



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: July 23, 2024

SUBJECT: June 2024 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 2024 Returns and Benchmark Differences

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid Cap</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>(S Fund)</u>
Return	Index	0.95%	3.59%	-0.10%
	BlackRock	0.95%	3.59%	-0.09%
	State Street	0.95%	3.59%	-0.11%
	TSP Fund (Net)	0.94%	3.58%	-0.10%
Benchmark Difference	BlackRock	0.00%	0.00%	0.02%
	State Street	0.01%	0.00%	0.00%
	TSP Fund	0.00%	0.00%	0.01%

BlackRock's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month.

State Street's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month.

The I Fund is in the process of changing its benchmark from the MSCI EAFE Index to the MSCI ACWI IMI ex USA ex China ex Hong Kong Index. BlackRock and State Street have independently coordinated with MSCI to develop transitional benchmarks. The following table shows the June 2024 performance of both managers relative to their applicable benchmarks, as well as the overall net return of the I Fund.

	<u>BlackRock</u>	<u>State Street</u>
Applicable Benchmark	-0.98%	-1.61%
Manager's Return	-1.49%	-2.09%
Benchmark Difference	-0.51%	-0.47%
I Fund Return (net)		-1.62%
MSCI EAFE Index		-1.61%
MSCI ACWI IMI ex USA ex China ex Hong Kong Index		-0.02%

BlackRock's performance for the I Fund lagged its applicable International Index's return by 51 basis points, primarily due to fair value pricing.

State Street's performance for the I Fund lagged its applicable International Index's return by 47 basis points, primarily due to fair value pricing.

2024 YTD Returns and Benchmark Differences

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid Cap</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>(S Fund)</u>
Return	Index	-0.71%	15.29%	3.28%
	BlackRock	-0.61%	15.29%	3.29%
	State Street	-0.62%	15.29%	3.32%
	TSP Fund (Net)	-0.63%	15.28%	3.28%
Benchmark Difference	BlackRock	0.10%	0.00%	0.01%
	State Street	0.09%	0.00%	0.04%
	TSP Fund	0.08%	-0.02%	0.00%

Year-to-date, 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 2023. Its performance for the C and S Funds was in line with the Funds' respective indices.

Year-to-date, State Street's performance for the F Fund was ahead of the Fixed Income Index's return by 9 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 2023. 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 by 4 basis points, primarily due to securities lending.

The I Fund is in the process of changing its benchmark from the MSCI EAFE Index to the MSCI ACWI IMI ex USA ex China ex Hong Kong Index. BlackRock and State Street have independently coordinated with MSCI to develop transitional benchmarks. The following table shows the 2024 YTD performance of both managers relative to their appropriate benchmarks, as well as the overall net return of the I Fund.

	<u>BlackRock</u>	<u>State Street</u>
Applicable Benchmark	5.72%	5.34%
Manager's Return	5.93%	5.59%
Benchmark Difference	0.22%	0.25%
I Fund Return (net)		5.85%
MSCI EAFE Index		5.34%
MSCI ACWI IMI ex USA ex China ex Hong Kong Index		5.58%

BlackRock's performance for the I Fund was ahead of its applicable International Index's return by 22 basis points, primarily due to tax advantage.

State Street's performance for the I Fund was ahead of its applicable International Index's return by 25 basis points, primarily due to tax advantage.

TSP Net Returns as of June 30, 2024

	1-Year	3-Year	5-Year	10-Year
G Fund	4.53%	3.38%	2.54%	2.42%

	1-Year	3-Year	5-Year	10-Year
F Fund	2.60%	-2.92%	-0.16%	1.52%
Bloomberg US Agg Bond Index	2.63%	-3.02%	-0.23%	1.35%
Benchmark Difference	-0.03%	0.10%	0.08%	0.17%

	1-Year	3-Year	5-Year	10-Year
C Fund	24.52%	9.99%	15.00%	12.85%
S&P 500 Index	24.56%	10.01%	15.05%	12.86%
Benchmark Difference	-0.04%	-0.03%	-0.04%	-0.01%

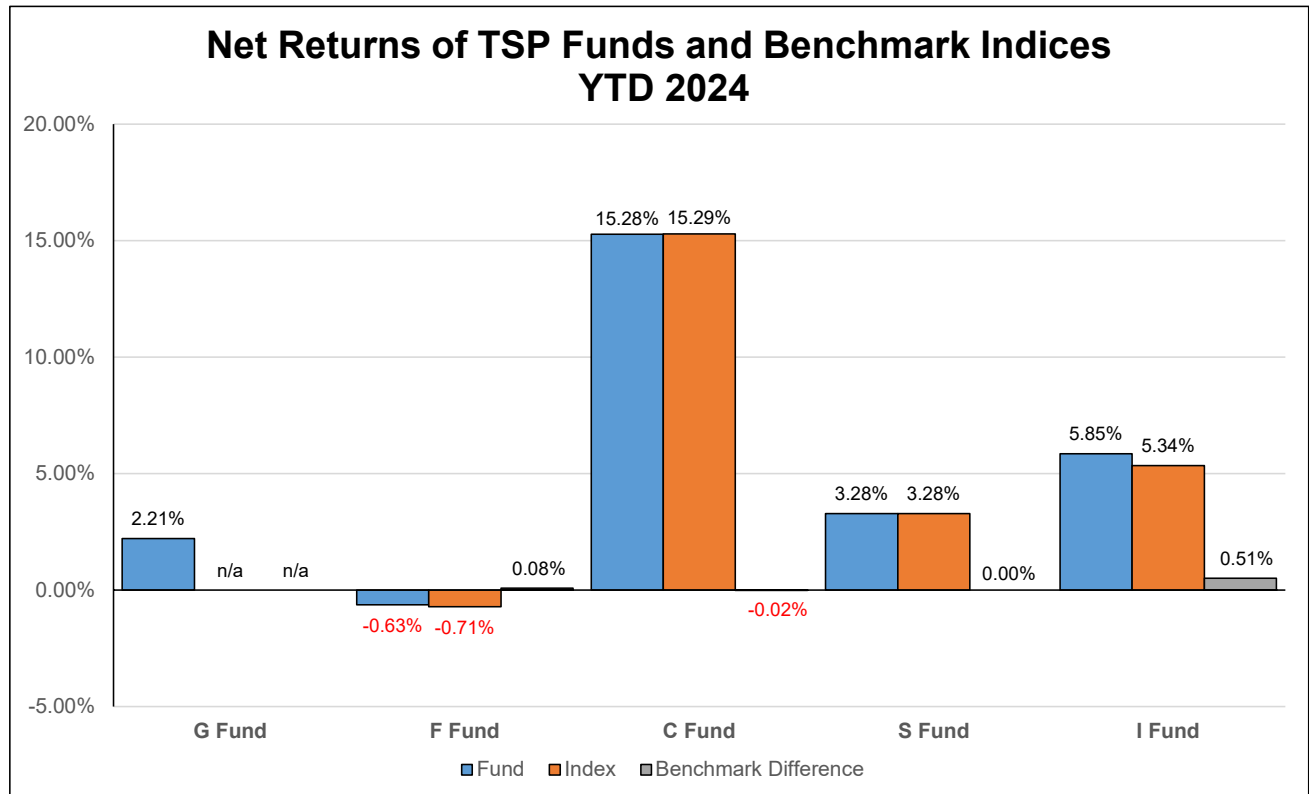
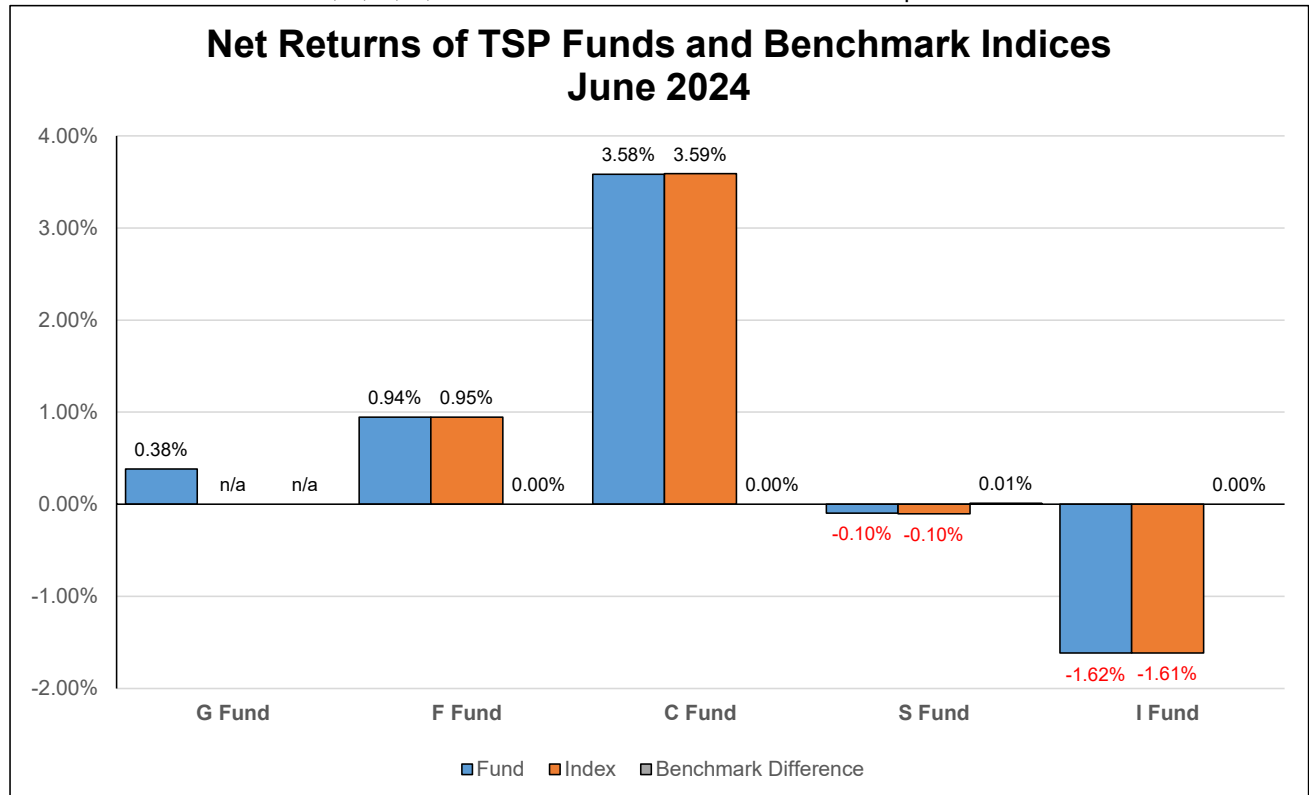
	1-Year	3-Year	5-Year	10-Year
S Fund	14.88%	-2.41%	8.67%	8.33%
Dow Jones US Completion TSM Index	14.66%	-2.64%	8.56%	8.10%
Benchmark Difference	0.23%	0.22%	0.11%	0.23%

	1-Year	3-Year	5-Year	10-Year
I Fund	11.72%	3.31%	6.83%	4.70%
MSCI EAFE Index	11.54%	2.89%	6.46%	4.33%
Benchmark Difference	0.19%	0.42%	0.37%	0.37%

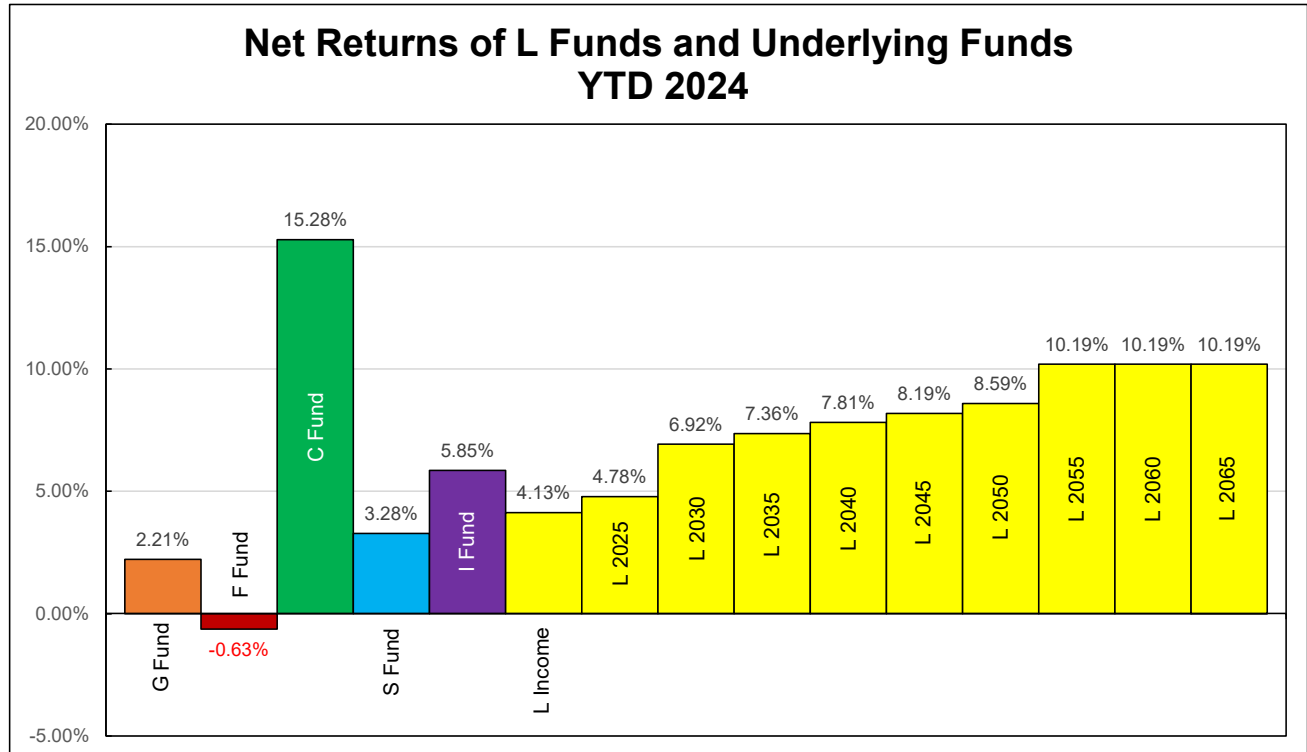
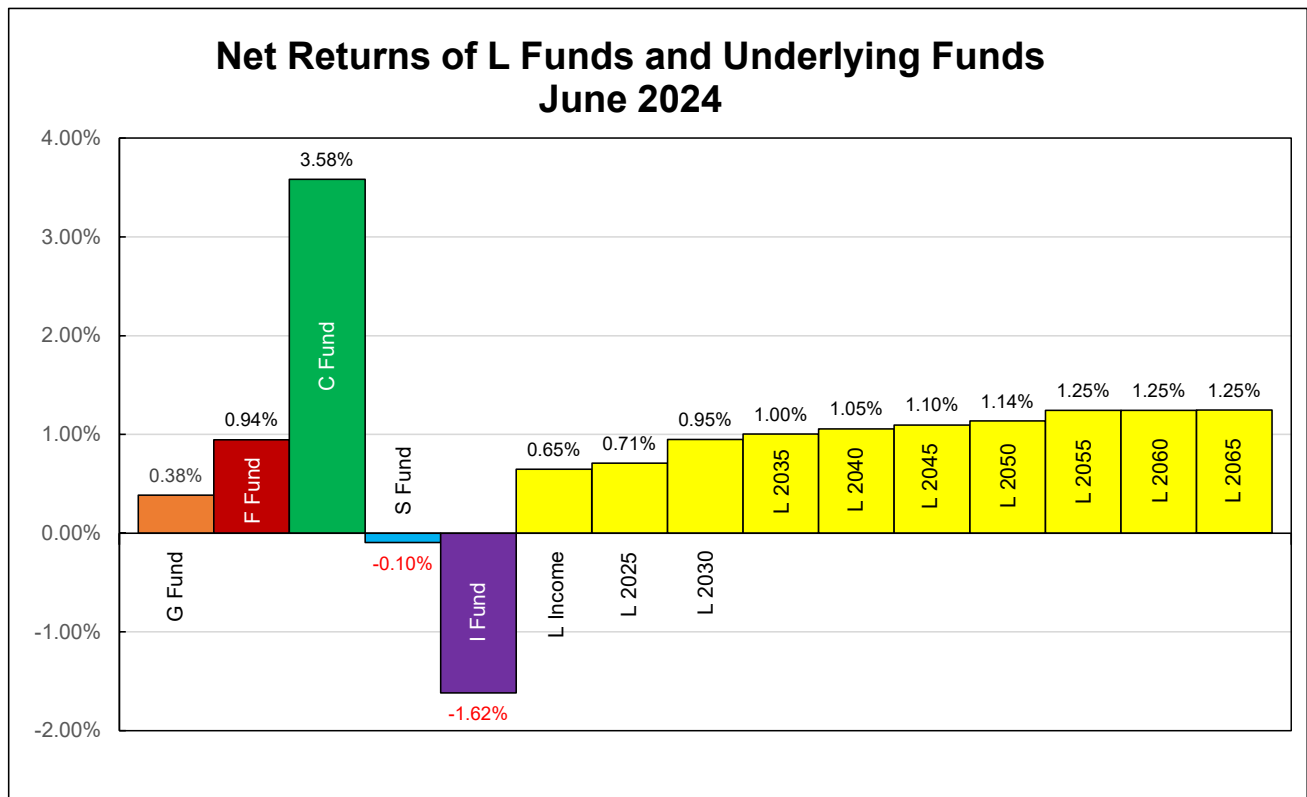
	1-Year	3-Year	5-Year	10-Year
L Income Fund	8.04%	4.07%	4.70%	4.17%
L 2025 Fund	9.21%	3.93%	N/A	N/A
L 2030 Fund	12.94%	4.95%	8.01%	6.99%
L 2035 Fund	13.74%	5.01%	N/A	N/A
L 2040 Fund	14.56%	5.09%	8.94%	7.74%
L 2045 Fund	15.24%	5.12%	N/A	N/A
L 2050 Fund	15.95%	5.20%	9.73%	8.36%
L 2055 Fund	18.57%	5.91%	N/A	N/A
L 2060 Fund	18.57%	5.91%	N/A	N/A
L 2065 Fund	18.56%	5.90%	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.

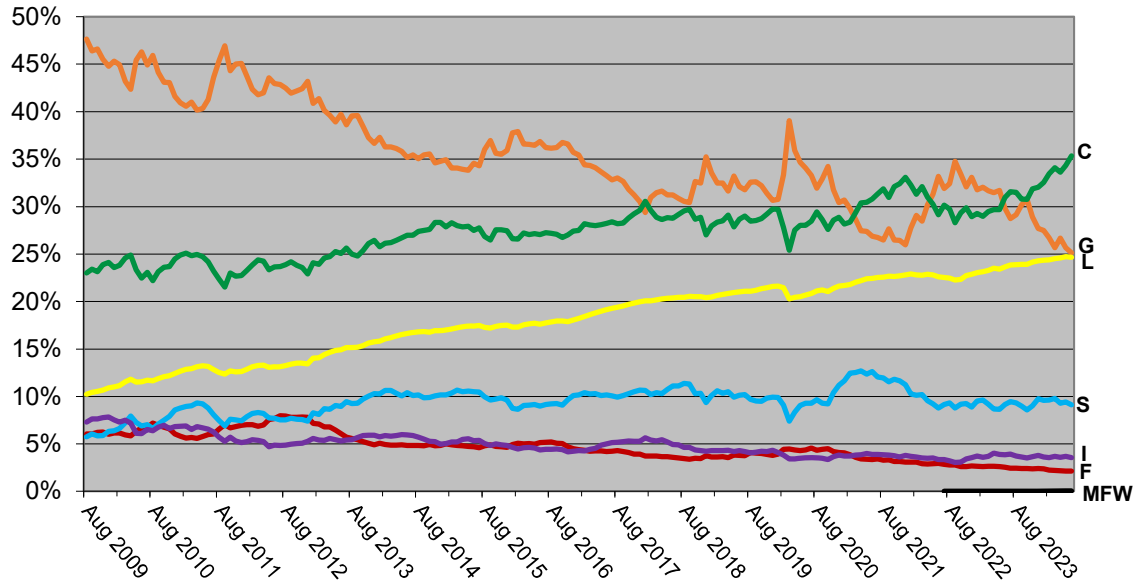


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History as of June 30, 2024

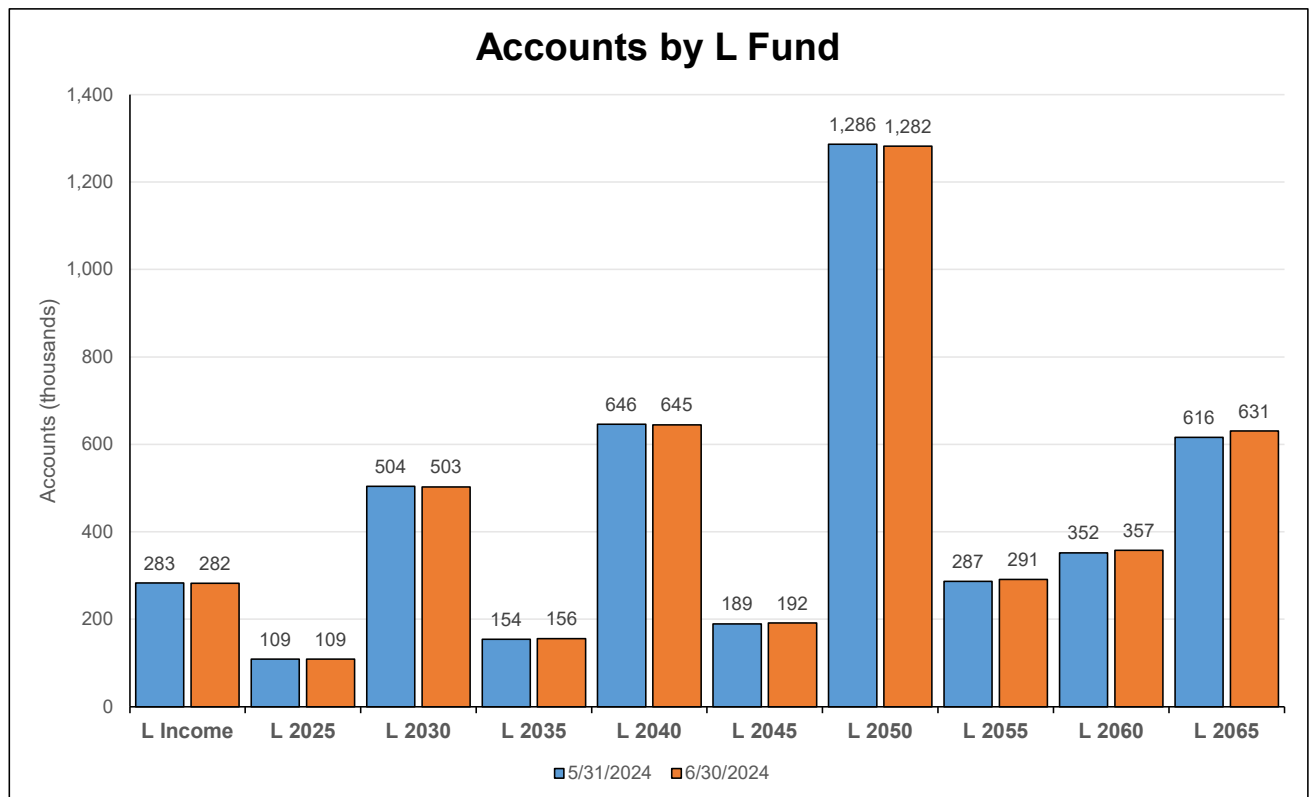
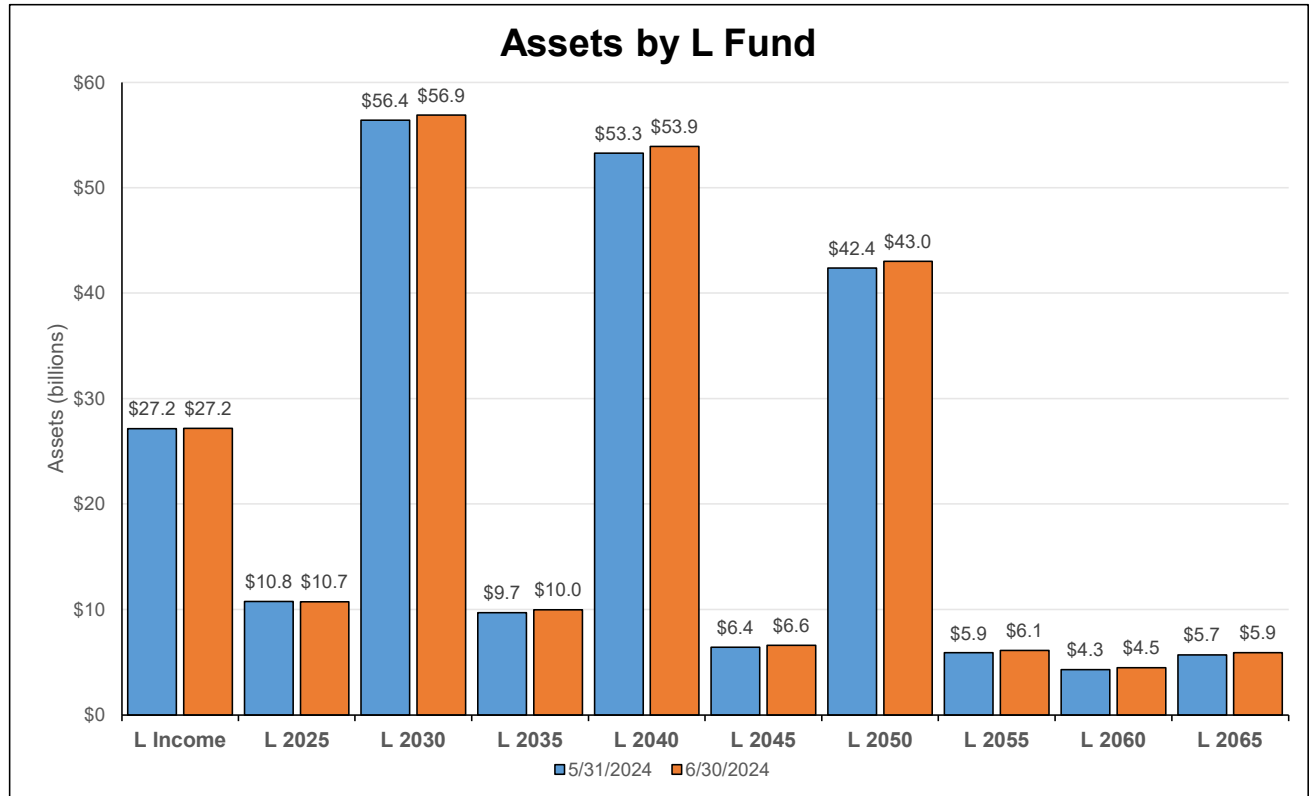


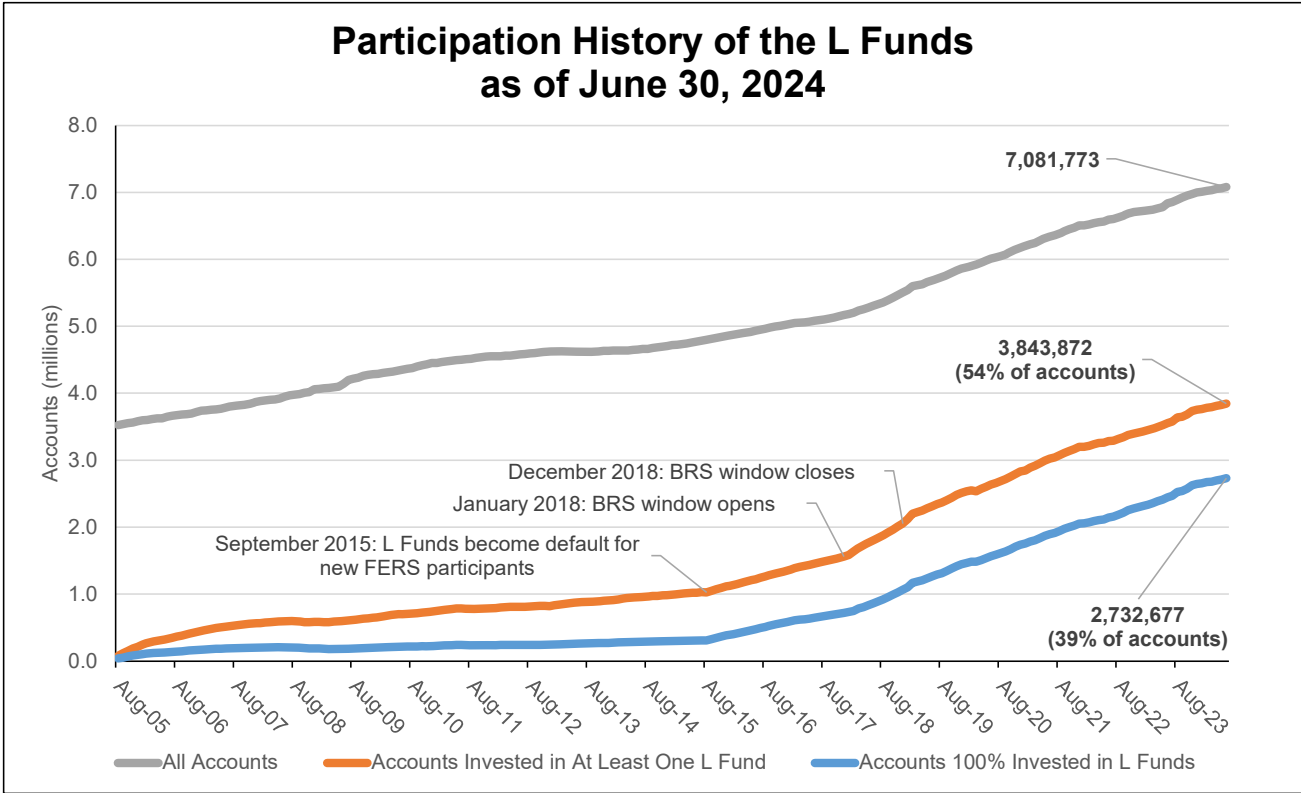
Asset Allocation as of June 30, 2024

	<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	\$229.2	25.1%	\$294.0	32.2%
F Fund	\$19.5	2.1%	\$33.1	3.6%
C Fund	\$322.3	35.4%	\$397.9	43.6%
S Fund	\$83.1	9.1%	\$102.7	11.3%
I Fund	\$32.3	3.5%	\$83.6	9.2%
L Funds	\$224.8	24.7%	n/a	n/a
<u>MFW</u>	<u>\$0.4</u>	<u>0.0%</u>	<u>\$0.4</u>	<u>0.0%</u>
Total	\$911.7	100.0%	\$911.7	100.0%

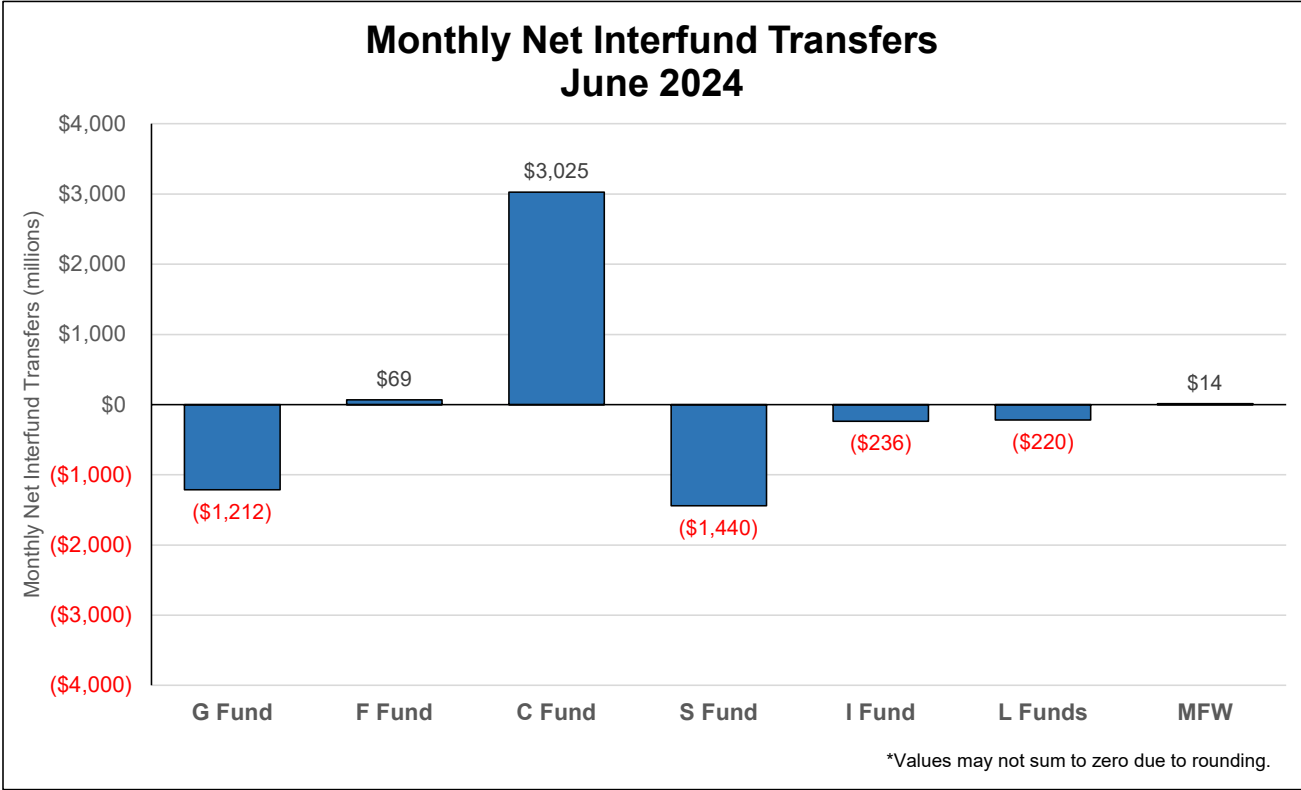
*Components may not sum to totals due to rounding.

Lifecycle (L) Funds





Interfund Transfer Activity



PROXY VOTING – FIRST QUARTER 2024

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the first quarter of 2024. 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 2024. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the second quarter of 2024 are not yet available.

CLASS ACTION SETTLEMENTS – FIRST QUARTER 2024

BlackRock began the first quarter with 89 open claims. During the quarter, 20 claims were opened: five claims in the F Fund, two claims in the C Fund and 13 claims in the S Fund. Seventeen claims were closed during the quarter. One claim in the F Fund was settled for \$2,432, three claims in the C Fund were settled for \$1,489,950, and 11 claims in the S Fund were settled for \$2,314,626. Two claims in the S Fund were closed due to administrator action. Residual payments from 13 previously closed claims yielded \$269,245. One claim in the F Fund yielded \$13,907, three claims in the C Fund yielded \$192,944, eight claims in the S Fund yielded \$50,528, and one claim in the I Fund yielded \$11,866. Total proceeds for the quarter were \$4,076,253. 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 2024</u>
F Fund	1	5	1	5	\$16,338
C Fund	26	2	3	25	\$1,682,895
S Fund	60	13	13	60	\$2,365,154
I Fund	2	-	-	2	\$11,866
Total	89	20	17	92	\$4,076,253

State Street began the first quarter with 13 open claims. Eight claims were opened in the S Fund. One claim in the C Fund and seven claims in the S Fund were closed due to administrator action. One claim in the S Fund settled for \$8,611. Twelve claims remained opened 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 2024</u>
F Fund	-	-	-	-	\$0
C Fund	2	-	1	1	\$0
S Fund	11	8	8	11	\$8,611
I Fund	-	-	-	-	\$0
Total	13	8	9	12	\$8,611

ATTACHMENTS

Attachment 1: Audit Report on BlackRock's Proxy Voting in the First Quarter of 2024

Attachment 2: Audit Report on State Street's Proxy Voting in the First Quarter of 2024



May 2, 2024

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 2024. 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.issgovernance.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 11 of the 34 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 23 remaining meetings, there were 52 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	5
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	2
Reverse stock split	5
Increase authorized common stock	3
Approve issuance of common stock upon conversion of convertible notes	2
Approve issuance of common stock upon exercise of warrants	1
Approve issuance of warrants	1
Approve private placement	2
Approve warrant exercise price reduction	1
Eliminate class of preferred stock	1
Approve merger agreement	5
Approve issuance of shares in connection with merger	1
Adjourn meeting	13
Approve management contract	1
Approve sub-management contract	1
Amend certificate of incorporation	1
Adopt jurisdiction of incorporation as the exclusive forum for certain disputes	1
Provide right to act by written consent	1
Shareholder proposal	2
Total:	52

- There were 5 votes cast on executive stock plans; the votes were cast in favor of the plans.
- There were 6 votes cast on mergers, acquisitions and/or major corporate transactions including an issuance of shares pursuant to a merger; the votes were cast in favor of the transactions.
- There were 3 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
- There were 2 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to report on lobbying payments and policy; the vote was cast against the proposal;
 - b) 1 shareholder proposal to report on median and adjusted gender/racial pay gaps; the vote was cast against the proposal.
- There were 14 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 3 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.



Institutional Shareholder Services Inc.

702 King Farm Boulevard Suite 400

Rockville, MD 20850

T: +1. 301.556.0500 | F: +1.301.556.0491

June 21, 2024

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 2024 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 328 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 0.0%).

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

Sincerely,

A handwritten signature in black ink that reads "Adam Lee". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Adam Lee
Associate Director, Custom Research