



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

MEMORANDUM FOR BOARD MEMBERS

GERBER, BILYEU, BRIDGES,
AND OLIVARES

FROM: Sean McCaffrey, Chief Investment Officer

DATE: January 12, 2024

SUBJECT: December 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 2023 annual 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.

December 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	3.83	4.54	10.43	5.31
	BlackRock	3.72	4.54	10.45	5.41
	State Street	3.73	4.54	10.42	5.32
	TSP Fund (Net)	3.72	4.54	10.45	5.39
Benchmark Difference (%)	BlackRock	-0.11	0.00	0.02	0.09
	State Street	-0.10	0.00	-0.01	0.01
	TSP Fund	-0.11	0.00	0.02	0.07

BlackRock's performance for the F Fund lagged the Fixed Income Index by 11 basis points, primarily due to a difference in the timing of pricing by the index provider and by BlackRock on the final trading day of the month. Its performance for the C and S Funds was in line with the Funds' respective indices for the month. For the I Fund, BlackRock's performance was ahead of the International Index by 9 basis points, primarily due to fair value pricing.

State Street's performance for the F Fund lagged the Fixed Income Index by 10 basis points, primarily due to a difference in the timing of pricing by the index provider and by State Street on the final trading day of the month. Its performance for the C, S, and I Funds was in line with the Funds' respective indices for the month.

2023 Annual Returns and Benchmark Differences

		<u>Fixed Income</u> <u>(F Fund)</u>	<u>Large Cap</u> <u>(C Fund)</u>	<u>Small Mid Cap</u> <u>(S Fund)</u>	<u>International</u> <u>(I Fund)</u>
Return (%)	Index	5.53	26.29	24.97	18.24
	BlackRock	5.63	26.30	25.36	18.37
	State Street	5.63	26.31	25.29	18.69
	TSP Fund (Net)	5.58	26.25	25.30	18.38
Benchmark Difference (%)	BlackRock	0.10	0.01	0.38	0.13
	State Street	0.10	0.02	0.32	0.46
	TSP Fund	0.05	-0.04	0.32	0.14

For the year, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 10 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 38 basis points, primarily due to securities lending and the beneficial effect of a cash-and-stock acquisition of VMware, one of the Fund's top holdings, during the month of November. Its performance for the I Fund exceeded the International Index by 13 basis points, primarily due to tax advantage.

For the year, State Street's performance for the F Fund was ahead of the Fixed Income Index's return by 10 basis points, primarily due to interest earned on cash in the Fund and 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 32 basis points, primarily due to securities lending and the beneficial effect of a cash-and-stock acquisition of VMware, one of the Fund's top holdings, during the month of November. Its performance for the I Fund exceeded the International Index by 46 basis points, primarily due to tax advantage.

TSP Net Returns as of December 31, 2023

	1-Year	3-Year	5-Year	10-Year
G Fund	4.22%	2.86%	2.35%	2.32%

	1-Year	3-Year	5-Year	10-Year
F Fund	5.58%	-3.21%	1.16%	2.02%
Bloomberg US Agg Bond Index	5.53%	-3.31%	1.10%	1.81%
Benchmark Difference	0.05%	0.11%	0.06%	0.21%

	1-Year	3-Year	5-Year	10-Year
C Fund	26.25%	9.97%	15.65%	12.03%
S&P 500 Index	26.29%	10.00%	15.69%	12.03%
Benchmark Difference	-0.04%	-0.03%	-0.04%	0.00%

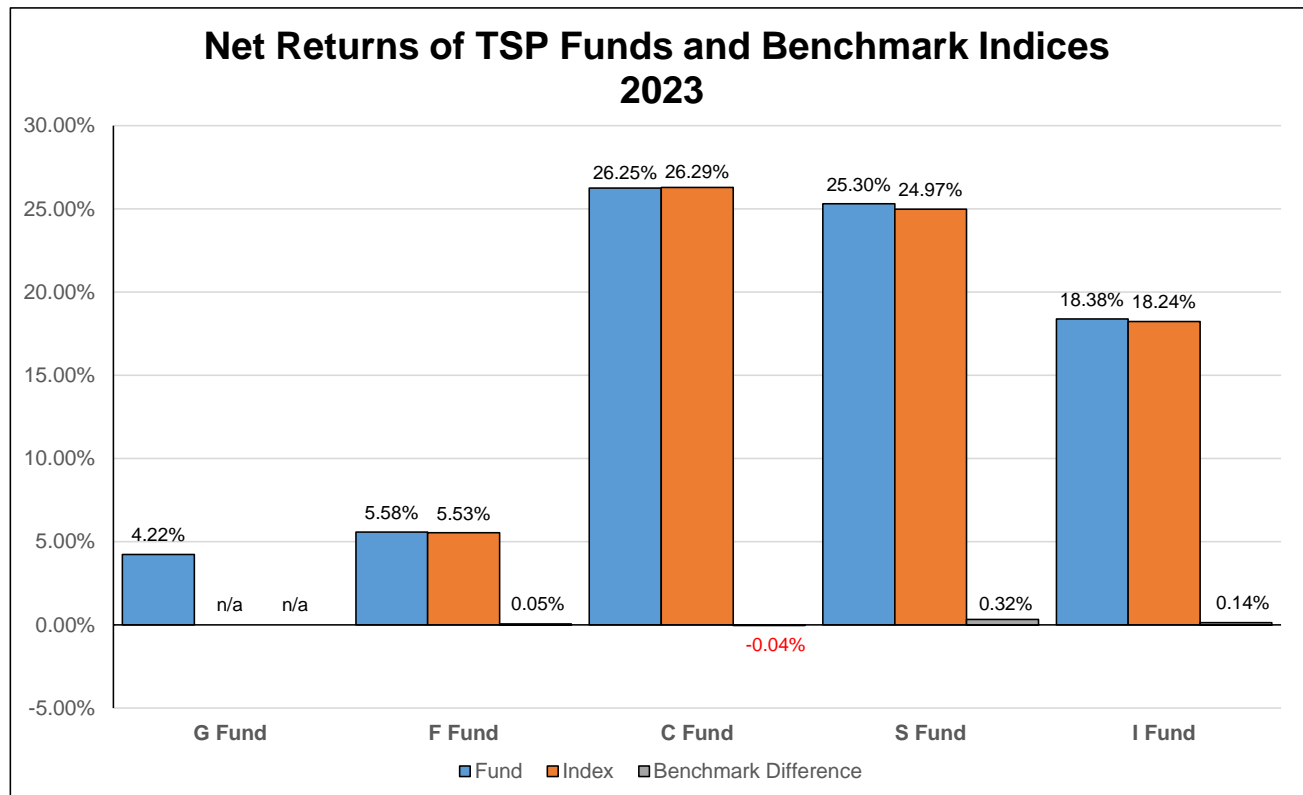
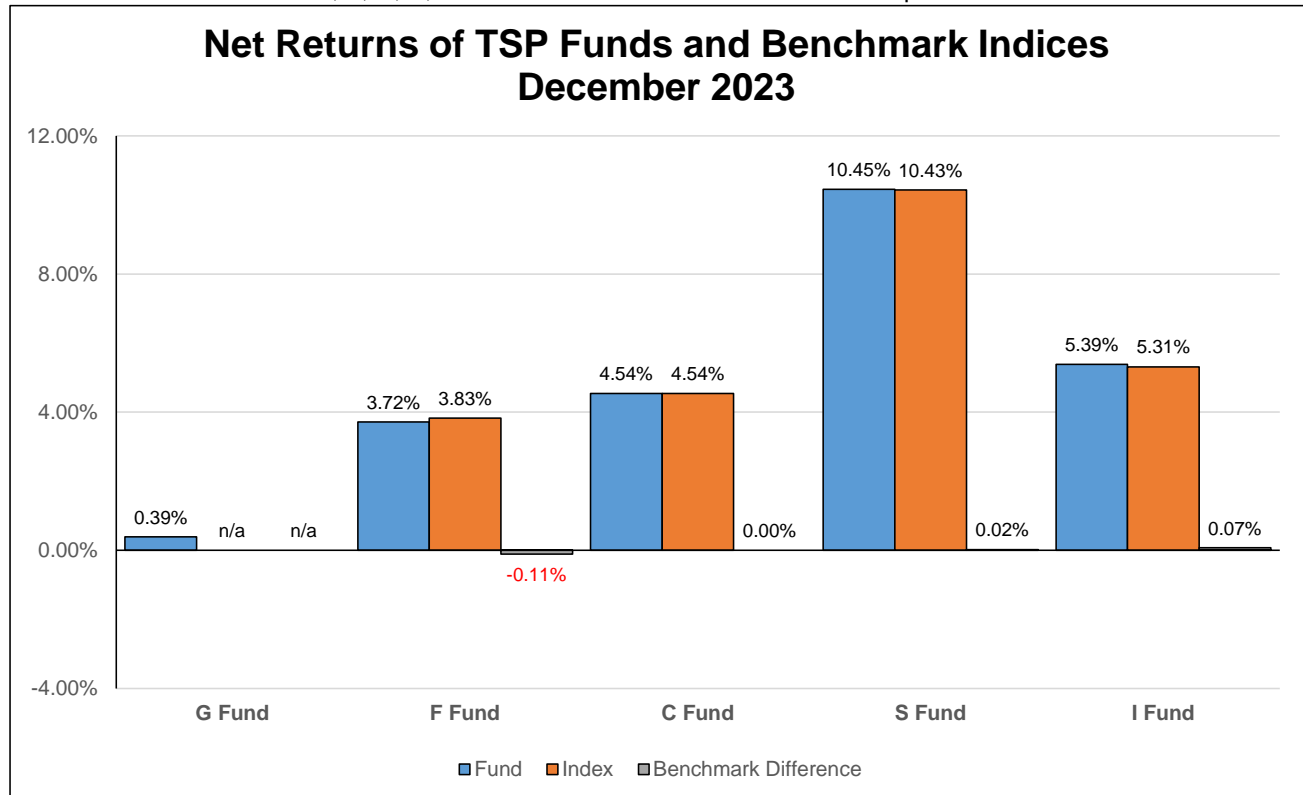
	1-Year	3-Year	5-Year	10-Year
S Fund	25.30%	1.28%	11.88%	8.64%
Dow Jones US Completion TSM Index	24.97%	1.04%	11.77%	8.41%
Benchmark Difference	0.32%	0.25%	0.12%	0.23%

	1-Year	3-Year	5-Year	10-Year
I Fund	18.38%	4.32%	8.51%	4.63%
MSCI EAFE Index	18.24%	4.02%	8.16%	4.28%
Benchmark Difference	0.14%	0.31%	0.34%	0.35%

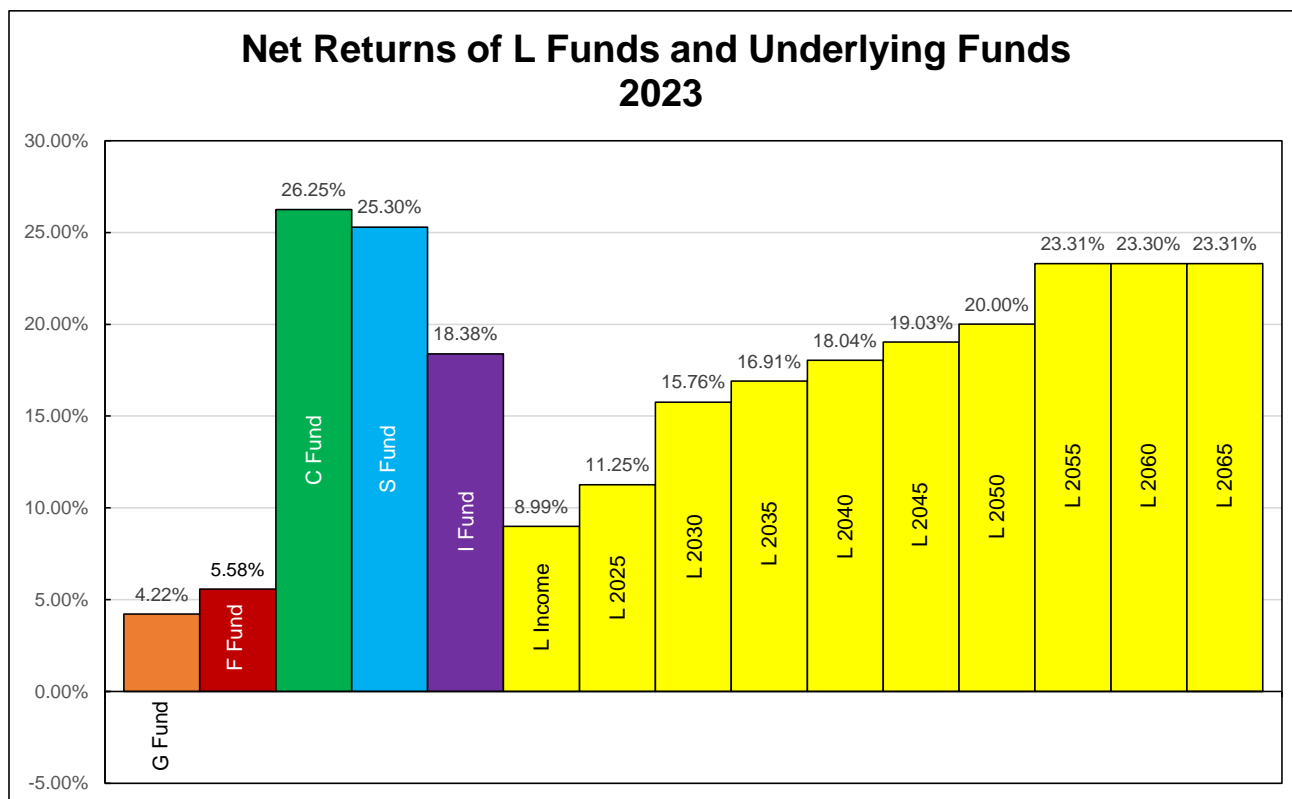
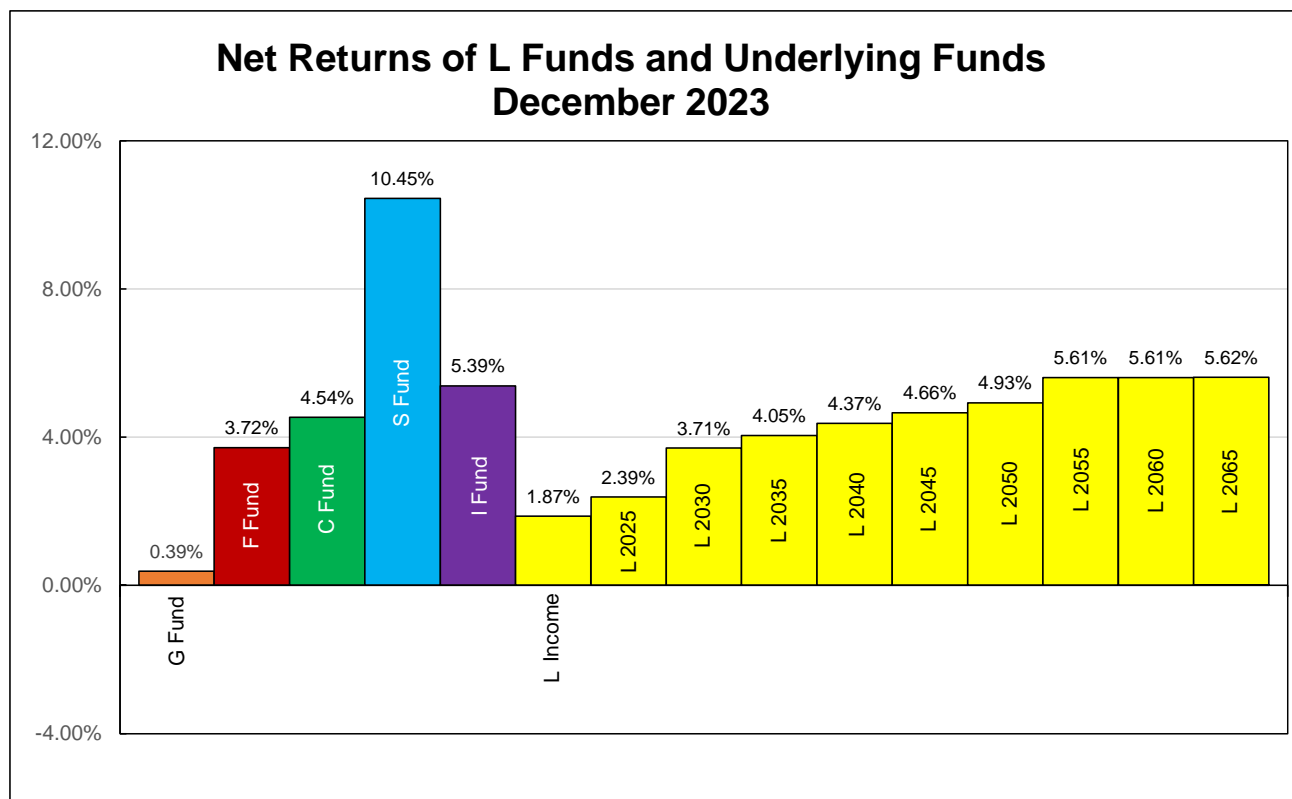
	1-Year	3-Year	5-Year	10-Year
L Income Fund	8.99%	3.79%	4.81%	4.01%
L 2025 Fund	11.25%	4.43%	N/A	N/A
L 2030 Fund	15.76%	5.27%	8.83%	6.79%
L 2035 Fund	16.91%	5.42%	N/A	N/A
L 2040 Fund	18.04%	5.59%	9.97%	7.50%
L 2045 Fund	19.03%	5.70%	N/A	N/A
L 2050 Fund	20.00%	5.85%	10.92%	8.09%
L 2055 Fund	23.31%	6.80%	N/A	N/A
L 2060 Fund	23.30%	6.80%	N/A	N/A
L 2065 Fund	23.31%	6.79%	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.

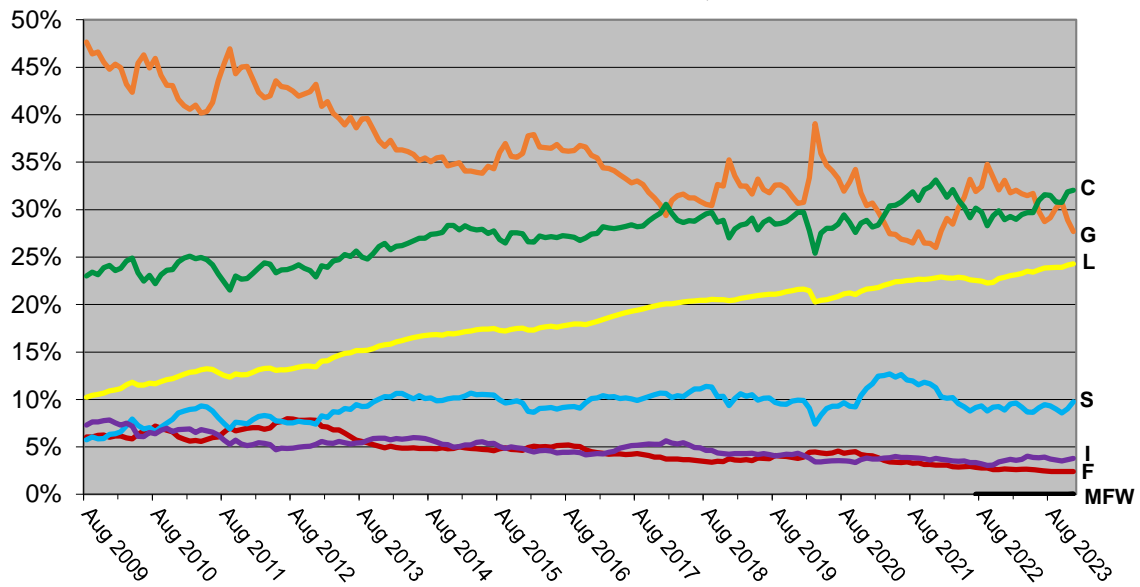


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History as of December 31, 2023

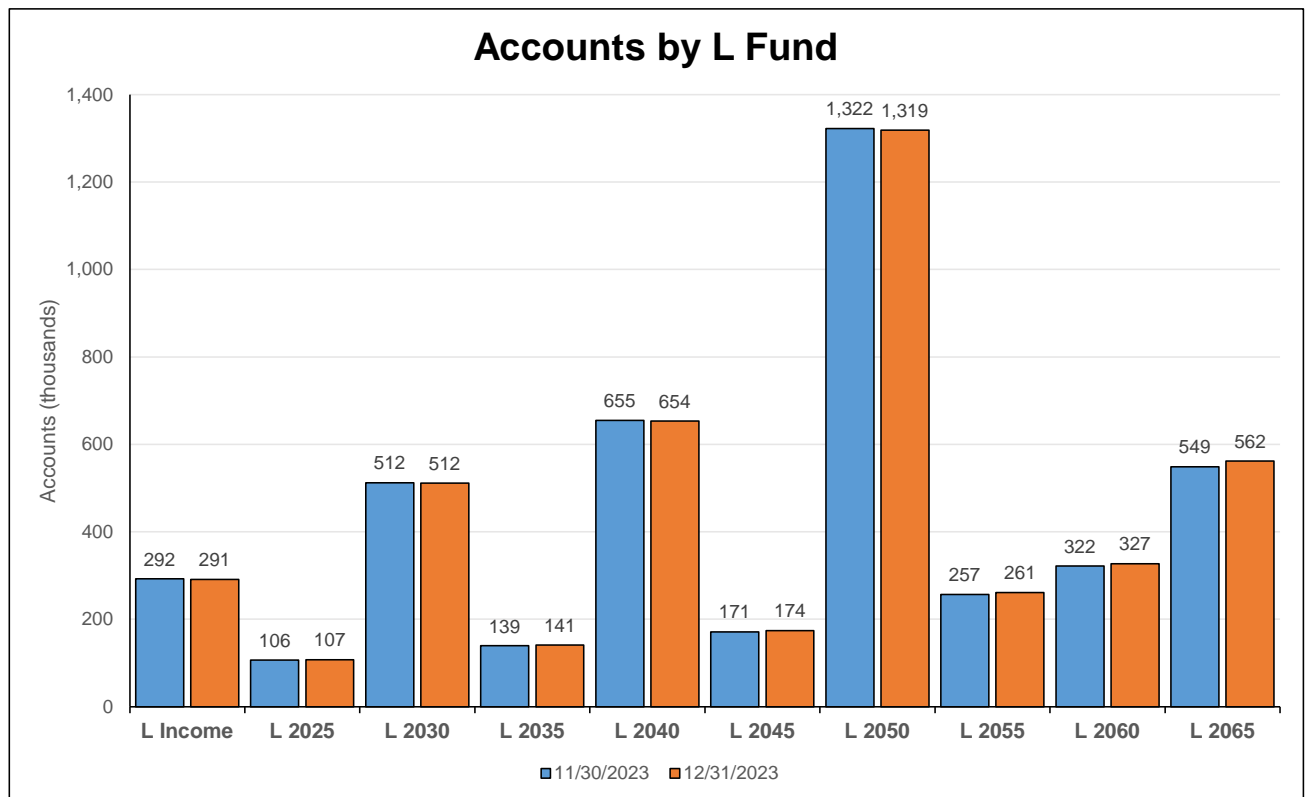
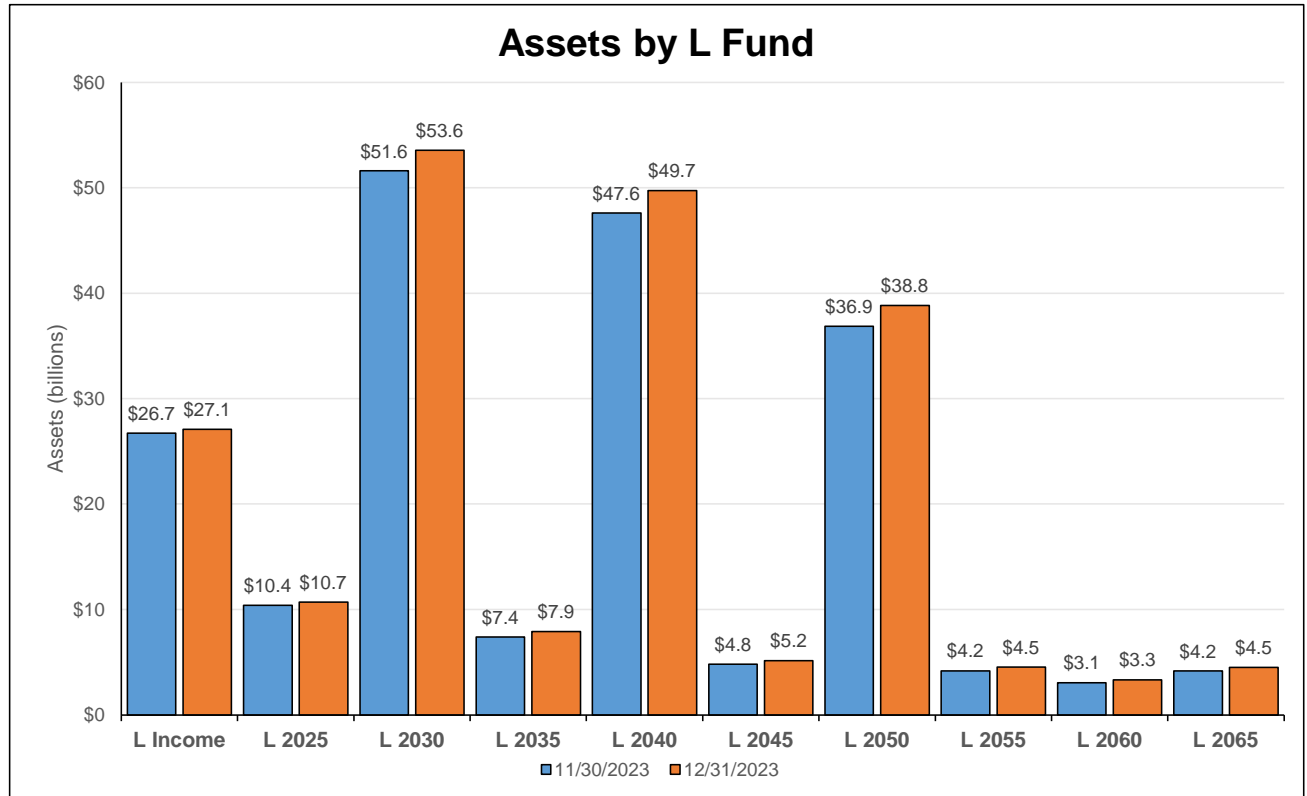


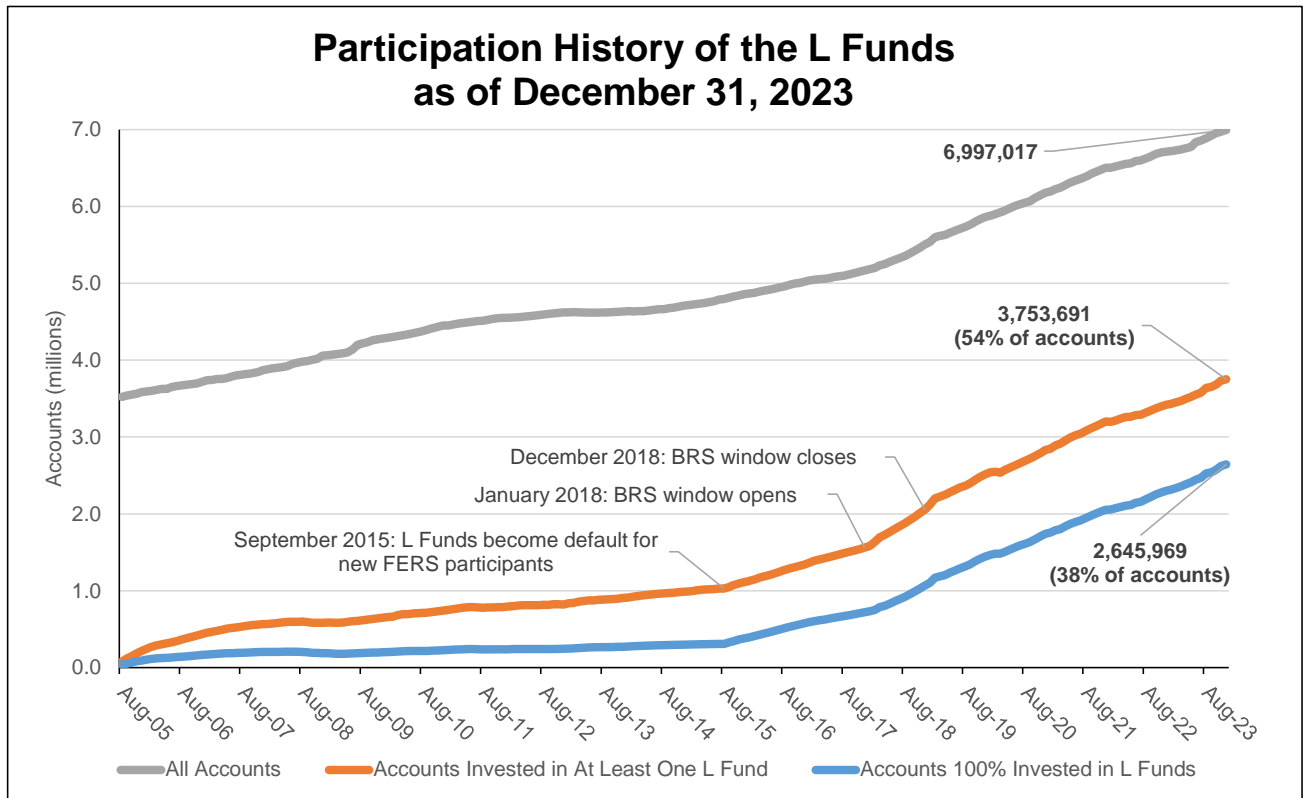
Asset Allocation as of December 31, 2023

	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets</u> <u>(Billions)</u>	<u>Share of</u> <u>Total</u>	<u>Assets</u> <u>(Billions)</u>	<u>Share of</u> <u>Total</u>
G Fund	\$234.1	27.7%	\$294.9	34.9%
F Fund	\$20.4	2.4%	\$33.1	3.9%
C Fund	\$270.9	32.0%	\$339.0	40.1%
S Fund	\$82.4	9.8%	\$99.9	11.8%
I Fund	\$32.0	3.8%	\$78.2	9.2%
L Funds	\$205.3	24.3%	n/a	n/a
<u>MFW</u>	<u>\$0.3</u>	<u>0.0%</u>	<u>\$0.3</u>	<u>0.0%</u>
Total	\$845.4	100.0%	\$845.4	100.0%

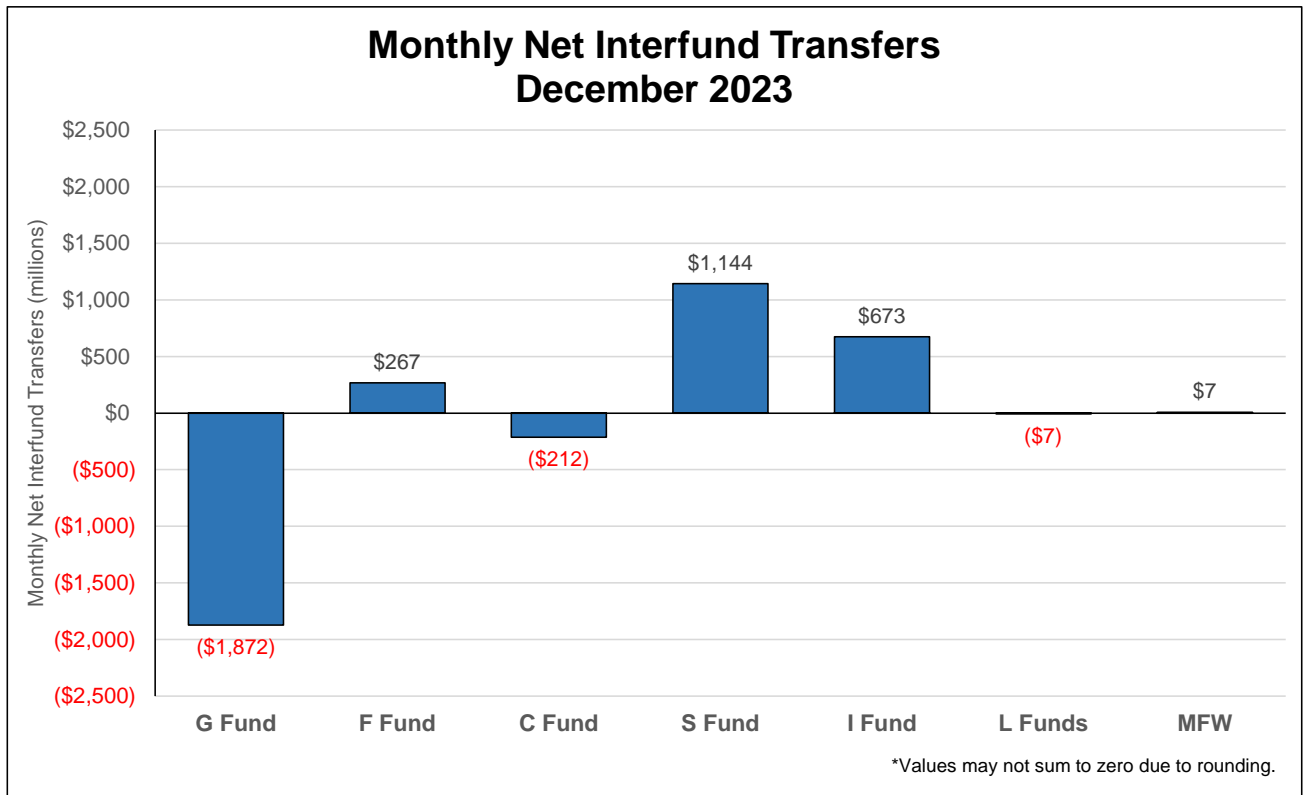
*Components may not sum to totals due to rounding.

Lifecycle (L) Funds





Interfund Transfer Activity



PROXY VOTING – THIRD QUARTER 2023

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the third quarter of 2023. An audit of State Street's proxy voting conducted by ISS found one exception to State Street's established guidelines during the third quarter of 2023. One vote was cast for the election of a board member whose leadership role at another company and membership on other boards should have resulted in a vote against his election, according to State Street's policy. The erroneous vote, which represented 0.3% of the sample of State Street votes examined by ISS, did not change the outcome of the election. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the fourth quarter of 2023 are not yet available.

CLASS ACTION SETTLEMENTS – THIRD QUARTER 2023

BlackRock began the third quarter with 87 open claims. During the quarter, 22 claims were opened. One claim was opened in the F Fund, eight claims were opened in the C Fund, and 13 claims were opened in the S Fund. Seventeen claims were closed during the quarter. One claim in the F Fund settled for \$49,267, and two in the C Fund settled for \$999,083. The S Fund closed 13 claims in the quarter for a total settlement of \$1,205,471, with one claim being closed due to administrator action. The I Fund settled one claim for \$42,036. The total proceeds for the quarter were \$2,295,857. Ninety-two 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	1	1	2	\$49,267
C Fund	19	8	2	25	\$1,540,164
S Fund	64	13	13	64	\$6,287,900
I Fund	2	-	1	1	\$42,267
Total	87	22	17	92	\$7,919,598

State Street began the third quarter with 10 open claims. During the quarter, one claim was opened in the C Fund and one claim was opened in the S Fund. Twelve claims remained opened at the end of the third 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	-	2	\$0
S Fund	9	1	-	10	\$4,231
I Fund	-	-	-	-	\$0
Total	10	2	-	12	\$4,231

ATTACHMENTS

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

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

ANNUAL REVIEW OF INVESTMENT POLICY

The G Fund investments produce long-term yields while incurring no market risk. I recommend reaffirmation of the current G Fund policy of investing solely in short-term maturities.

The F, C, and S Funds have tracked their respective benchmark indices and have incurred low trading costs. I recommend reaffirmation of the current F, C, and S Fund investment policies.

The I Fund has tracked its benchmark index and has incurred low trading costs. At its November 14, 2023 meeting, the Board directed a change in the I Fund's benchmark from the MSCI EAFE Index to the MSCI ACWI IMI ex USA ex China ex Hong Kong Index during calendar year 2024. I recommend reaffirmation of the current I Fund investment policy, including this benchmark change.

Therefore, I recommend the Board consider the following 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 Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, and the Small Capitalization Stock Index Investment Fund are affirmed without change.

BE IT FURTHER RESOLVED that the current investment policy for the International Stock Index Investment Fund, including the change in benchmark from the MSCI EAFE Index to the MSCI ACWI IMI ex USA ex China ex Hong Kong Index during calendar year 2024, as directed by the Board at its November 14, 2023 meeting, is affirmed without change.

October 16, 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 3rd 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

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MEMORANDUM

The results of our review of BlackRock's 3rd quarter proxy voting for US meetings are as follows:

- Votes at 43 meetings were examined.
- Votes at 12 of the 43 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 31 remaining meetings, there were 65 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	9
Advisory vote on golden parachute compensation	2
Frequency vote on MSOP	14
Reverse stock split	8
Reduce authorized common stock	1
Increase authorized common stock	2
Approve issuance of convertible notes	1
Approve issuance of common stock	1
Approve issuance of common stock upon conversion of preferred stock	1
Approve increase in conversation ratio of preferred stock to common stock	1
Authorize new class of non-voting common stock	1
Approve merger agreement	2
Amend shareholder rights plan	1
Adjourn meeting	7
Declassify board of directors	1
Provide directors may be removed with or without cause	1
Eliminate supermajority vote requirements	1
Amend investment management trust agreement	1
Amend certificate of incorporation to extend consummation of business combination	1
Amend certificate of incorporation to limit liability of certain officers	5
Amend certificate of incorporation re: provision of revised liquidation preference for convertible preferred stock upon a liquidation event	1
Amend bylaws	2
Shareholder proposal	1
Total:	65

- There were 9 votes cast on executive stock plans:
 - a) 8 votes were cast in favor of the plans (88.9 percent);
 - b) 1 vote was cast against the plans (11.1 percent) due to the presence of an evergreen provision.
- There were 2 votes cast on mergers, acquisitions and/or major corporate transactions; the votes were cast in favor of the transactions.
- There were 2 votes cast on increases in authorized common stock including an increase in common stock upon conversion of preferred stock; the votes were cast in favor of the increases.
- There was 1 vote cast on a shareholder proposal to submit severance agreement (change-in-control) to shareholder vote; the vote was cast against the proposal.
- There were 22 votes cast on management advisory votes on executive compensation:
 - a) 19 votes were cast in favor of the advisory votes (86.4 percent);
 - b) 3 votes were cast against the advisory votes (13.6 percent).
- There were 2 votes cast on management advisory votes on golden parachute compensation; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.



November 22, 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 Q3 2023 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 313 agenda items. In reviewing these items against the SSgA policy document, we identified one (1) error in the application of SSgA's policy (for an overall error rate of 0.3%).

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

Sincerely,

Adam Lee

Adam Lee
Associate Director, Custom Research