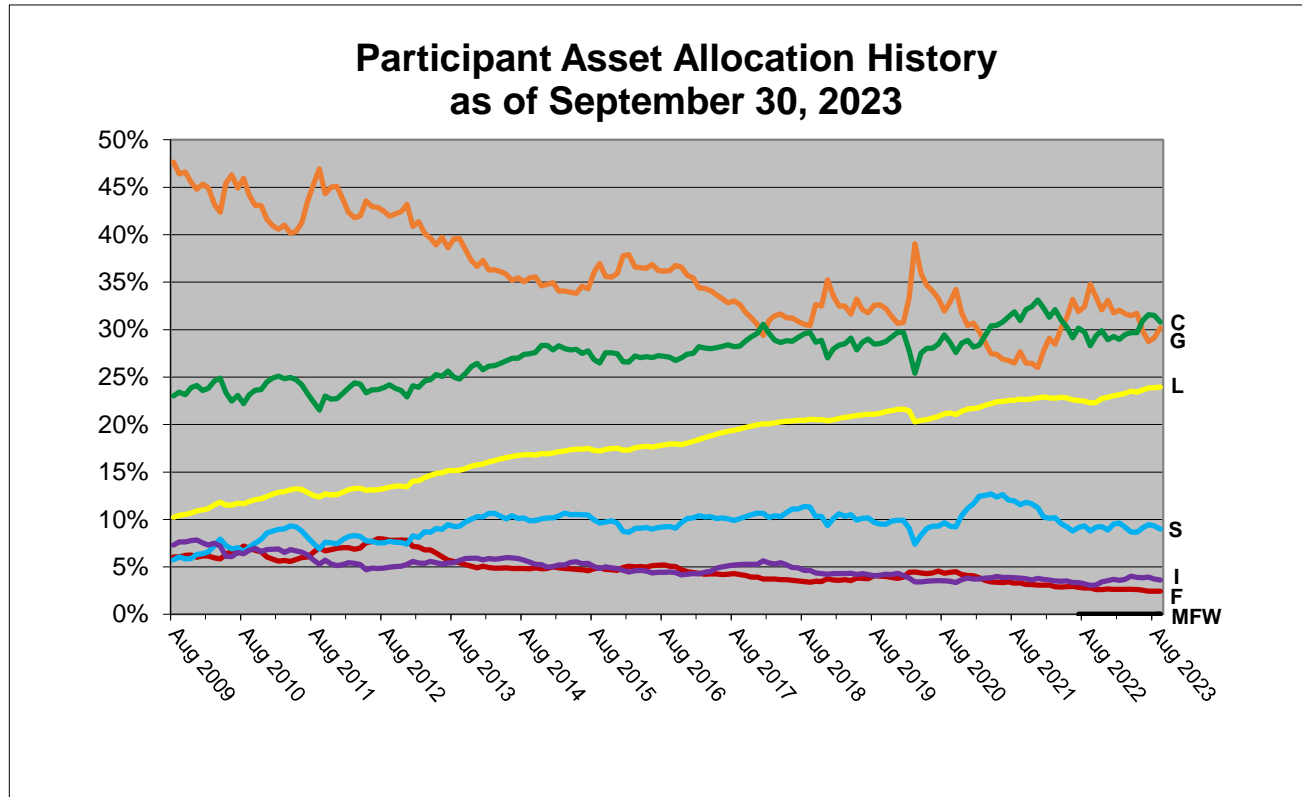
The charts below show the G, F, C, S, and I Fund net rates of return vs. their respective benchmark indices.



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**

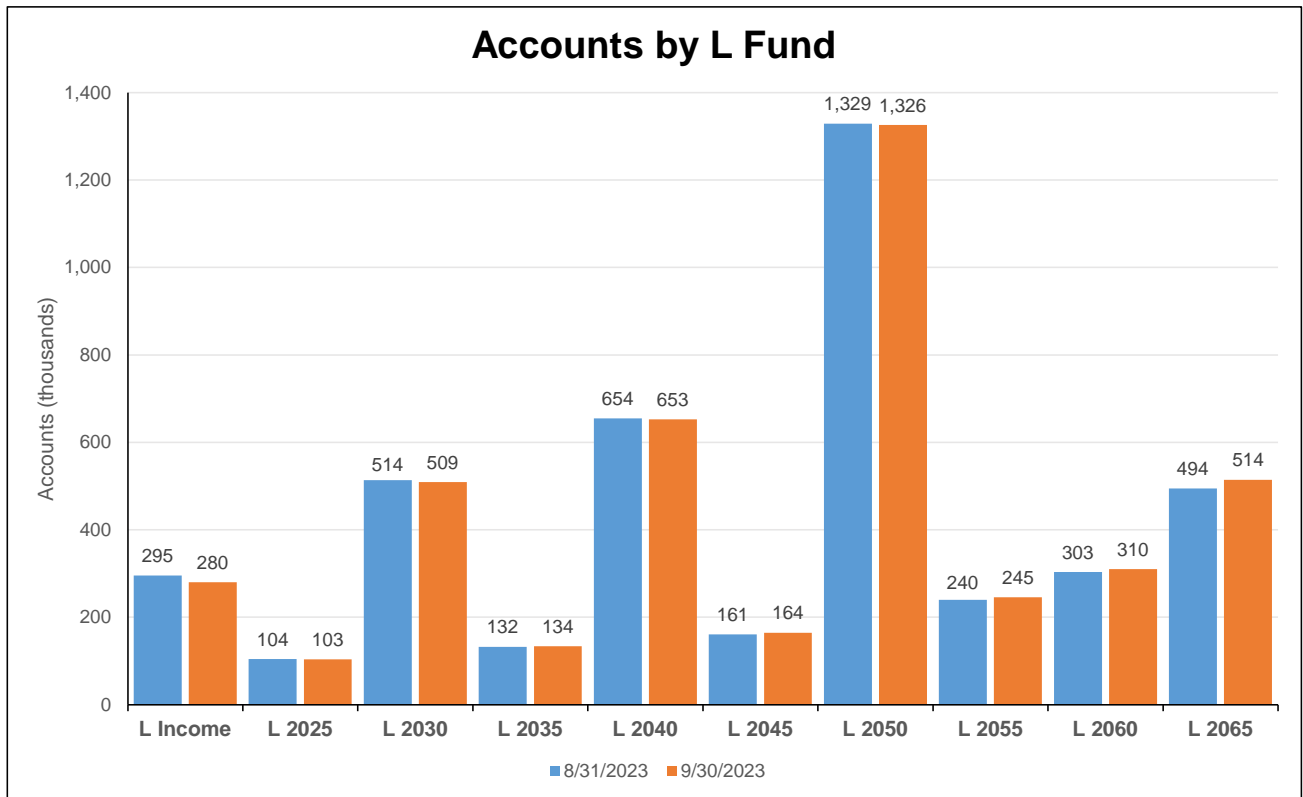
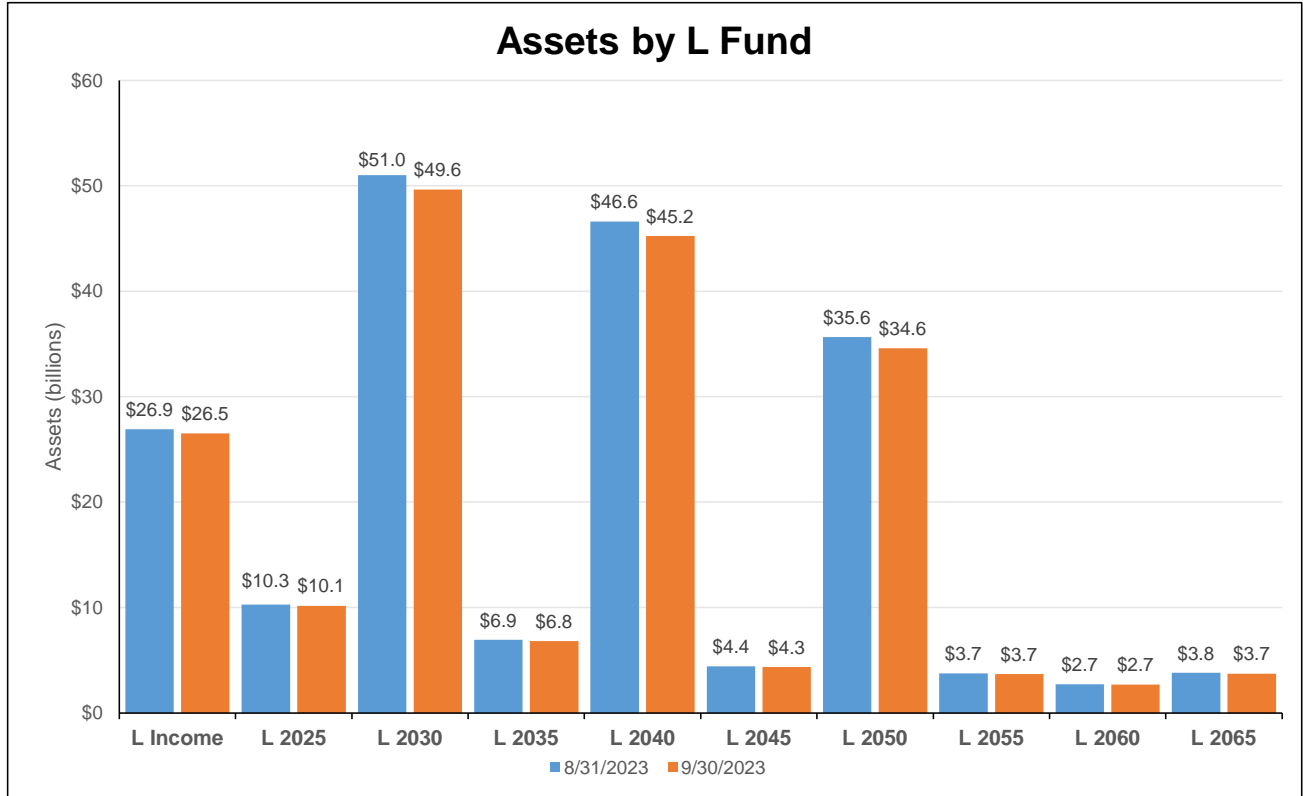


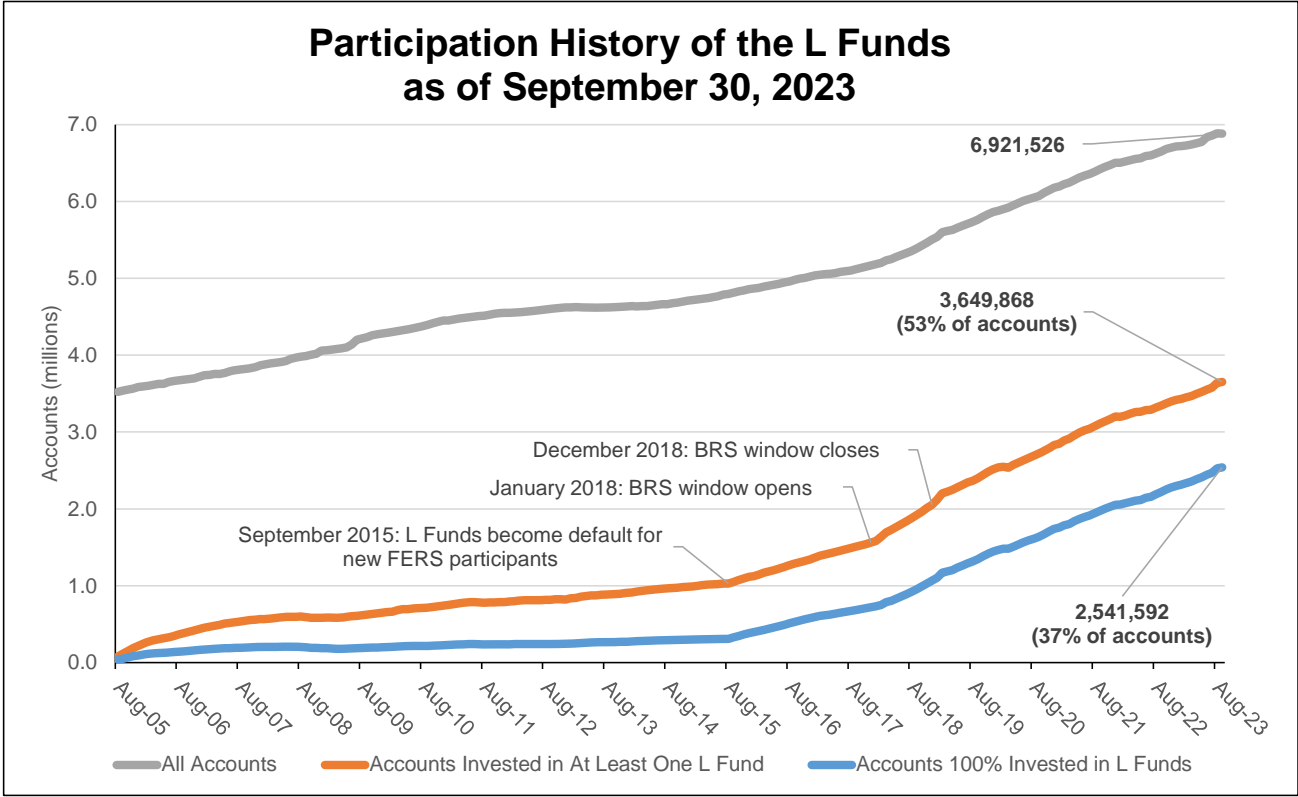
### Asset Allocation as of September 30, 2023

|                   | <u>Participant Allocation</u> |                           | <u>Individual TSP Funds</u>  |                           |
|-------------------|-------------------------------|---------------------------|------------------------------|---------------------------|
|                   | <u>Assets<br/>(Billions)</u>  | <u>Share of<br/>Total</u> | <u>Assets<br/>(Billions)</u> | <u>Share of<br/>Total</u> |
| <b>G Fund</b>     | \$236.4                       | 30.2%                     | \$293.4                      | 37.5%                     |
| <b>F Fund</b>     | \$19.0                        | 2.4%                      | \$30.7                       | 3.9%                      |
| <b>C Fund</b>     | \$241.1                       | 30.8%                     | \$302.2                      | 38.6%                     |
| <b>S Fund</b>     | \$70.2                        | 9.0%                      | \$86.2                       | 11.0%                     |
| <b>I Fund</b>     | \$28.5                        | 3.6%                      | \$70.0                       | 8.9%                      |
| <b>L Funds</b>    | \$187.3                       | 23.9%                     | n/a                          | n/a                       |
| <b><u>MFW</u></b> | <u>\$0.2</u>                  | <u>0.0%</u>               | <u>\$0.2</u>                 | <u>0.0%</u>               |
| <b>Total</b>      | \$782.8                       | 100.0%                    | \$782.8                      | 100.0%                    |

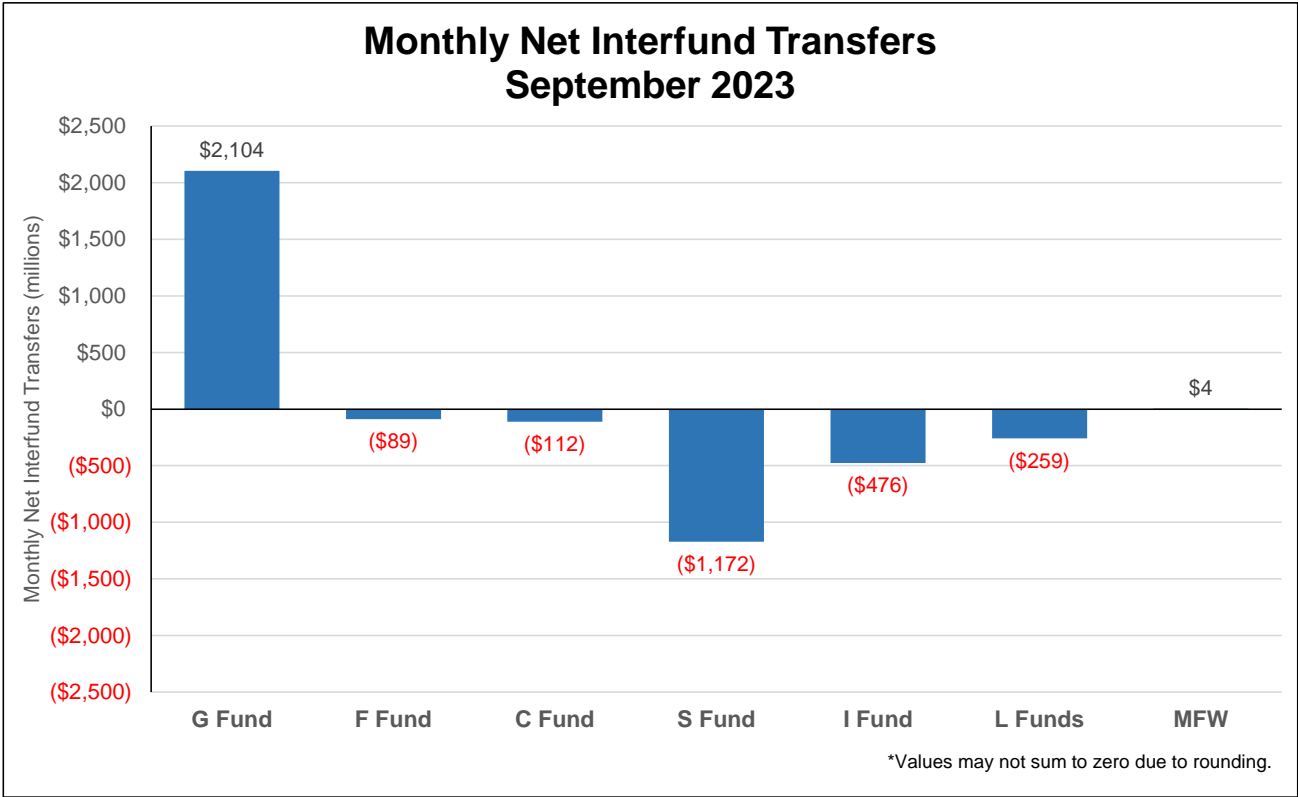
\*Components may not sum to totals due to rounding.

**Lifecycle (L) Funds**





**Interfund Transfer Activity**





### **PROXY VOTING – SECOND QUARTER 2023**

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

### **CLASS ACTION SETTLEMENTS – SECOND QUARTER 2023**

BlackRock began the second quarter with 101 open claims. During the quarter, nine claims were opened: two in the C Fund and seven in the S Fund. Six claims were closed due to administrator action: one in the C Fund and five in the S Fund. Four claims in the C Fund were settled for a total of \$84,046. Thirteen claims in the S Fund were settled for a total of \$1,225,755. Additionally, residual payments of \$839,379 were received in the quarter. Four previously closed claims in the C Fund, eight previously closed claims in the S Fund, and one previously closed claim in the I Fund yielded \$457,035, \$382,113, and \$231, respectively, bringing total proceeds for the quarter to \$2,149,179. Eighty-seven claims remained open at the end of the quarter.

|        | <b><u>Open at<br/>Start of<br/>Quarter</u></b> | <b><u>Opened<br/>During<br/>Quarter</u></b> | <b><u>Closed<br/>During<br/>Quarter</u></b> | <b><u>Open<br/>Claims<br/>Outstanding</u></b> | <b><u>Total of Settled<br/>Claims in<br/>2023</u></b> |
|--------|--|---|---|---|---|
| F Fund | 2  | -   | -   | 2   | \$0   |
| C Fund | 22   | 2   | 5   | 19  | \$541,081   |
| S Fund | 75   | 7   | 18  | 64  | \$5,082,429   |
| I Fund | 2  | -   | -   | 2   | \$231   |
| Total  | 101  | 9   | 23  | 87  | \$5,623,741   |

State Street began the second quarter with ten open claims. During the quarter, two claims were opened and two others were closed in the S Fund. One was closed due to administrator action, and one was settled for a total of \$4,231. Ten claims remained open at the end of the quarter.

|        | <b><u>Open at<br/>Start of<br/>Quarter</u></b> | <b><u>Opened<br/>During<br/>Quarter</u></b> | <b><u>Closed<br/>During<br/>Quarter</u></b> | <b><u>Open<br/>Claims<br/>Outstanding</u></b> | <b><u>Total of Settled<br/>Claims in<br/>2023</u></b> |
|--------|--|---|---|---|---|
| F Fund | -  | -   | -   | -   | \$0   |
| C Fund | 1  | -   | -   | 1   | \$0   |
| S Fund | 9  | 2   | 2   | 9   | \$4,231   |
| I Fund | -  | -   | -   | -   | \$0   |
| Total  | 10   | 2   | 2   | 10  | \$4,231   |

### **ATTACHMENTS**

Attachment 1: Audit Report on BlackRock’s Proxy Voting in the Second Quarter of 2023

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



July 27, 2023

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

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 2<sup>nd</sup> quarter of 2023. Our review found that there were no exceptions to policy over this period.

Best regards,

 Recoverable Signature

 Andrew E. Linberg

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

Andrew E. Linberg  
Head of Custom Research – Americas

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**INSTITUTIONAL SHAREHOLDER SERVICES INC.**

702 King Farm Boulevard Suite 400  
Rockville, MD 20850

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**MEMORANDUM**

The results of our review of BlackRock’s 2<sup>nd</sup> quarter proxy voting for US meetings are as follows:

- Votes at 307 meetings were examined.
- Votes at 119 of the 307 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 188 remaining meetings, there were 308 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

| Proposal  | Votes      |
|---|------------|
| Executive stock plan  | 61         |
| Non-executive stock plan  | 3          |
| Employee share purchase plan  | 13         |
| Approve stock awards in lieu of cash  | 1          |
| Approve cancellation of stock options   | 1          |
| Advisory vote on golden parachute compensation                                    | 3          |
| Frequency vote on MSOP  | 131        |
| Reverse stock split   | 6          |
| Reduce authorized common stock  | 2          |
| Increase authorized common stock  | 7          |
| Authorize new class of common stock   | 1          |
| Issue shares below net asset value  | 1          |
| Issue shares for private placement  | 2          |
| Approve issuance of warrants  | 1          |
| Approve share repurchase program  | 1          |
| Approve merger agreement  | 2          |
| Issue shares in connection with merger  | 1          |
| Amend tax benefits rights preservation agreement                                  | 1          |
| Adjourn meeting   | 9          |
| Declassify board of directors   | 2          |
| Amend right to call special meeting   | 1          |
| Reduce ownership threshold for shareholders to call special meeting               | 2          |
| Eliminate supermajority vote requirements   | 3          |
| Amend certificate of incorporation to limit liability of certain officers         | 9          |
| Amend certificate of incorporation to provide for exculpation of certain officers | 13         |
| Other business  | 3          |
| Shareholder proposal  | 28         |
| <b>Total:</b>   | <b>308</b> |

- There were 61 votes cast on executive stock plans:
  - a) 57 votes were cast in favor of the plans (93.4 percent);
  - b) 4 votes were cast against the plans (6.6 percent);
    - i.) 2 plans were opposed due to the presence of an evergreen provision;
    - ii.) 1 plan was opposed due to the presence of an evergreen provision and the ability to reprice options without prior to shareholder approval;
    - iii.) 1 plan was opposed because the terms of plan are not consistent with typical market standards.
  
- There were 3 votes cast on non-executive stock plans; the votes were cast in favor of the plans.
  
- There were 13 votes cast on employee share purchase plans; the votes were cast in favor of the plans.
  
- There were 3 votes cast on mergers, acquisitions and/or major corporate transactions, including an issuance of shares pursuant to a merger agreement; the votes were cast in favor of the transactions.
  
- There were 7 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
  
- There were 28 votes cast on shareholder proposals which included:
  - a) 4 shareholder proposals to require independent board chairman; the votes were cast against the proposals.
  - b) 1 shareholder proposal to establish a new board committee on decarbonization risk; the vote was cast against the proposal.
  - c) 2 shareholder proposals to provide right to act by written consent; the votes were cast against the proposals.
  - d) 1 shareholder proposal to amend right to call special meeting; the vote was cast against the proposal.
  - e) 7 shareholder proposals to reduce ownership threshold to call special meeting; the votes were cast against the proposals.
  - f) 1 shareholder proposal to report on lobbying payments; the vote was cast against the proposal.
  - g) 1 shareholder proposal to report on climate lobbying; the vote was cast against the proposal.
  - h) 1 shareholder proposal to report on just transition; the vote was cast against the proposal.
  - i) 1 shareholder proposal to report on congruency of political spending with company values and priorities; the vote was cast against the proposal.
  - j) 1 shareholder proposal to report on the reliability of methane emissions disclosure; the vote was cast in favor of the proposal.
  - k) 1 shareholder proposal to adopt time-bound policy to phase out underwriting and lending for new fossil fuel development; the vote was cast against the proposal.
  - l) 1 shareholder proposal to oversee and report a racial equity audit; the vote was cast against the proposal.
  - m) 1 shareholder proposal to report on effectiveness of diversity, equity, and inclusion efforts; the vote was cast against the proposal.
  - n) 1 shareholder proposal to report on paid sick leave; the vote was cast against the proposal.
  - o) 4 shareholder proposals to submit severance agreement (change-in-control) to shareholder vote; the votes were cast against the proposals.
  
- There were 235 votes cast on management advisory votes on executive compensation:
  - a) 225 votes were cast in favor of the advisory votes (95.7 percent);
  - b) 10 votes were cast against the advisory votes (4.3 percent)

- There were 3 votes cast on management advisory votes on golden parachute compensation:
  - a) 2 votes were cast in favor of the advisory votes (66.7 percent);
  - b) 1 vote was cast against the advisory votes (33.3 percent)

There were no exceptions to policy this period.



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August 11, 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 Q2 2023 audit of SSgA vote recommendations. We examined 50 US and International meetings, containing a total of 658 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 AA".

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