



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: October 22, 2024

SUBJECT: September 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.

September 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	1.34%	2.14%	1.54%
	BlackRock	1.34%	2.13%	1.55%
	State Street	1.33%	2.13%	1.54%
	TSP Fund (Net)	1.34%	2.13%	1.55%
Benchmark Difference	BlackRock	0.00%	0.00%	0.01%
	State Street	-0.01%	0.00%	0.00%
	TSP Fund	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.

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 September 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	1.10%	0.77%
Manager's Return	0.80%	0.68%
Benchmark Difference	-0.30%	-0.09%
I Fund Return (net)		0.77%
MSCI EAFE Index		0.92%
MSCI ACWI IMI ex USA ex China ex Hong Kong Index		1.16%

BlackRock's performance for the I Fund lagged its applicable International Index's return by 30 basis points, primarily due to fair value pricing.

State Street's performance for the I Fund lagged its applicable International Index's return by 9 basis points, primarily due to securities sampling and currency trading impact.

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	4.45%	22.08%	11.61%
	BlackRock	4.54%	22.07%	11.71%
	State Street	4.55%	22.07%	11.69%
	TSP Fund (Net)	4.52%	22.04%	11.69%
Benchmark Difference	BlackRock	0.09%	-0.01%	0.10%
	State Street	0.10%	-0.01%	0.08%
	TSP Fund	0.07%	-0.04%	0.07%

Year-to-date, BlackRock'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 BlackRock 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, BlackRock was ahead of the Small Mid Cap Index by 10 basis points, primarily due to securities lending.

Year-to-date, State Street'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 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 8 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	13.12%	12.81%
Manager's Return	13.24%	13.05%
Benchmark Difference	0.11%	0.23%
I Fund Return (net)		13.17%
MSCI EAFE Index		12.99%
MSCI ACWI IMI ex USA ex China ex Hong Kong Index		12.91%

BlackRock's performance for the I Fund was ahead of its applicable International Index's return by 11 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 23 basis points, primarily due to tax advantage.

TSP Net Returns as of September 30, 2024

	1-Year	3-Year	5-Year	10-Year
G Fund	4.56%	3.63%	2.66%	2.47%

	1-Year	3-Year	5-Year	10-Year
F Fund	11.51%	-1.31%	0.41%	2.00%
Bloomberg US Agg Bond Index	11.57%	-1.39%	0.33%	1.84%
Benchmark Difference	-0.06%	0.08%	0.07%	0.15%

	1-Year	3-Year	5-Year	10-Year
C Fund	36.29%	11.88%	15.93%	13.37%
S&P 500 Index	36.35%	11.91%	15.98%	13.38%
Benchmark Difference	-0.06%	-0.03%	-0.05%	-0.01%

	1-Year	3-Year	5-Year	10-Year
S Fund	28.57%	1.29%	10.74%	9.72%
Dow Jones US Completion TSM Index	28.25%	1.04%	10.62%	9.48%
Benchmark Difference	0.33%	0.25%	0.12%	0.23%

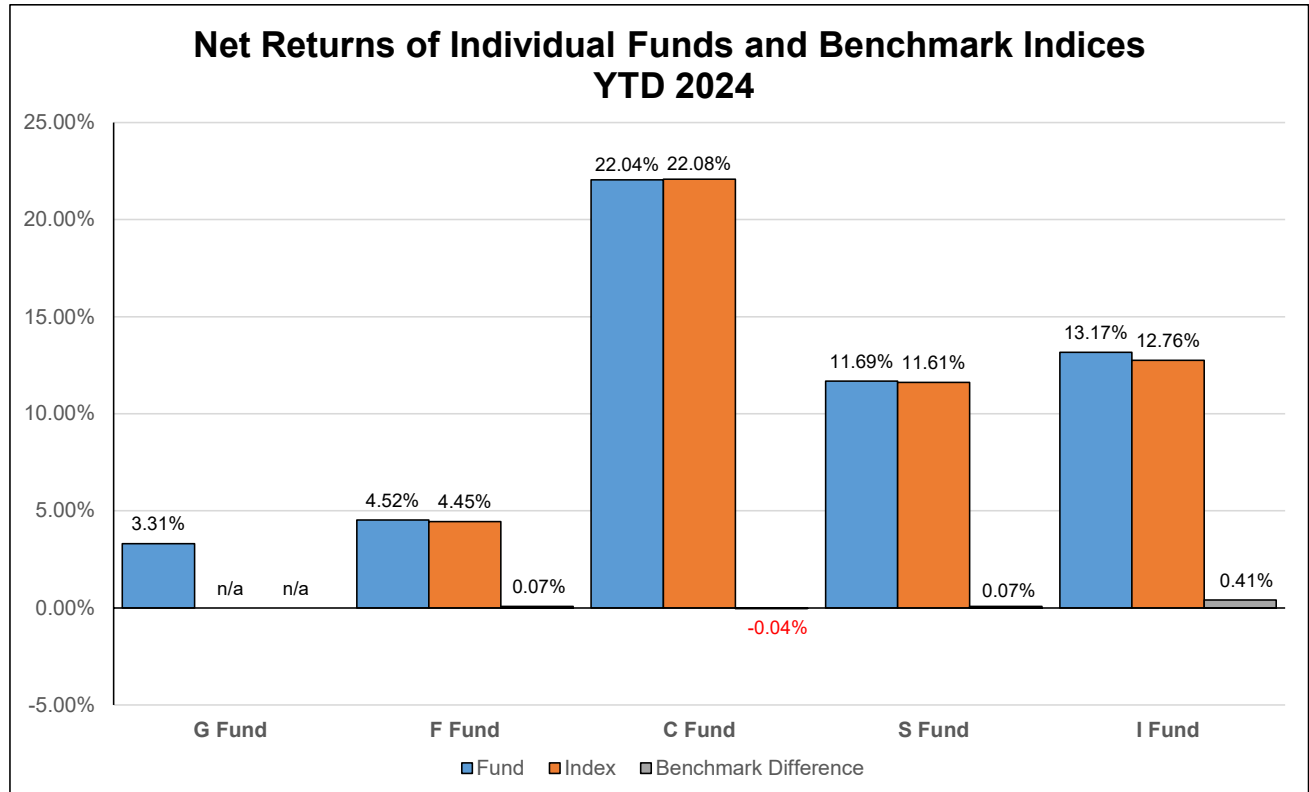
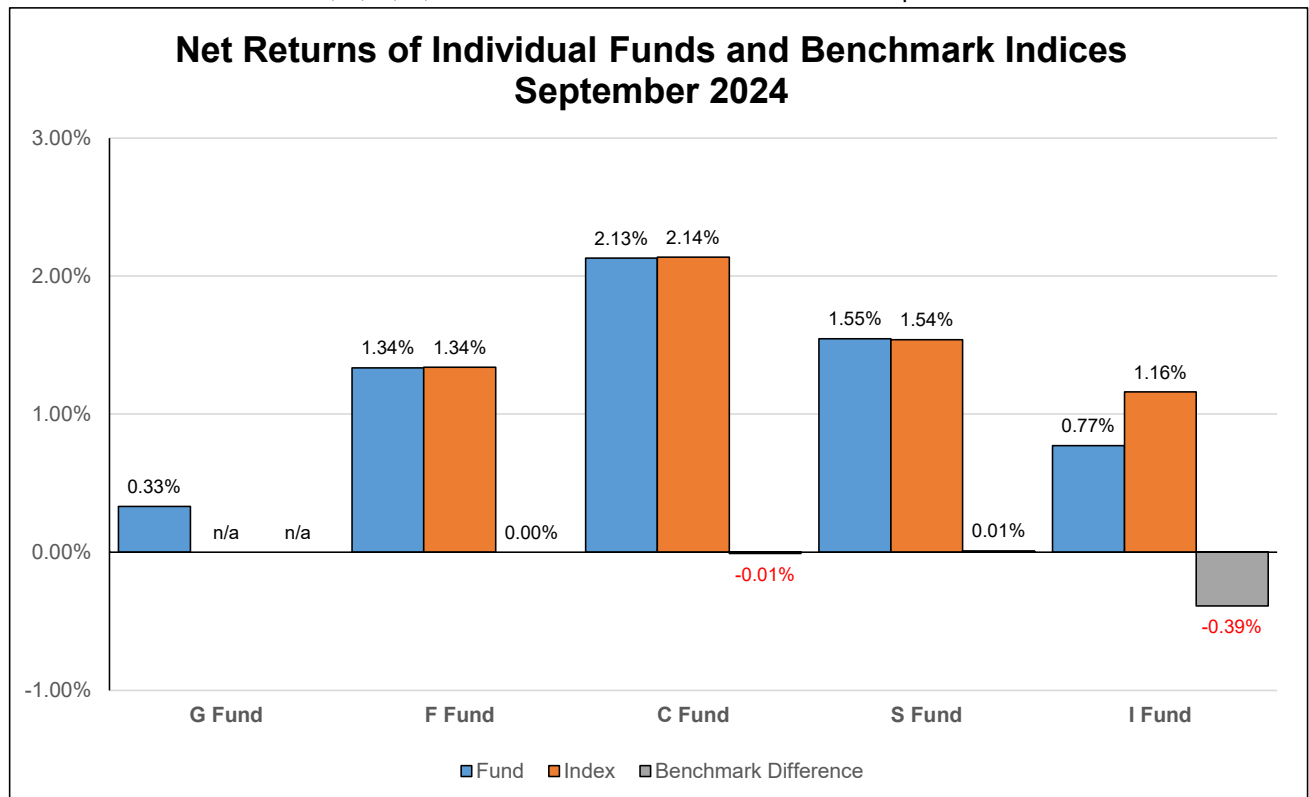
	1-Year	3-Year	5-Year	10-Year
I Fund	25.28%	5.78%	8.50%	6.04%
International Index*	24.51%	5.41%	8.16%	5.68%
Benchmark Difference	0.77%	0.37%	0.35%	0.36%

* MSCI EAFE through July 31, 2024; MSCI ACWI IMI ex USA ex China ex Hong Kong thereafter.

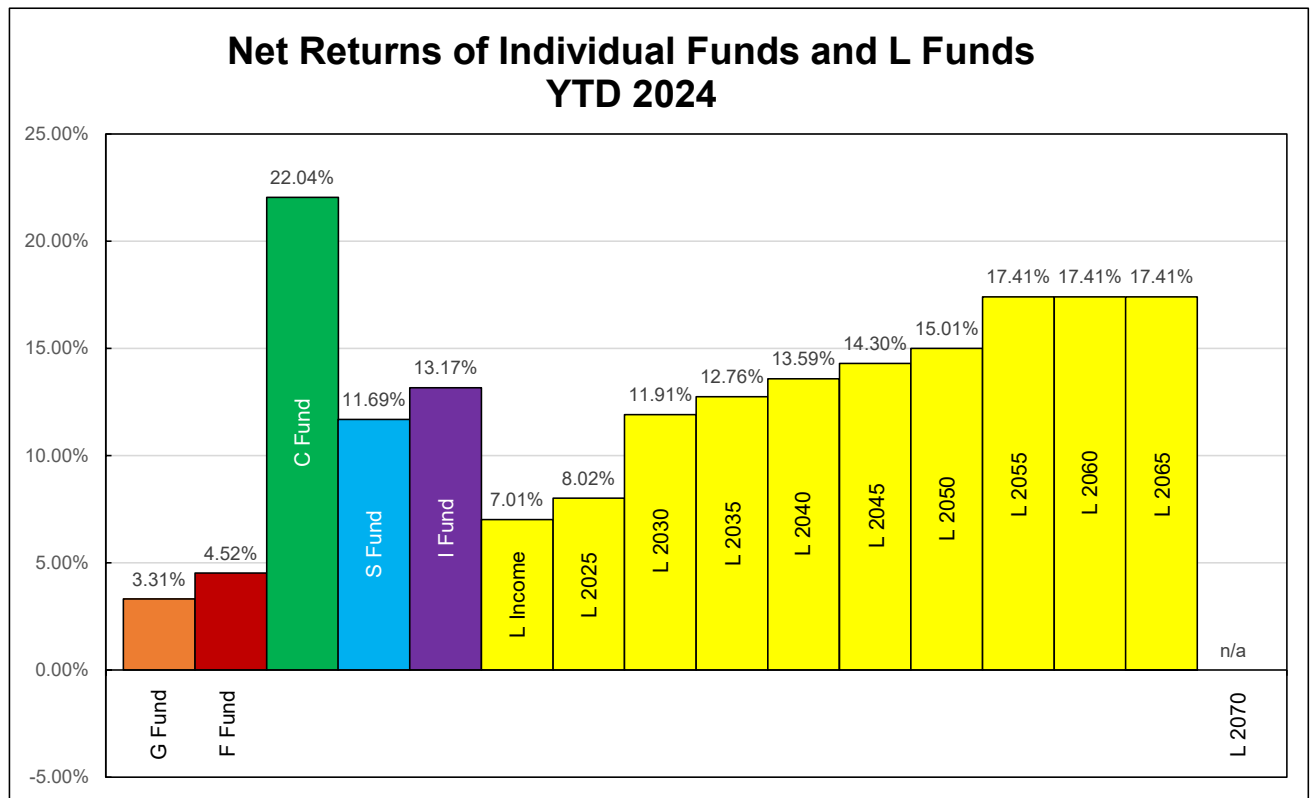
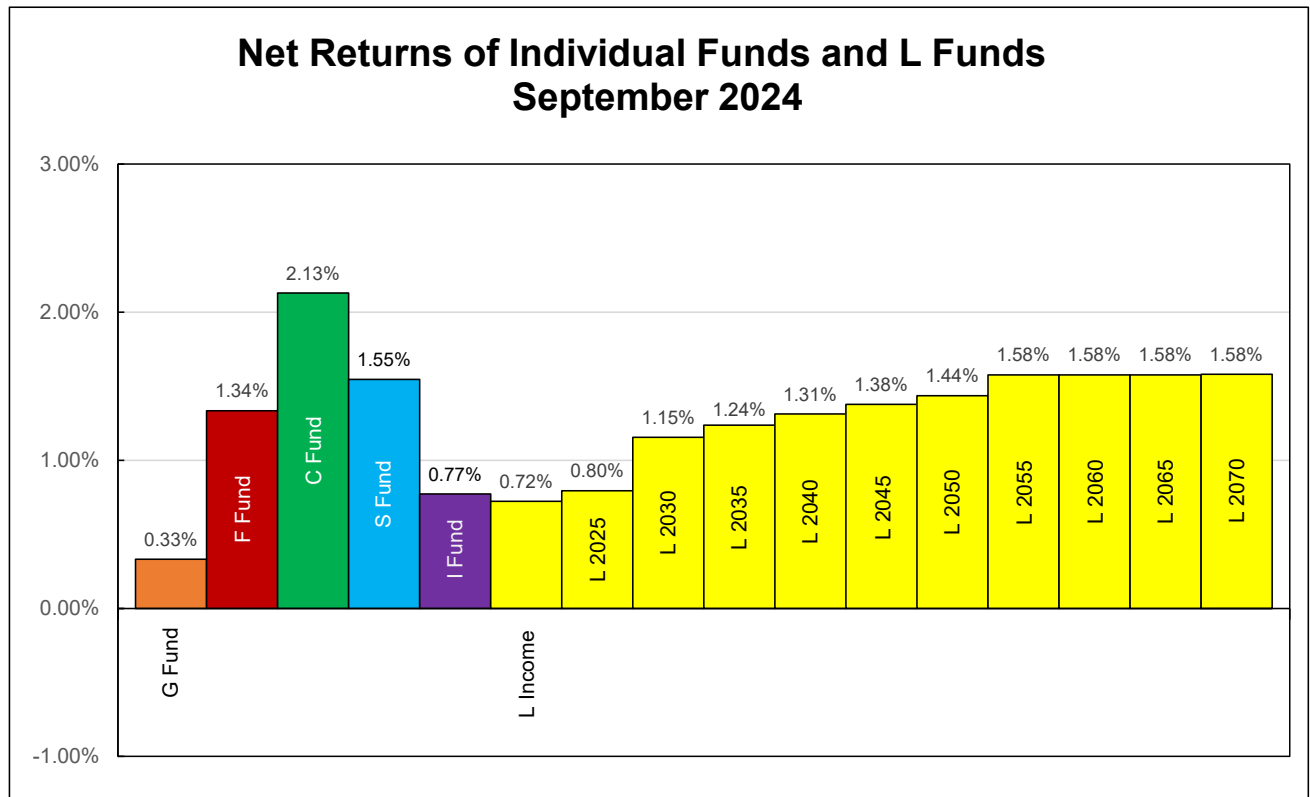
	Inception Date	1-Year	3-Year	5-Year	10-Year
L Income Fund	August 1, 2005	11.46%	4.94%	5.15%	4.44%
L 2025 Fund	July 1, 2020	13.63%	4.95%	N/A	N/A
L 2030 Fund	August 1, 2005	20.72%	6.55%	8.88%	7.60%
L 2035 Fund	July 1, 2020	22.39%	6.75%	N/A	N/A
L 2040 Fund	August 1, 2005	24.03%	6.97%	9.98%	8.47%
L 2045 Fund	July 1, 2020	25.45%	7.11%	N/A	N/A
L 2050 Fund	January 31, 2011	26.84%	7.30%	10.91%	9.18%
L 2055 Fund	July 1, 2020	31.21%	8.28%	N/A	N/A
L 2060 Fund	July 1, 2020	31.21%	8.28%	N/A	N/A
L 2065 Fund	July 1, 2020	31.22%	8.28%	N/A	N/A
L 2070 Fund	July 26, 2024	N/A	N/A	N/A	N/A

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.

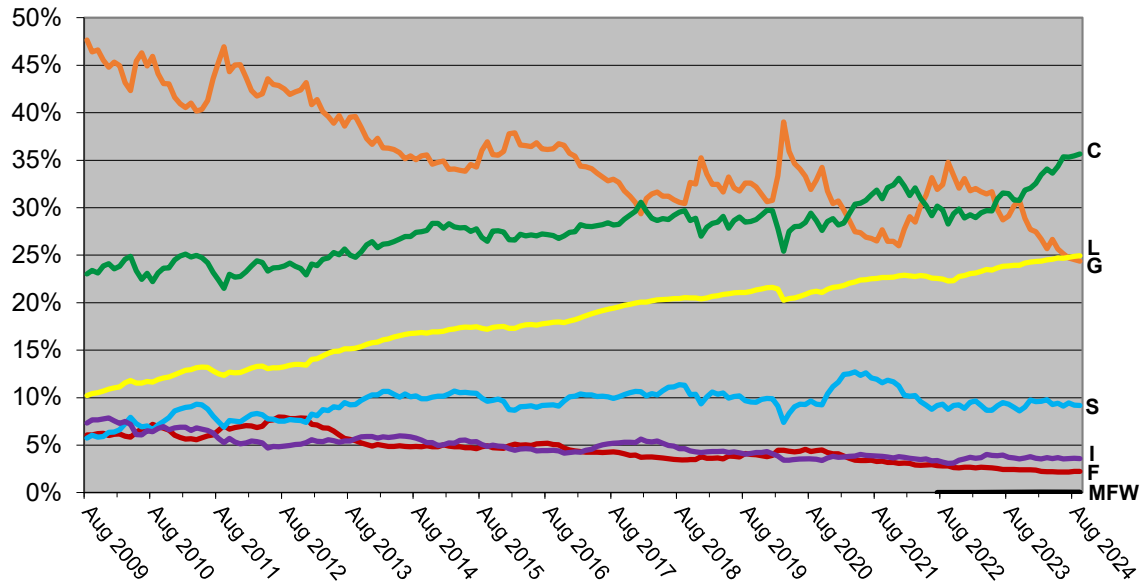


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History as of September 30, 2024

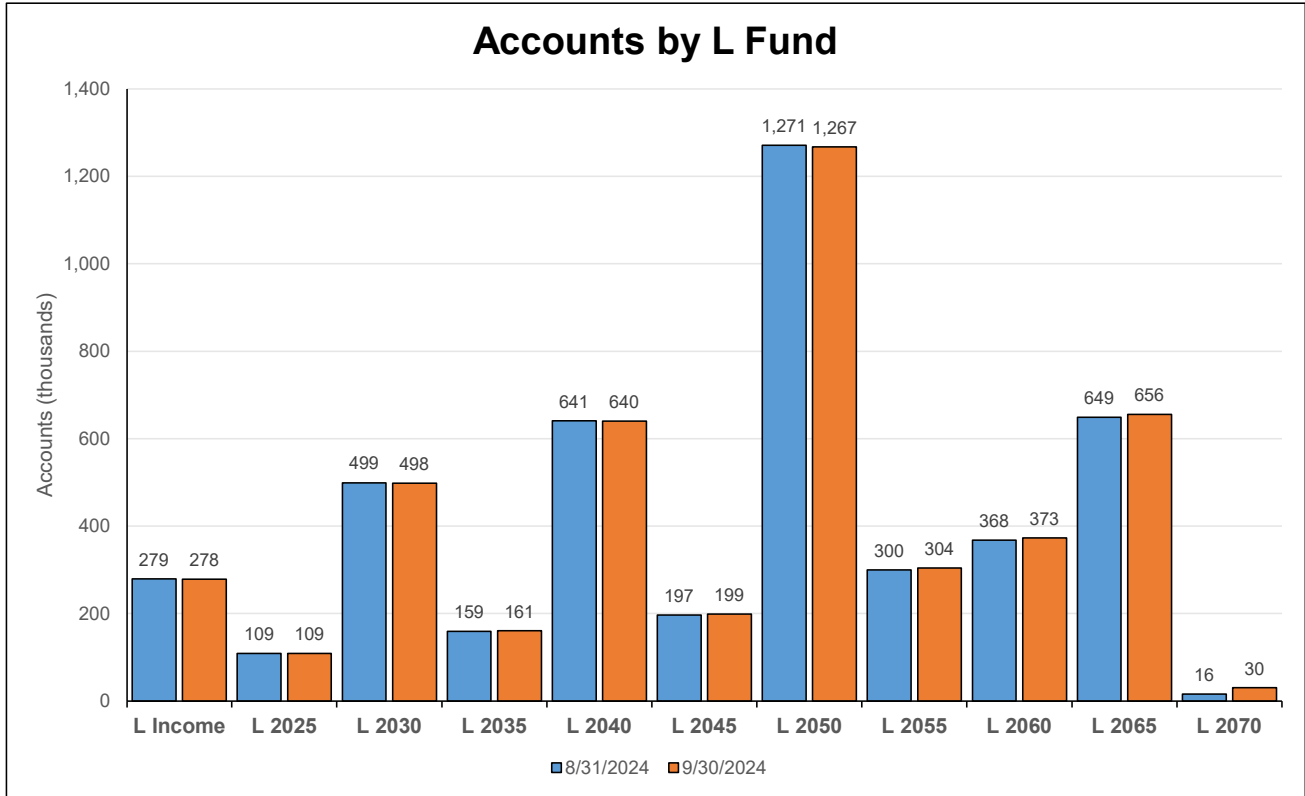
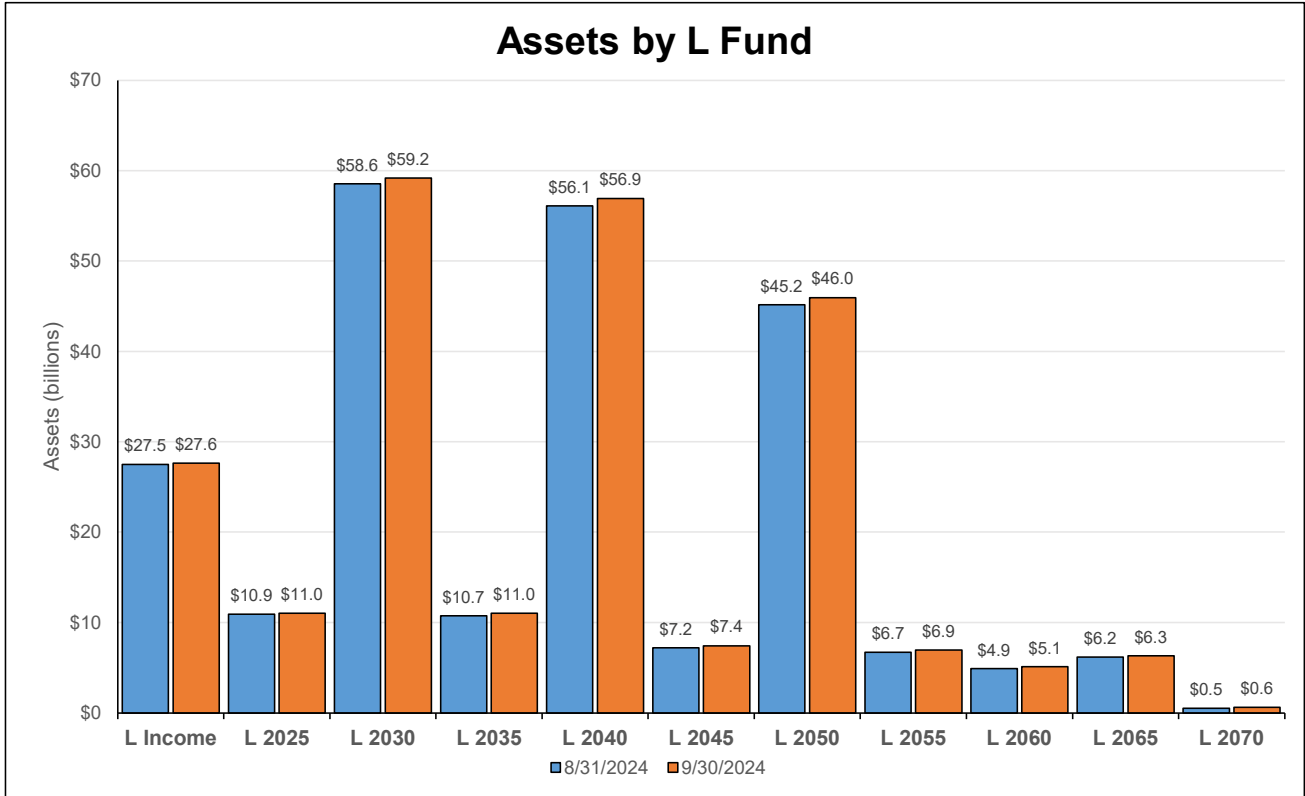


Asset Allocation as of September 30, 2024

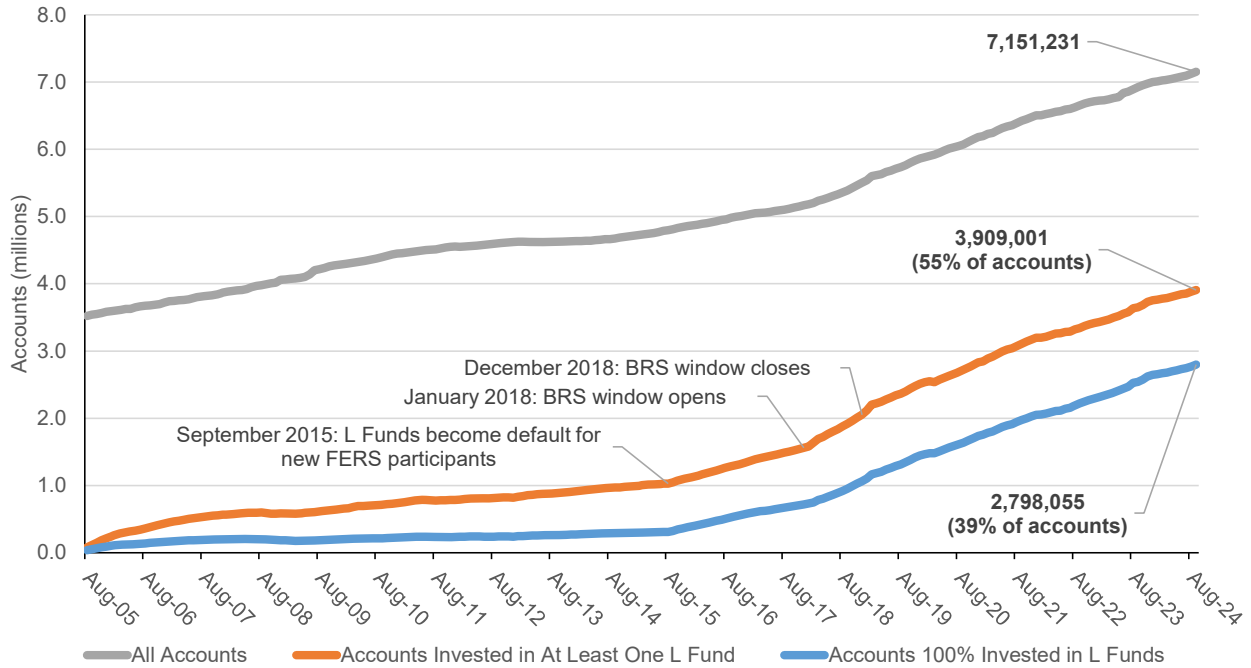
	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets</u> (Billions)	<u>Share of</u> Total	<u>Assets</u> (Billions)	<u>Share of</u> Total
G Fund	\$232.5	24.4%	\$300.0	31.4%
F Fund	\$21.3	2.2%	\$35.5	3.7%
C Fund	\$340.4	35.7%	\$421.7	44.2%
S Fund	\$87.4	9.2%	\$108.1	11.3%
I Fund	\$34.1	3.6%	\$88.5	9.3%
L Funds	\$238.1	24.9%	n/a	n/a
<u>MFW</u>	<u>\$0.5</u>	<u>0.0%</u>	<u>\$0.5</u>	<u>0.0%</u>
Total	\$954.3	100.0%	\$954.3	100.0%

*Components may not sum to totals due to rounding.

Lifecycle (L) Funds

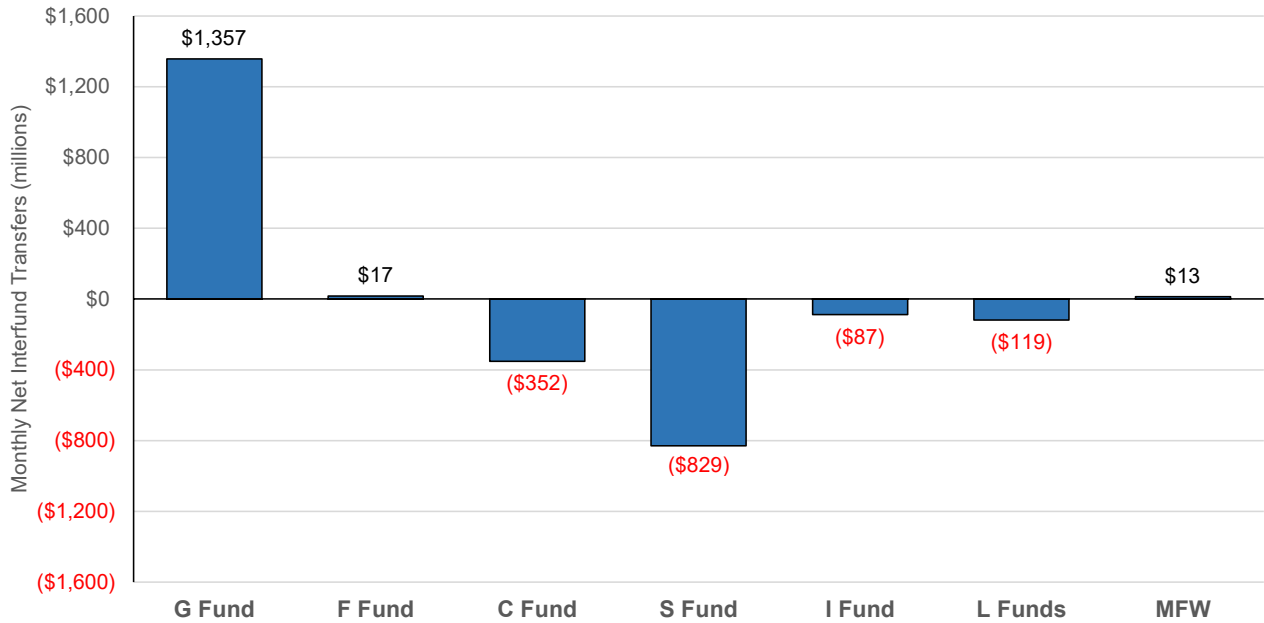


Participation History of the L Funds as of September 30, 2024



Interfund Transfer Activity

Monthly Net Interfund Transfers September 2024



*Values may not sum to zero due to rounding.

PROXY VOTING – SECOND QUARTER 2024

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

CLASS ACTION SETTLEMENTS – SECOND QUARTER 2024

BlackRock began the first quarter with 92 open claims. During the quarter, 18 claims were opened: three claims in the C Fund and 15 claims in the S Fund. Sixteen claims were closed during the quarter. Three claims in the C Fund were settled for \$67,704, and six claims in the S Fund were settled for \$2,614,518. Two claims in the C Fund and five claims in the S Fund were closed due to administrator action. Residual payments from four previously closed claims in the C Fund and five previously closed claims in the S Fund yielded \$114,922. Total proceeds for the quarter were \$2,797,143. Ninety-four 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 YTD</u>
F Fund	5	-	-	5	\$16,338
C Fund	25	3	5	23	\$1,856,486
S Fund	60	15	11	64	\$4,988,705
I Fund	2	-	-	2	\$11,866
Total	92	18	16	94	\$6,873,396

State Street began the first quarter with 12 open claims. During the quarter, 16 claims were opened: two in the C Fund and 14 in the S Fund. No claims were closed during the quarter, and 28 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 YTD</u>
F Fund	-	-	-	-	\$0
C Fund	1	2	-	3	\$0
S Fund	11	14	-	25	\$8,611
I Fund	-	-	-	-	\$0
Total	12	16	-	28	\$8,611

ATTACHMENTS

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

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



July 26, 2024

Ms. Michelle Edkins
Managing Director
Corporate Governance & Responsible Investment
BlackRock
50 Hudson Yards
New York, NY 10001

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 2nd 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.issgov.com)

MEMORANDUM

The results of our review of BlackRock's 2nd quarter proxy voting for US meetings are as follows:

- Votes at 294 meetings were examined.
- Votes at 159 of the 294 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 135 remaining meetings, there were 197 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	76
Non-executive stock plan	2
Employee share purchase plan	9
Approve stock option plan grants	1
Approve issuance of restricted stock	7
Advisory vote on golden parachute compensation	2
Frequency vote on MSOP	22
Reverse stock split	8
Increase authorized common stock	7
Approve issuance of common shares upon conversion of convertible notes	1
Issue shares below net asset value	1
Issue shares for private placement	2
Approve issuance of common stock upon exercise of warrants	1
Approve warrant repricing	1
Approve merger agreement	2
Issue shares in connection with merger	1
Approve exchange of debt for equity	1
Adjourn meeting	8
Declassify board of directors	4
Increase board size	1
Establish range for board size	1
Adopt majority voting for uncontested election of directors	1
Amend certificate of incorporation	1
Amend certificate of incorporation to limit liability of certain officers	4
Amend certificate of incorporation to provide for exculpation of certain officers	15
Permit board to amend bylaws without shareholder consent	1

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Amend articles	2
Other business	3
Shareholder proposal	12
Total:	197

- There were 76 votes cast on executive stock plans:
 - a) 68 votes were cast in favor of the plans (89.5 percent);
 - b) 8 votes were cast against the plans (10.5 percent);
 - i) 5 plans were opposed due to the presence of an evergreen provision;
 - ii) 1 plan was opposed due to the ability to reprice options without prior shareholder approval;
 - iii) 2 plans were opposed due to the presence of an evergreen provision and the ability to reprice options without prior to shareholder approval.
- There were 2 votes cast on non-executive stock plans; the votes were cast in favor of the plans.
- There were 7 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 12 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to require independent board chairman; the vote was cast against the proposal.
 - b) 1 shareholder proposal to provide right to act by written consent; the vote was cast against the proposal.
 - c) 1 shareholder proposal to reduce ownership threshold to call special meeting; the vote was cast against the proposal.
 - d) 3 shareholder proposals to adopt simple majority vote:
 - i) 2 votes were cast in favor of the proposals (66.7 percent);
 - ii) 1 vote was cast against the proposals (33.3 percent).
 - e) 1 shareholder proposal to adopt majority vote cast to remove directors with or without cause; the vote was cast against the proposal.
 - f) 3 shareholder proposals to report on political contributions; the votes were cast against the proposals.

- g) 1 shareholder proposal to report on overseeing risks related to discrimination including religious/political views; the vote was cast against the proposal.
 - h) 1 shareholder proposal to amend clawback policy; the vote was cast against the proposal.
- There were 225 votes cast on management advisory votes on executive compensation:
 - a) 222 votes were cast in favor of the advisory votes (98.7 percent);
 - b) 3 votes were cast against the advisory votes (1.3 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.



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October 3, 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 Q2 2024 audit of SSgA vote recommendations. We examined 50 US and International meetings, containing a total of 587 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,

Adam Lee

Adam Lee
Associate Director, Custom Research