



## MINUTES OF THE MEETING OF THE BOARD MEMBERS

September 24, 2024

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on September 24, 2024, at 10:00 a.m., Eastern Daylight Time. The meeting was held at the Board's offices at 77 K Street, NE and was open to the public via teleconference. In attendance were Dana K. Bilyeu of Oregon, member (by telephone); Leona M. Bridges of California, member; Stacie Olivares of California, member; Ravindra Deo, Executive Director; Dharmesh Vashee, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer and Deputy Executive Director; Kimberly A. Weaver, Director, Office of External Affairs; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Participant Experience; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Information Officer; Thomas Brandt, Chief Risk Officer; and Trevor Williams, Chief Financial Officer.

### Welcome and Introductions.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:00 a.m. and welcomed everyone present to the meeting.

#### 1. Approval of the Minutes of the August 27, 2024, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the August 27, 2024 Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on August 27, 2024 be approved.

Mr. Deo then gave opening remarks and provided a brief summary of the agenda.

#### 2. Investment Manager Annual Service Review – State Street Global Advisors.

Mr. McCaffrey welcomed State Street Global Advisors (SSGA) associates and provided a brief overview of SSGA's role as one of the asset managers of the Thrift Savings Plan (TSP). He introduced Rocky Granahan, lead relationship manager, and Yie-Hsin Hung, President and Chief Executive Officer of SSGA, and her SSGA colleagues. Ms. Hung explained that SSGA's business is about the people, the culture, and the values that SSGA brings to all of its relationships. She provided an overview of SSGA's approach of focusing on collaboration across the firm to ensure they deliver the best services. She stated that, over the past year, SSGA has invested in the index,

retirement, and fixed income areas. Their capabilities in these areas continue to expand and grow with greater interest and growth in the fixed income area.

Ms. Hung introduced Lori Heinel, Global Chief Investment Officer, and other members of their Senior Leadership Team. Ms. Heinel stated that she would focus on the “global backdrop,” and her colleagues would discuss the specific performance within the portfolio. See “Investment Manager Annual Service Review (State Street Global Advisors)” (attached). Ms. Heinel reported that SSGA was monitoring US growth, as well as performance of the labor markets.

Ms. Heinel commented on the recent interest rate cut, which was forecast by SSGA’s chief economist, Simona Mocuta, and stated that it was larger than anticipated. But she explained that SSGA interpreted the cut as a positive signal from the Fed that they were looking more broadly at labor markets, and not focused solely on inflationary pressures. She noted the possibility of additional rate cuts between now and the end of the year. Speaking about global inflationary pressures, Ms. Heinel suggested that although such issues will arise periodically, the massive inflation shock from the pandemic era is largely behind us, and we can now move to more normalized policy rates.

Ms. Heinel reported that although policy making is moving from restrictive to more easing, there has been a relative lack of volatility. She noted that a few episodes of volatility, such as the dramatic drawdown in equity markets and other risk assets in August, were followed by a quick rebound. She also spoke about the potential impact of geopolitical conflicts on market volatility.

Ms. Heinel provided an overview of SSGA’s broad macro portfolio positioning and the need for a balanced portfolio. She noted the value and stability of fixed income, while emphasizing the continued importance of equities. After discussing debt, deficits, and their impacts going forward, she then returned to the discussion of equities and focused on the areas of growth she expects over the next year, both in the U.S. and abroad. She also spoke about the likelihood that, as rates stabilize, we will enter a period of normalizing the value of the dollar. This would result in a recalibration to address an overvaluation of the dollar by about 20 percent relative to other global currencies.

Ms. Heinel concluded by stating that she does believe the Fed’s actions are steering us towards a soft landing, with a focus on retaining economic momentum. Still, SSGA will continue to monitor labor markets and inflationary pressures. In response to a question from Member Olivares, Ms. Heinel explained that globally SSGA has been negative on non-US sovereign debt.

Ms. Granahan then introduced Karl Schneider, Portfolio Manager for the C and S Funds. Mr. Schneider began by reporting that SSGA manages approximately 83 billion dollars in assets across the TSP Funds. He reported that there is no tracking difference on the C Fund. Across all time periods, the C Fund has tightly tracked an index portfolio

that replicates the S&P 500. Mr. Schneider reported that for the second quarter, the I Fund is up 28 basis points due to a combination of a fair value pricing event and tax withholding advantage over the course of the quarter. He reported that the S Fund is up three basis points for the quarter and is up four basis points year-to-date. Mr. Schneider then provided a high-level summary of the main drivers of the tracking for the quarter and the year-to-date period.

Mr. Schneider introduced Mark DiCosimo, Portfolio Manager on the Fixed Income Indexing Team. Mr. DiCosimo oversees the U.S. aggregate and securitized products. He reported that the F Fund is tracking well against the U.S. Aggregate Index. He discussed the impact of external factors on market performance and closed by noting although U.S. aggregate year-to-date performance was slightly negative, he expected a different outcome in the next quarter.

Mr. DiCosimo then introduced Axel Hester who oversees securities lending. Mr. Hester reported that SSGA continues to manage the TSP securities lending program with a balanced risk return perspective. SSGA continues to be one of the largest, most experienced lending agents in the world with over five trillion dollars of lendable assets and over 500 employees dedicated to securities lending. Mr. Hester then provided a high-level overview of the SSGA securities lending program, staffing, and performance.

Mr. Hester introduced Brian Murtagh, head of SSGA's defined contribution (DC) business. Mr. Murtagh provided an overview of the trends they are seeing across their client base, which is approaching one trillion dollars in assets. He discussed behavioral economics and its influence on the adoption of features such as automatic enrollment, as well as plan and investment design. Mr. Murtagh also provided an overview of target date funds and discussed the importance of their need to continue to evolve. Target date funds are now being offered by nearly 90 percent of DC plans, used by over 80 percent of all participants, and capture over 60 percent of all contributions in DC plans. Glidepaths have continued to evolve to include new asset classes and more diversification as markets have evolved.

Mr. Murtagh discussed the longer-term shifts in participant demographics and their effect on the structure of retirement benefits. Individuals are living longer in retirement, while the percentage of retirees with a pension has dropped. He noted that today, about 16 percent of participants have access to a pension, but by 2030, only about five percent of 65-year-olds will retire with a pension. He also discussed the part-time worker provisions of the SECURE Acts, and their potential impact on Social Security benefits. He noted that one in three retirees who took a lump sum from their DC plan depleted those savings within just five years. He stated that individuals tend to underestimate their longevity and explained that target date funds have addressed many of the investment challenges facing DC participants, such as asset allocation and rebalancing, as they seek to address longevity risk.

Mr. Murtagh noted that the TSP has had a long-standing annuity program, but more plan sponsors are considering retirement income as the next generation of retirement plan investments. He reported that SSGA has been managing a retirement income solution through a custom framework and has a next generation target date fund that gives participants entering retirement the option to use their accumulated savings to generate a stream of income for life. Mr. Murtagh then walked through SSGA's approach to participant engagement and their plans for communication and education and concluded by touching on the impact of retirement legislation in driving policy changes.

In response to questions from Chair Gerber, Mr. Murtagh stated that annuities and insurance-based products have a strong role in addressing longevity risk for individuals. He explained that within SSGA's commingled solution, they will be using their independent fiduciary team to facilitate the insurance company and annuity selection process, which are the result of an open bidding process. Mr. Murtagh also responded that there is no load or commission, which gives participants access to institutional annuities without the load that they would get in the retail market.

In response to a question from Mr. Deo about Federal Reserve rates, Ms. Heinel forecasted that the Fed will lower interest rates another 50 basis points by December 31. In response to a question from Mr. Deo about longevity, Mr. Murtagh stated that SSGA breaks the retirement period into two phases – an early retirement period in which a participant can draw down roughly three-quarters of their assets over a 15-year period, and a late-life period in which they focus the power and cost of the annuity to protect against longevity risk.

In response to a question from Member Olivares, Ms. Hung stated that she is optimistic about SSGA's global growth over the next five years. She indicated that fixed income is an area in which they can continue to invest. She stated that they have the benefit of size and scale due to their trade volume, which allows them to deliver cost-effective solutions for clients.

### 3. Monthly Reports.

#### a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Participant Activity Report September 2024" (attached). He reported that in the first eight months of 2024, TSP participants put about 175 million dollars towards annuities, which is almost equal to the total purchased last year. He noted that private sector plans are also seeing more annuity purchases. He also reported that in the past eight months, the training team, which teaches in-person and online classes about the TSP, has conducted more than 300 sessions, reaching more than 58,000 attendees, and participants can sign up for live webinars and find links to pre-recorded sessions at [TSP.gov/webinars](https://www.tsp.gov/webinars). Finally, he noted that a public service announcement for the new L

2070 Fund was shown on American Forces Network platforms nearly 3000 times in August.

In response to questions from Chair Gerber, Mr. Courtney explained that to purchase an annuity through TSP, participants can call the ThriftLine or go online to My Account. There is no fee or commission, and this is clear on the TSP website and in the TSP materials.

In response to a question from Member Olivares, Mr. Courtney stated that participants are more interested in annuities as annuity interest rates go up, but broadly speaking, not many TSP participants purchase annuities. This may be because TSP participants already have inflation-adjusted guaranteed income. The TSP annual statement shows the retirement balance as monthly income, and participants may elect to receive monthly installments. TSP makes it easy for participants to draw down their TSP and treat it like a stream of income without having to buy an annuity. Ms. Weaver added that participants can also elect a lifetime expectancy payment, and the TSP will adjust it for them each year with the gains and losses in the market. This addresses the longevity risk as well as the market performance.

In response to a follow-up question from Chair Gerber, Mr. Courtney explained that although the TSP offers these annuity-like features, some participants may still elect an annuity to secure joint payments with someone other than a spouse. Mr. Courtney and Mr. Deo emphasized that seven million participants will inevitably have diverse needs and wants.

#### b. Investment Report

Mr. McCaffrey reviewed the monthly investment performance report. See “August 2024 Investment Program Review” (attached). For the month of August, he reported that both BlackRock’s and State Street’s performance for the F, C, and S Funds was in line with the Funds’ respective indices. BlackRock’s and State Street’s I Fund performance exceeded the applicable International Index’s return by 16 and 26 basis points, respectively, both primarily due to fair value pricing.

Mr. McCaffrey reported that early in the month of August, a weaker-than-expected jobs growth report sparked fears of a recession, contributing to a sell-off in stocks. In subsequent weeks, however, investors drew optimism from reports showing cooling inflation. Federal Reserve Chair Powell acknowledged this trend, noting the central bank’s readiness to reduce its target for short-term interest rates. Longer-term interest rates fell in August, helping the F Fund to a gain. The C, S, and I Funds all posted positive returns, with the I Fund’s rise aided by a weaker U.S. dollar. All L Funds finished higher.

BlackRock’s year-to-date performance for the F Fund was ahead of the Fixed Income Index’s return by nine basis points, primarily due to pricing differences 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 nine basis points, primarily due to securities lending. BlackRock's I Fund performance exceeded its applicable International Index's return by 44 basis points, primarily due to tax advantage.

State Street's year-to-date performance for the F Fund was ahead of the Fixed Income Index's return by 10 basis points, primarily due to year-end pricing differences. 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 eight basis points, primarily due to securities lending. The I Fund's performance exceeded the applicable International Index's return by 33 basis points, primarily due to tax advantage.

Mr. McCaffrey reported that TSP Fund performance is ahead so far in September. As of market close on September 23, the C Fund has gained 1.33 percent; the S Fund is ahead 1.16 percent; the I Fund is down 0.38 percent; the F Fund has a gain of 1.53 percent; and the G Fund is ahead by 0.25 percent. All the L Funds have increased. Regarding participation history of the L Funds, Mr. McCaffrey reported that participation increased by approximately 27,000 in August, helped by automatic enrollment of new participants. He noted that the L 2060, L 2065, and L 2070 Funds saw the largest increases, mostly due to new uniformed services participants.

Net interfund transfers for the month of August remained relatively low, with movement primarily from the stock funds into the G and F Funds. On a percentage basis, 2.1 percent of participants moved assets between Funds, which is just slightly above the long run median of 2.0 percent.

#### c. Legislative Report

Ms. Weaver provided the legislative update. She began by reporting that, tomorrow, September 25, 2024, the House of Representatives will almost certainly vote on a short-term continuing resolution through December 20, 2024, under suspension of the rules, and the Senate will pass it. She also reported that Congress will adjourn until after the election, when they will return to a full agenda. Finally, she reported that on January 1, 2025, the debt ceiling becomes an issue again, and prognosticators believe that the extraordinary measures that involve the G Fund will give Congress until the summer to work out a debt limit deal.

#### 4. Quarterly Vendor Risk Management Report.

Mr. Brandt reviewed the Quarterly Vendor Risk Management Report. See "Quarterly Vendor Risk Assessment – 2nd Quarter Calendar Year (CY) 2024" (attached). Mr. Brandt stated that having analyzed various sources of data and evaluated metrics to assess solvency, liquidity, and profitability for five critical vendors, all vendors are able to fulfill their contractual obligations to the Agency. The Quarterly Vendor Risk Assessment memorandum to the Board members and the Executive

Director provides more detail on the results of the analysis for the second quarter of CY 2024.

5. Participant Satisfaction Survey.

Mr. Brandt presented the results of the Annual Participant Satisfaction Survey. See “2024 FRTIB Participant Satisfaction Survey” (attached). The survey is intended to gauge participants’ overall satisfaction with the TSP. The survey was sent to a representative sample of TSP participants between March and May of 2024. This year, the survey oversampled the Blended Retirement System (BRS) participants, which increased the BRS response rate.

In response to a question from Chair Gerber about the participation rate, Mr. Brandt responded that a range of factors contribute to BRS participants’ low response rates, including their mobility, possible deployment, and overall engagement with the TSP.

Mr. Brandt reported that overall satisfaction with the TSP increased this year. He highlighted a statistically significant increase in participants who were “extremely satisfied” with the plan and identified a correlation between overall consumer confidence and levels of satisfaction with the TSP. He stated that strong market performance may have also contributed to the increase in participant satisfaction.

Satisfaction has trended up for participants in all retirement systems, although BRS participants are the least satisfied. He discussed the differences in the BRS population from the Federal Employees’ Retirement System (FERS) population and noted that while 80 percent of the BRS participants are separated by age 36, that is also the median age at which FERS participants are coming into the plan. He added that a new 36-year-old FERS hire has a 60 percent chance of still being employed by the government at age 60. He stressed that demographics and other indicators are important to understanding the differences between the satisfaction levels of these populations. Mr. Brandt reported that there were increases in BRS satisfaction levels from the prior year. For this population, flexibility of withdrawal options had the highest increase in satisfaction. For TSP participants overall, account security and annual statements remain among the highest-rated aspects of the TSP.

Mr. Brandt stated that the annual statements and general plan information on TSP.gov and in MyAccount continue to be among the most used and most useful communication channels. He also reported that satisfaction with the ThriftLine and the ability to speak to a live representative significantly increased from 79 percent in 2023 to 87 percent in 2024. Regarding the ThriftLine, Mr. Brandt reported that eight in ten callers were satisfied with the availability of representatives; satisfaction remained steady or trended up since 2023. The survey results also showed that participants are very satisfied with the annual account statement, particularly with the lifetime retirement income estimate. That information was viewed as very helpful by 86 percent of participants who responded in 2024 versus 80 percent in 2023.

Mr. Brandt shared feedback received from participants with regard to potential features and offerings. Participants indicated that they are most likely to use auto-escalation and least likely to use a robo-advisor or AI tool.

In concluding, Mr. Brandt provided that overall satisfaction increased from 82 percent to 84 percent, and the surveys continue to show a correlation between satisfaction and consumer confidence. Finally, he noted that the top drivers for overall satisfaction this year were the timeliness of taking out a loan, the annual account statements, and the timeliness of rollovers and transfers out of the TSP.

In response to a question from Member Bilyeu, Mr. Brandt explained that participant satisfaction data is a critical input that the Agency uses in leadership discussions, when developing its strategic plan, when discussing improvements to the TSP, and when preparing its annual Operational Plan. Ms. Tosini added that participant satisfaction data may contribute to changing or expanding TSP offerings. She specifically cited the development of a mobile app and a push for legislation allowing additional withdrawals as examples of improvements stemming from the participant satisfaction survey results.

In response to a question from Member Olivares, Mr. Courtney noted that participants are very satisfied with the timeliness of transfers out. He noted that data related to participants who have used these features show satisfaction rates at or near 90 percent. In response to a follow-up question from Member Olivares, Mr. Courtney explained that participants are notified that a transfer may take up to 30 days and can call the ThrifLine for a status update. He noted that a tracker similar to the online loan tracker may be available in the future.

6. Semi-Annual Financial Statement Review.

Mr. Williams introduced Cassie Crist, a partner at Sikich, to present the report on the June 30, 2024, six-month review of the Agency's financial statements. See "Sikich Semi-Annual Review" (attached). Ms. Crist stated that Sikich did not identify any material modifications needed for the financial statements prepared by Agency management to be in conformity with generally accepted accounting principles. Sikich's review did not express an opinion on the Agency's internal controls.

7. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 11:55 a.m. to enter into executive session.

At 1:43 p.m., upon completion of the executive session, the members reconvened the open portion of the meeting.



Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chair Gerber adjourned the meeting at 1:44 p.m.

MOTION: That this meeting be adjourned.

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Dharmesh Vashee  
General Counsel and Secretary

#### Attachments

1. Investment Manager Annual Service Review (State Street Global Advisors)
2. Participant Activity Report September 2024
3. August 2024 Investment Program Review
4. Quarterly Vendor Risk Assessment – 2nd Quarter Calendar Year (CY) 2024
5. 2024 FRTIB Participant Satisfaction Survey
6. Sikich Semi-Annual Review