



MEMORANDUM FOR BOARD MEMBERS

GERBER, BILYEU, BRIDGES,
AND OLIVARES

FROM: Sean McCaffrey, Chief Investment Officer

DATE: January 28, 2025

SUBJECT: December 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 2024 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 2024 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	-1.64%	-2.38%	-7.03%	-2.36%
	BlackRock	-1.70%	-2.39%	-7.04%	-2.89%
	State Street	-1.71%	-2.39%	-7.04%	-2.56%
	TSP Fund (Net)	-1.71%	-2.39%	-7.05%	-2.83%
Benchmark Difference	BlackRock	-0.07%	-0.01%	-0.01%	-0.53%
	State Street	-0.08%	0.00%	-0.01%	-0.20%
	TSP Fund	-0.07%	-0.01%	-0.01%	-0.47%

BlackRock’s performance for the F Fund lagged the Fixed Income Index’s return by 7 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 November 2024. 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 lagged the International Index by 53 basis points, primarily due to fair value pricing.

State Street’s performance for the F Fund lagged the Fixed Income Index’s return by 8 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 November 2024. 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’s performance lagged the International Index by 20 basis points, primarily due to fair value pricing.

2024 Annual 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	1.25%	25.02%	16.88%
	BlackRock	1.36%	25.00%	16.98%
	State Street	1.38%	25.01%	16.94%
	TSP Fund (Net)	1.33%	24.96%	16.93%
Benchmark Difference	BlackRock	0.11%	-0.02%	0.09%
	State Street	0.13%	-0.01%	0.06%
	TSP Fund	0.08%	-0.06%	0.05%

For 2024, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 11 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 9 basis points, primarily due to securities lending.

For 2024, State Street's performance for the F Fund was ahead of the Fixed Income Index's return by 13 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 6 basis points, primarily due to securities lending.

During October 2024, the I Fund completed the process of changing its benchmark from the MSCI EAFE Index to the MSCI ACWI IMI ex USA ex China ex Hong Kong Index. To implement this change, BlackRock and State Street independently coordinated with MSCI to develop transitional benchmarks. The following table shows the 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	4.50%	4.03%
Manager's Return	4.33%	4.19%
Benchmark Difference	-0.16%	0.16%
I Fund Return (net)		4.27%
MSCI EAFE Index		3.82%
MSCI ACWI IMI ex USA ex China ex Hong Kong Index		4.34%

BlackRock's performance for the I Fund lagged its applicable International Index's return by 16 basis points, primarily due to securities sampling and fair value pricing.

State Street's performance for the I Fund exceeded its applicable International Index's return by 16 basis points, primarily due to tax advantage.

TSP Net Returns as of December 31, 2024

	1-Year	3-Year	5-Year	10-Year
G Fund	4.40%	3.87%	2.78%	2.52%

	1-Year	3-Year	5-Year	10-Year
F Fund	1.33%	-2.30%	-0.24%	1.49%
Bloomberg US Agg Bond Index	1.25%	-2.41%	-0.33%	1.35%
Benchmark Difference	0.08%	0.11%	0.08%	0.14%

	1-Year	3-Year	5-Year	10-Year
C Fund	24.96%	8.90%	14.48%	13.09%
S&P 500 Index	25.02%	8.94%	14.53%	13.10%
Benchmark Difference	-0.06%	-0.04%	-0.05%	-0.02%

	1-Year	3-Year	5-Year	10-Year
S Fund	16.93%	2.61%	9.88%	9.52%
Dow Jones US Completion TSM Index	16.88%	2.38%	9.76%	9.30%
Benchmark Difference	0.05%	0.23%	0.12%	0.22%

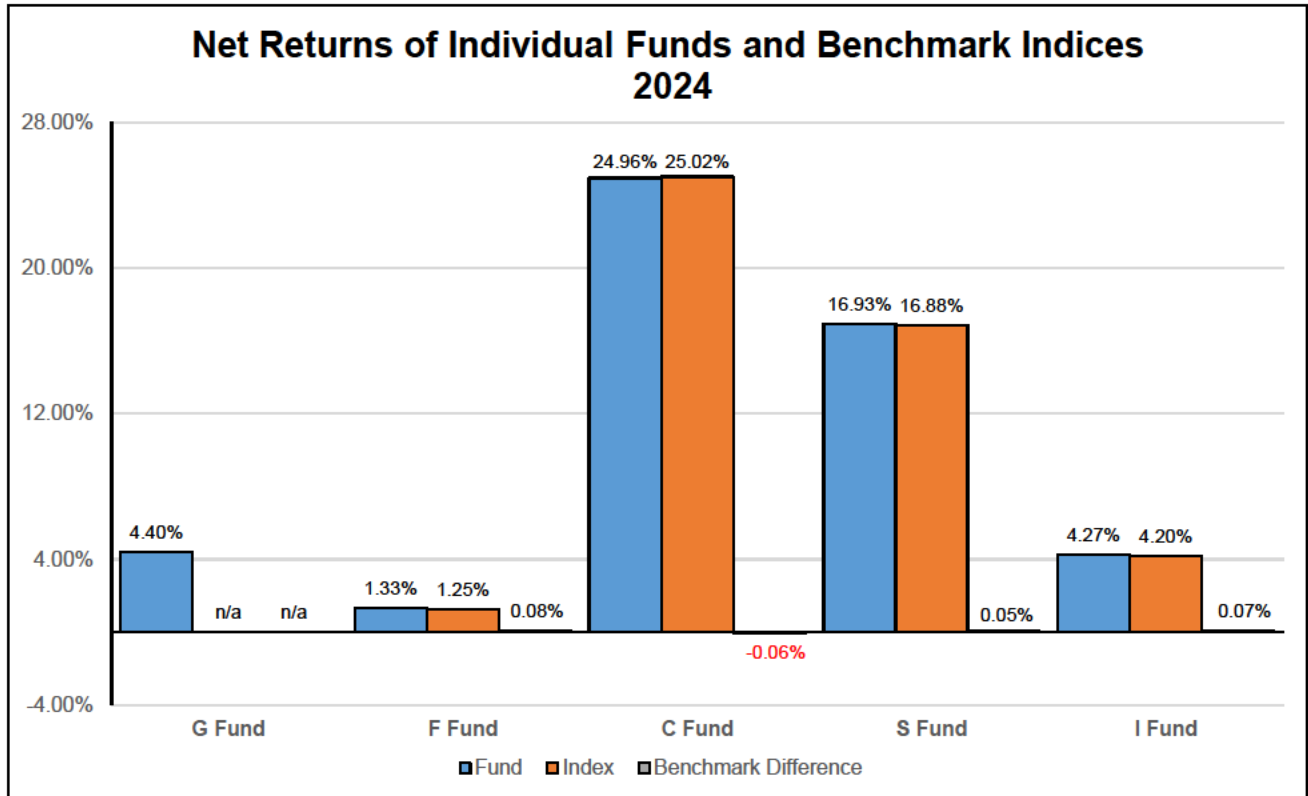
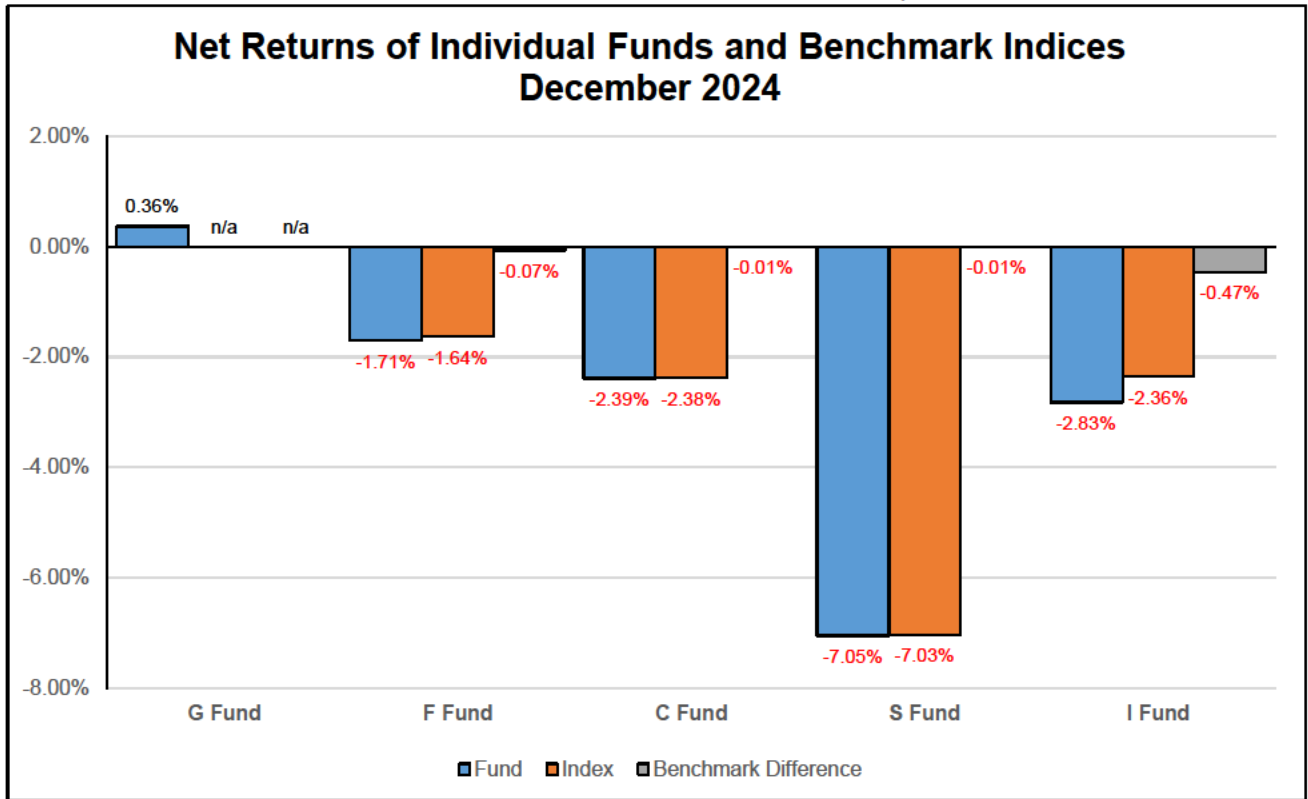
	1-Year	3-Year	5-Year	10-Year
I Fund	4.27%	2.03%	5.07%	5.63%
International Index*	4.20%	1.77%	4.80%	5.24%
Benchmark Difference	0.07%	0.26%	0.27%	0.40%

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

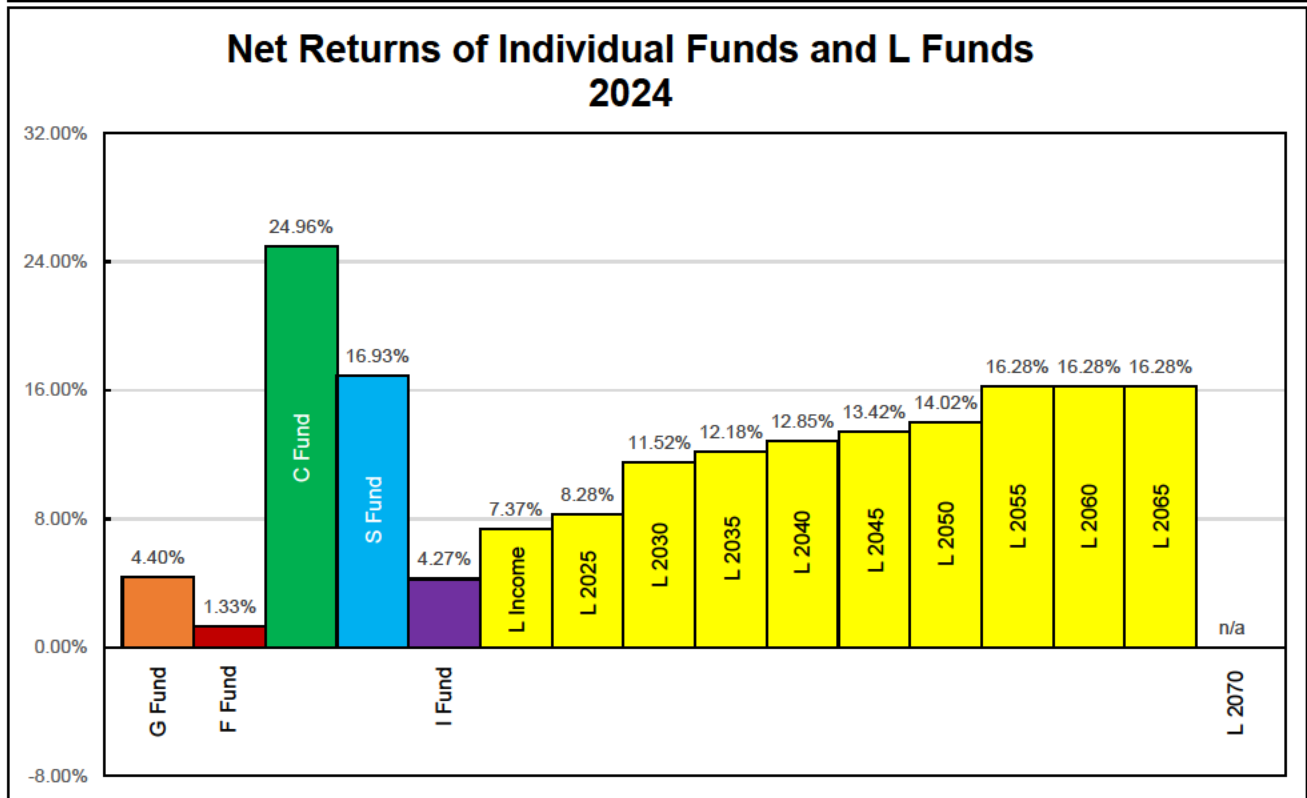
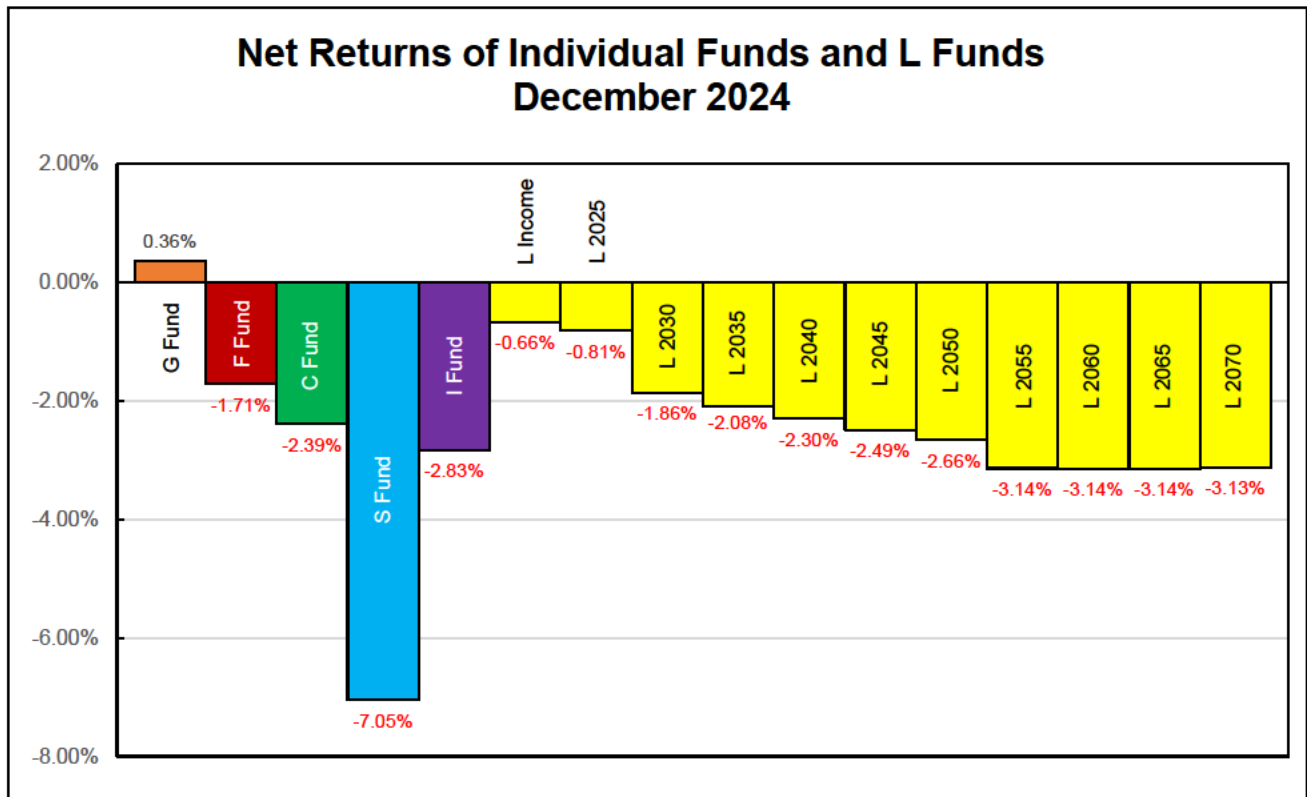
	Inception Date	1-Year	3-Year	5-Year	10-Year
L Income Fund	August 1, 2005	7.37%	4.42%	4.77%	4.36%
L 2025 Fund	July 1, 2020	8.28%	3.96%	N/A	N/A
L 2030 Fund	August 1, 2005	11.52%	5.00%	7.68%	7.36%
L 2035 Fund	July 1, 2020	12.18%	5.03%	N/A	N/A
L 2040 Fund	August 1, 2005	12.85%	5.08%	8.50%	8.16%
L 2045 Fund	July 1, 2020	13.42%	5.09%	N/A	N/A
L 2050 Fund	January 31, 2011	14.02%	5.14%	9.19%	8.84%
L 2055 Fund	July 1, 2020	16.28%	5.72%	N/A	N/A
L 2060 Fund	July 1, 2020	16.28%	5.71%	N/A	N/A
L 2065 Fund	July 1, 2020	16.28%	5.71%	N/A	N/A
L 2070 Fund	July 26, 2024	N/A	N/A	N/A	N/A

Performance of TSP Funds

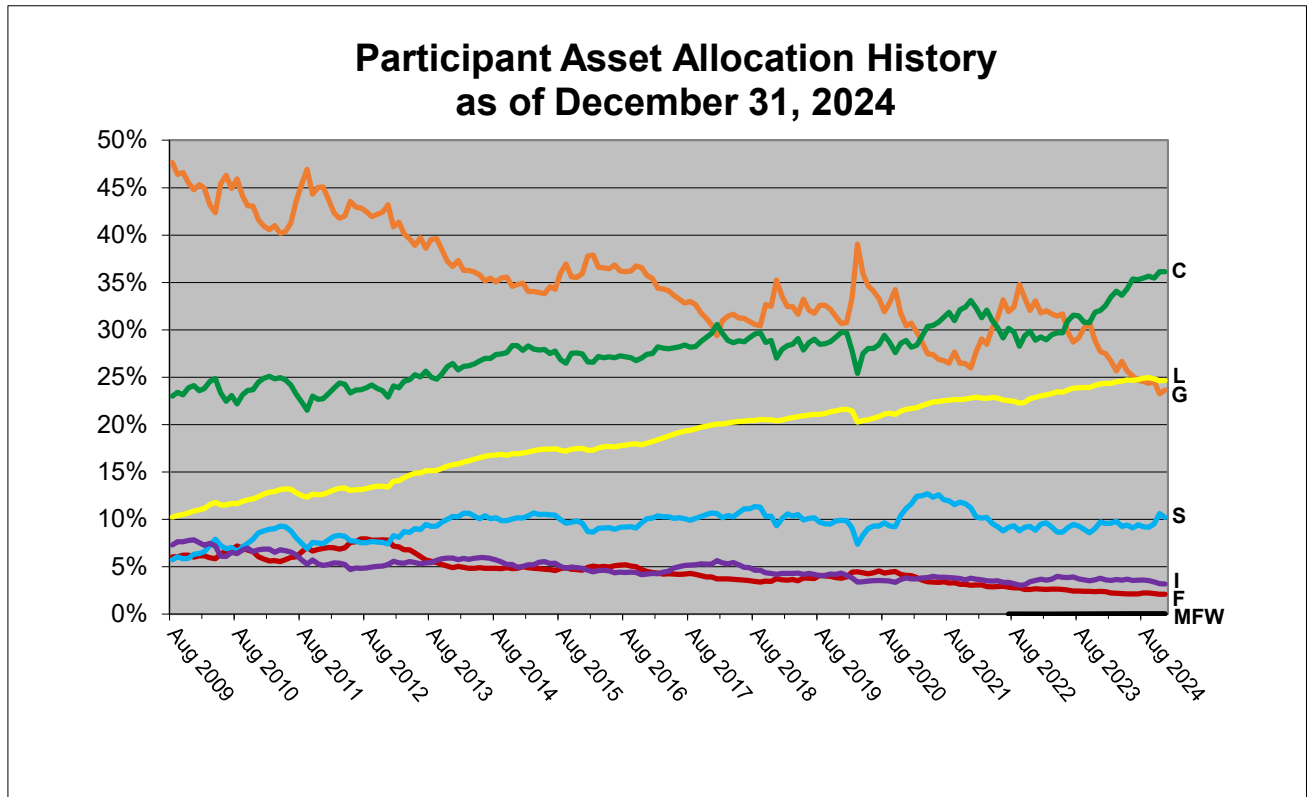
The charts below show the G, F, C, S, and I Fund net rates of return vs. their respective benchmark indices.



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

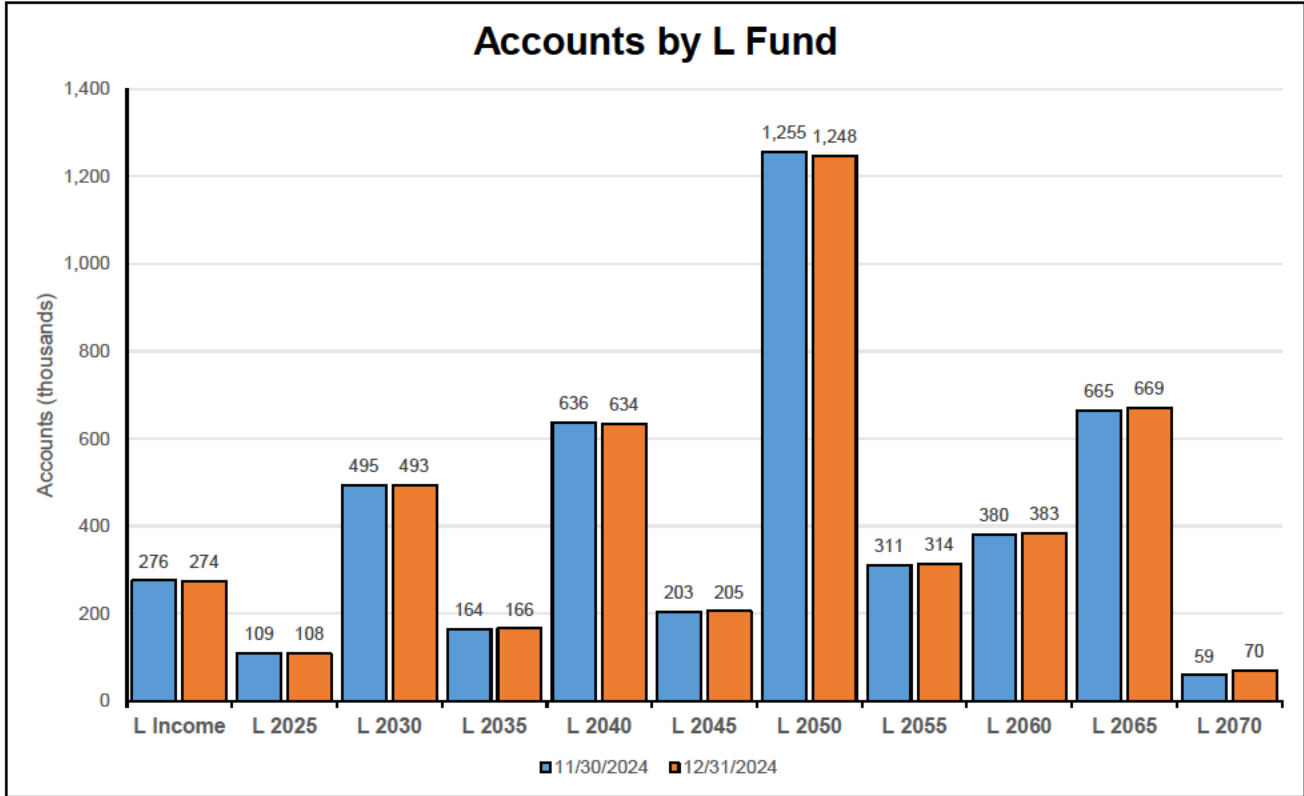
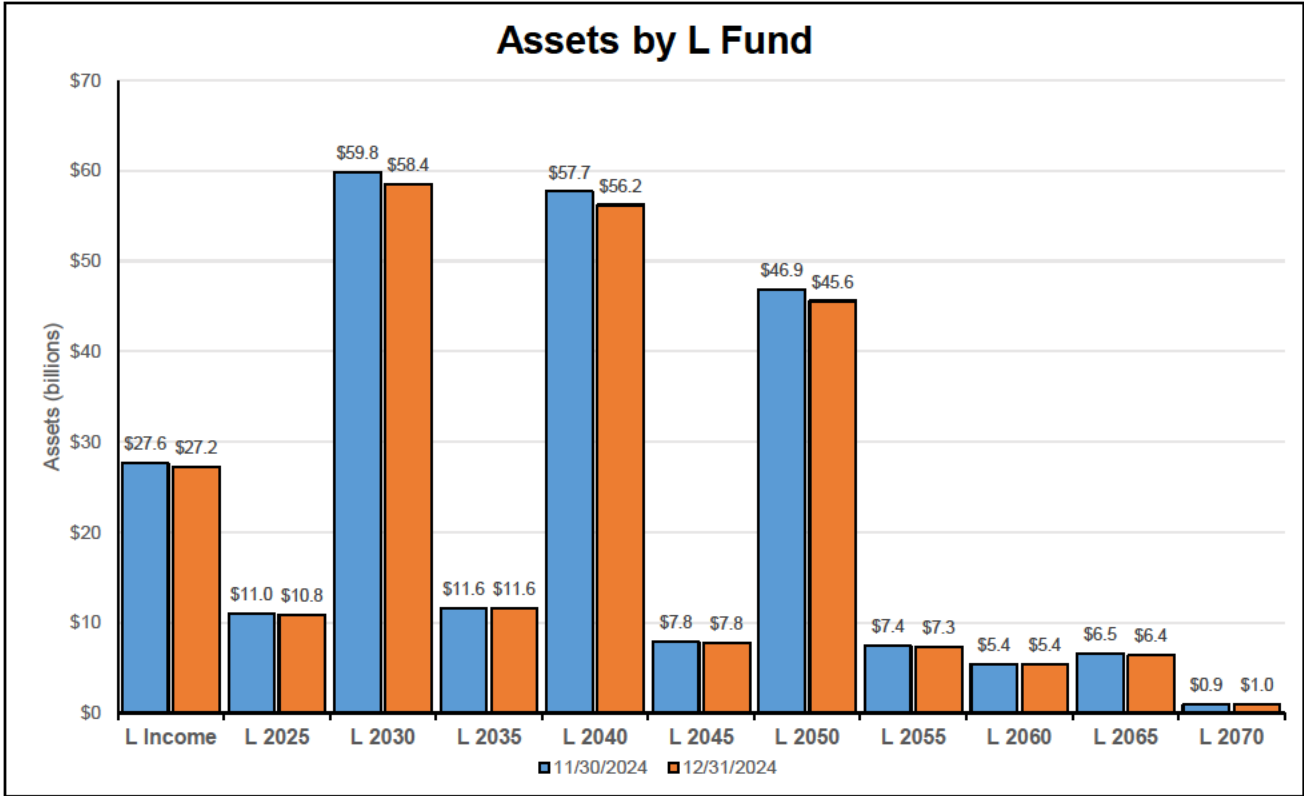


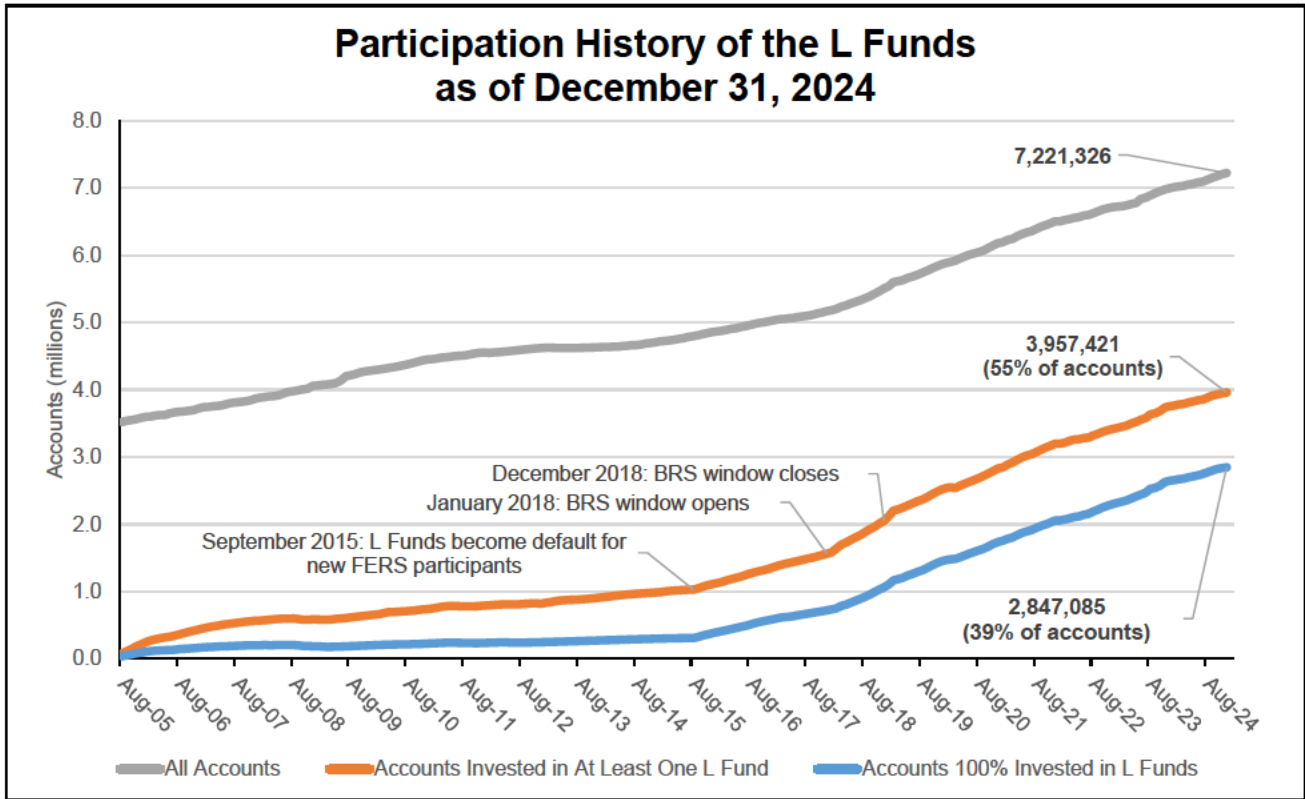
Asset Allocation as of December 31, 2024

	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets (Billions)</u>	<u>Share of Total</u>	<u>Assets (Billions)</u>	<u>Share of Total</u>
G Fund	\$227.8	23.6%	\$294.9	30.6%
F Fund	\$20.1	2.1%	\$34.2	3.5%
C Fund	\$348.1	36.1%	\$429.1	44.5%
S Fund	\$98.3	10.2%	\$119.0	12.3%
I Fund	\$30.9	3.2%	\$85.7	8.9%
L Funds	\$237.6	24.7%	n/a	n/a
<u>MFW</u>	<u>\$0.5</u>	<u>0.1%</u>	<u>\$0.5</u>	<u>0.1%</u>
Total	\$963.4	100.0%	\$963.4	100.0%

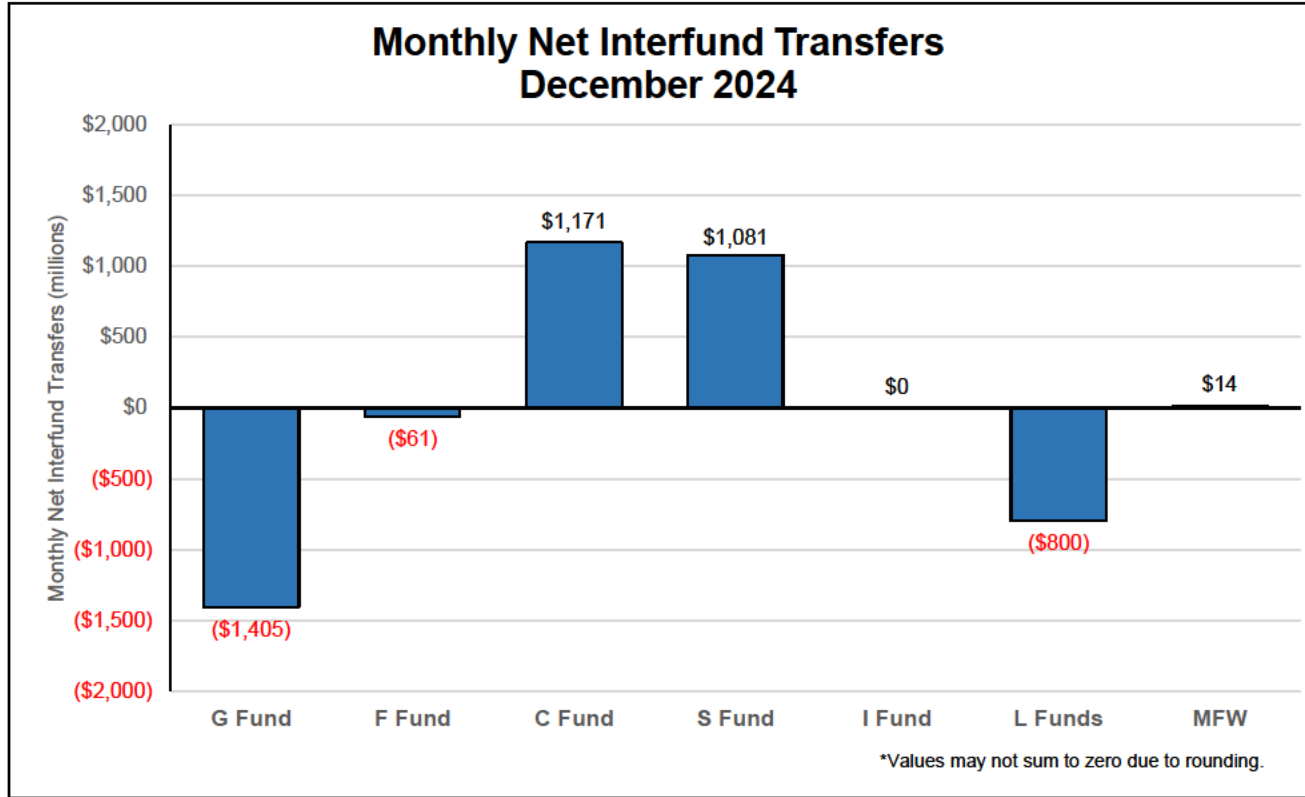
*Components may not sum to totals due to rounding.

Lifecycle (L) Funds





Interfund Transfer Activity



PROXY VOTING – THIRD QUARTER 2024

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the third quarter of 2024. An audit of State Street's proxy voting conducted by ISS found two exceptions to State Street's established guidelines during the third quarter of 2024. These exceptions, which represented 0.6% of the sample of State Street votes examined by ISS, were related to share purchase proposals at one company in India. The erroneous votes did not change the outcome of either election. Using these exceptions as a guide, the team responsible for making voting recommendations has trained its members to recognize similar proposals in the future, thereby avoiding reoccurrence of the errors. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the fourth quarter of 2024 are not yet available.

CLASS ACTION SETTLEMENTS – THIRD QUARTER 2024

BlackRock began the third quarter with 94 open claims. During the quarter, 18 claims were opened, including four in the C Fund, 13 in the S Fund, and one in the I Fund. Twenty-one claims were closed during the quarter. Two claims in the C Fund were settled for \$503,377 and 14 claims in the S Fund were settled for \$2,100,247. Two claims in the C Fund and three claims in the S Fund were closed due to administrator action. Residual payments from previously closed claims yielded \$10,501 for the C Fund and \$7,575 for the S Fund. Total proceeds for the quarter were \$2,621,700. BlackRock ended the quarter with 91 open claims.

	<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 YTD</u>
F Fund	5	-	-	5	\$16,338
C Fund	23	4	4	23	\$2,370,364
S Fund	64	13	17	60	\$7,096,527
I Fund	2	1	-	3	\$11,866
Total	94	18	21	91	\$9,495,095

State Street began the third quarter with 28 open claims. During the quarter, one claim was opened in the C Fund and eight claims were opened in the S Fund. Five claims were closed. Two claims were settled for \$32,166 and three claims were closed due to administrator action. State Street ended the quarter with 32 open claims.

	<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 YTD</u>
F Fund	-	-	-	-	\$0
C Fund	3	1	-	4	\$0
S Fund	25	8	5	28	\$40,778
I Fund	-	-	-	-	\$0
Total	28	9	5	32	\$40,778

ATTACHMENTS

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

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

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

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, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.


October 8, 2024

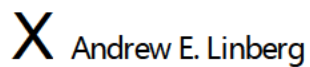
Ms. Michelle Edkins
Managing Director
Corporate Governance & Responsible Investment
BlackRock
50 Hudson Yards
New York, NY 10001

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 3rd quarter of 2024. Our review found that there were no exceptions to policy over this period.

Best regards,

 Recoverable Signature



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

MEMORANDUM

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

- Votes at 41 meetings were examined.
- Votes at 20 of the 41 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 21 remaining meetings, there were 31 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	5
Non-executive stock plan	1
Advisory vote on golden parachute compensation	1
Frequency vote on MSOP	2
Reverse stock split	4
Increase authorized common stock	1
Issue shares for private placement	2
Approve issuance of common stock pursuant to convertible notes and warrants	1
Approve issuance of common stock underlying warrants	1
Approve issuance of common stock upon conversion of non-convertible preferred stock	1
Approve merger agreement	2
Issue shares in connection with merger	1
Adjourn meeting	6
Amend certificate of incorporation to provide for exculpation of certain officers	1
Change company name	1
Other business	1
Total:	31

- There were 5 votes cast on executive stock plans:
 - a) 3 votes were cast in favor of the plans (60 percent);
 - b) 2 votes were cast against the plans (40 percent);
 - i) 1 plan was 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.

- There was 1 vote cast on a non-executive stock plan; the vote was cast in favor of the plan.

- 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 was 1 vote cast on an increase in authorized common stock; the vote was cast in favor of the increase.

- There were 23 votes cast on management advisory votes on executive compensation:
 - a) 22 votes were cast in favor of the advisory votes (95.7 percent);
 - b) 1 vote was cast against the advisory votes (4.3 percent)

- There was 1 vote cast on a management advisory votes on golden parachute compensation; the vote was cast in favor of the advisory vote.

There were no exceptions to policy this period.



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December 12, 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 Q3 2024 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 309 agenda items. In reviewing these items against the SSgA policy document, we identified two (2) errors in the application of SSgA's policy (for an overall error rate of 0.6%).

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

Sincerely,

Adam Lee

Adam Lee
Associate Director, Custom Research