



MINUTES OF THE MEETING OF THE EMPLOYEE THRIFT ADVISORY COUNCIL

November 14, 2024

Jacqueline Simon, American Federation of Government Employees, Chair of the Employee Thrift Advisory Council (ETAC) via videoconference, convened a meeting of the Council members on November 14, 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 Althea Sprosta, Federally Employed Women, ETAC Vice Chair via videoconference; Chuck Mulidore, National Association of Postal Supervisors, ETAC member; Todd Wells, Federal Managers Association, ETAC member; Craig Carter, Federal Managers Association, ETAC member via videoconference; Kori Blalock Keller, National Association of Letter Carriers, ETAC member via videoconference; Kathryn Hensley, National Active and Retired Federal Employees Association, ETAC member via videoconference; Daniel Heins, United Postmasters Association, ETAC member via videoconference; Ron Garner, Uniformed Services, ETAC member via videoconference; Michael Macho, American Postal Workers Union, ETAC member via videoconference; Matt Sowards, National Treasury Employees Union, ETAC member via videoconference; Neil Doherty, Senior Executives Association, ETAC member via videoconference; Ravindra Deo, Executive Director; Suzanne Tosini, Chief Operating Officer and Deputy Executive Director, Kimberly A. Weaver, Director, Office of External Affairs; James Courtney, Director, Office of Participant Experience; Trevor Williams, Chief Financial Officer; Thomas Brandt, Director, Office of Planning and Risk Gisile Goethe, Director, Office of Resource Management; and Sean McCaffrey, Chief Investment Officer.

1. Approval of the Minutes of the May 21, 2024, ETAC Meeting Minutes.

Chair Simon entertained a motion for approval of the minutes of the May 21, 2024, Board meeting. The following motion was made, seconded, and adopted without objection:

MOTION: That the minutes of the Board meeting held on May 21, 2024, be approved.

2. September 2024 Investment Program

Mr. McCaffrey reported on the monthly fund performance relative to benchmarks for the Thrift Savings Plan's (TSP) two investment managers, Blackrock, and State Street. For the month of September, Blackrock's performance for the F, C, and S Funds was in line with the performance of the fixed income, large cap, and small-mid cap indices, respectively. For the I Fund, BlackRock underperformed the applicable international index by 30 basis points, primarily due to fair value pricing, while State

Street's I Fund performance lagged by 9 basis points, attributed to security sampling and currency impact.

Mr. McCaffrey highlighted the successful transition of the I Fund to a new benchmark index, the MSCI ACWI IMI ex USA ex China ex Hong Kong Index, which significantly expanded the fund's market coverage from 55 percent to 92 percent of the non-U.S. stock market. The transition was completed by the end of October 2024, and the new index includes over 5,500 companies from 44 countries. He also reported on the launch of the L2070 Fund, which began on July 26, 2024. The fund quickly grew to approximately \$600 million in assets and attracted around 30,000 participants by the end of September. The L2070 Fund is designed for participants born in 2005 or later and will serve as the default investment for new uniformed services members. Mr. McCaffrey noted that the number of accounts in the L Funds increased by approximately 27,000, largely due to automatic enrollment. Interfund transfers were minimal, with a slight net movement toward the G Fund. He also reviewed proxy voting audits, which found no exceptions for either BlackRock or State Street, and class action settlements, which resulted in \$2.8 million in proceeds for BlackRock and 28 open claims for State Street. He concluded by confirming that \$6.673 million had been recovered year-to-date from class action settlements, benefiting TSP participants in the equity funds.

3. Participant Report

Mr. Courtney provided an update on participant communications and upcoming changes to TSP contribution limits. He noted that for calendar year 2025, participants may contribute up to \$23,500, with an additional \$7,500 in catch-up contributions for those aged 50 and older. He also highlighted a new provision under the SECURE 2.0 Act that allows participants aged 60 to 63 to contribute an additional \$11,250. The TSP will notify eligible participants via email or letter and has updated its website and contribution calculator accordingly. Mr. Courtney emphasized the importance of outreach and education, noting that the TSP training team conducted nearly 400 events in 2024, reaching over 65,000 participants. He also described a successful collaboration with the American Forces Network to promote key initiatives, including the L2070 Fund launch and the GROW campaign. He announced the return of participant preferences for paper communications, allowing users to opt in or out of mailed statements through MyAccount. Participants with an email on file will receive a paper notice about this change, in compliance with Department of Labor guidelines. Mr. Courtney concluded by announcing that the TSP will introduce a Roth in-plan conversion feature, with implementation planned for January 2026. He noted that while only 24 percent of surveyed participants understood the process and tax implications, over one-third of those indicated they would likely use the feature if available.

4. FY 2024 FRTIB Budget

Mr. Williams presented the FRTIB FY 2024 budget. He reported that in FY 2023, the Board approved a budget of \$481.4 million, with the majority allocated to the recordkeeping system. Of that amount, 77 percent was executed. Mr. Williams emphasized that the FRTIB is committed to spending participant funds responsibly,

charging only what is actually spent. For FY 2024, the Board approved a slightly reduced budget of \$476.1 million, reflecting a 1.1 percent decrease from the previous year. The bulk of this budget remains dedicated to recordkeeping. Looking ahead, the FY 2025 budget is projected to increase modestly by 0.7 percent, though it will still remain below the FY 2023 level. Mr. Garner inquired about the percentage of fund growth represented by the executed budget. Mr. Deo responded that fund growth is calculated on a calendar year basis and that the relevant data would be presented to the Board in January 2025 and subsequently shared with ETAC.

5. FY 2023 FISMA Results

Mr. Deo gave a briefing on the FY 2024 Federal Information Security Management Act (FISMA) results. He explained that the FISMA audit is conducted annually and evaluates the agency's cybersecurity posture across nine domains. The scoring framework ranges from one to five, with a score of four considered satisfactory and five representing an optimized, best-in-class level of performance. Mr. Deo reported that for FY 2024, the FRTIB received a score of five in all nine domains, marking a significant achievement and a rare distinction across the federal government. He emphasized that this level of performance is difficult to attain and reflects the agency's ongoing commitment to cybersecurity. While the agency has consistently been rated "effective" over the past five years, Mr. Deo cautioned that maintaining this level of performance will be challenging due to the constantly evolving nature of cyber threats. Nonetheless, he affirmed that the agency remains focused on protecting TSP participants' data and will continue to adapt its security practices accordingly.

6. Legislative Update

Ms. Weaver delivered a legislative update and introduced James Kaplan, her successor as Director of the Office of External Affairs, who will assume her responsibilities upon her retirement at the end of December. She then highlighted two legislative provisions under consideration during the lame duck session of Congress. The first provision would prohibit the TSP from offering any mutual fund through its mutual fund window if that fund makes investment decisions based on environmental, social, or governance (ESG) criteria. Ms. Weaver explained that the TSP currently offers access to approximately 4,600 mutual funds and does not have the capacity to evaluate or exclude funds based on such subjective criteria. The second provision would affect uniformed service members by prohibiting them from investing in any mutual fund within the TSP mutual fund window that holds Chinese military companies, as identified in the fund's most recent quarterly filing with the Securities and Exchange Commission (SEC). Ms. Weaver noted that this would place an undue burden on service members, who would be expected to monitor SEC filings to ensure compliance. While this provision does not directly impact the TSP's operations, the agency has also expressed concerns about its implications. Ms. Weaver concluded by noting that the agency will continue to monitor these developments and engage with stakeholders as necessary.

7. New Business.

Ms. Weaver reported that two items of new business had been submitted to ETAC. The first was an email from a participant expressing concerns about the search functionality within the TSP mutual fund window. Ms. Weaver noted that the message had been shared with Council members along with the meeting materials, and that the agency had provided a response addressing the participant's concerns. The second item was a follow-up email from a participant advocating for the implementation of Roth in-plan conversions. Ms. Weaver acknowledged the inquiry and stated that Mr. Courtney's earlier presentation had addressed the matter, confirming that the feature is planned for rollout in January 2026. Chair Simon then invited any additional new business from Council members. Hearing none, she thanked Ms. Weaver for her service and extended best wishes for her upcoming retirement.

8. Adjourn

Whereupon there being no further business, the following motion was made, seconded, and adopted without objection and Chair Simon adjourned the meeting at 11:13 a.m.

MOTION: That this meeting be adjourned.

Jacqueline Simon
Chair
Employee Thrift Advisory Council