Employee Benefits Security Administration

Performance Audit over the Thrift Savings Plan G Fund

August 11, 2026

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EXECUTIVE SUMMARY

Members of the Federal Retirement Thrift Investment Board
Washington, D.C.

Director
U.S. Department of the Treasury, Office of Debt Management
Washington, DC

Acting Chief Accountant
U.S. Department of Labor, Employee Benefits Security Administration
Washington, D.C.

As part of the U.S. Department of Labor Employee Benefits Security Administration (EBSA) Fiduciary Oversight Program, we conducted a performance audit of the Thrift Savings Plan (TSP) Government Securities Investment Fund (G Fund) investment process. Our fieldwork was performed remotely from March 16, 2026, through May 15, 2026, in coordination with personnel from the U.S. Department of the Treasury (Treasury) and the Federal Retirement Thrift Investment Board's Staff (Agency). Our scope period for testing was January 1, 2025, through December 31, 2025.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the American Institute of Certified Public Accountants' (AICPA) *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. Criteria used for this audit are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes Title 5 of the United States Code (USC), Chapter 84.

The objectives of our audit over the TSP G Fund investment operations were to:

- Determine if Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments, (2) accurately summarize and report G Fund investments and related earnings to the Agency, (3) promptly notify Congress and the

Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred;

- Determine if the Agency implemented certain procedures to promptly and accurately report to Treasury daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods; and

- Test compliance of the TSP G Fund investment operations with the applicable provisions of Title 5 of the United States Code, Sections 8438(e)(2)(A), 8438(g)(4-5), and 8438(h)(1-2) (hereinafter referred to as FERSA).

There were no prior EBSA findings or recommendations, and the current engagement produced no new findings or recommendations.

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period of January 1, 2025, through December 31, 2025, Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments, (2) accurately summarize and report G Fund investments and related earnings to the Agency, (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred. In addition, we determined that for the period January 1, 2025, through December 31, 2025, the Agency implemented certain procedures to promptly and accurately report to Treasury daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of FERSA in the TSP G Fund investment operations.

The Agency's and Treasury's responses to the draft audit report are included as Appendix A and Appendix B, respectively.

This performance audit did not constitute an audit of the TSP's financial statements or an attestation engagement as defined by *Government Auditing Standards* and the AICPA standards for attestation engagements. KPMG was not engaged to, and did not, render an opinion on the

Agency's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of this audit to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

While we understand that this report may be used to make the results of our performance audit available to the public in accordance with *Government Auditing Standards*, this report is intended for the information and use of the U.S. Department of Labor Employee Benefits Security Administration, Members of the Federal Retirement Thrift Investment Board, and Agency management. The report is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

August 11, 2026

I. BACKGROUND OF THE TSP AND THE TSP G FUND INVESTMENT OPERATIONS PROCESS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement System Act of 1986 (FERSA), as amended, established the Thrift Savings Plan (TSP). The TSP is the basic component of the Federal Employees' Retirement System (FERS) and the Blended Retirement System, and provides a Federal (and, in certain cases, State) income tax deferral on employee contributions and related earnings. The TSP is available to Federal and Postal employees, members of the uniformed services, and members of Congress and certain Congressional employees. The TSP began accepting contributions on April 1, 1987, and as of December 31, 2025, had approximately $1.07 trillion in assets and approximately 7.3 million participants[1].

The FERSA established the Federal Retirement Thrift Investment Board (the Board) and the position of Executive Director. The Executive Director manages the TSP for its participants and beneficiaries. The Federal Retirement Thrift Investment Board's Staff (Agency) is responsible for administering TSP operations.

The TSP is required to offer five investment options: the Government Securities Investment Fund (G Fund), the Fixed Income Investment Fund (F Fund), the Common Stock Index Investment Fund (C Fund), the Small Capitalization Stock Index Fund (S Fund), and the International Stock Index Investment Fund (I Fund). For the G Fund, FERSA requires contributions to be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. These securities earn interest at a rate that is equal, by law, to the average of market yields on U.S. Treasury marketable securities outstanding with 4 or more years to maturity as of the last business day of the prior month.

Additionally, the TSP offers the Lifecyle Funds (L Funds), which are portfolio funds comprised of the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to eleven different time investment horizons.

[1] Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on March 24, 2026, posted on www.frtib.gov.

B. TSP G Fund Investment Management Operations[2]

1. The Agency

The G Fund is managed internally by the Agency, which is responsible for purchasing nonmarketable U.S. Treasury securities on behalf of TSP participants. Principal and interest on G Fund investments are guaranteed by the full faith and credit of the U.S. Government. To minimize G Fund market risk, the Agency has limited the investment of G Fund assets to U.S. Treasury obligations that mature the next business day. The Agency's selection of next business day maturities for G Fund investments is in accordance with the Board's policy to invest the G Fund in short-term securities.

Daily, the Agency calculates the amount of funds to be invested in the G Fund and submits an investment purchase request to Treasury using [redacted]. Once the request is submitted, [redacted] produces an electronic confirmation with the details of the investment purchase.

During a debt issuance suspension period, the Executive Director of the Agency is required to notify the Secretary of the Treasury daily of the amounts that would have been invested or redeemed had the debt issuance suspension period not occurred.

2. The U.S. Department of the Treasury (Treasury)

The Secretary of the Treasury is authorized by FERSA to issue special interest-bearing obligations for purchase by the G Fund if such issuances do not cause the public debt of the United States to exceed the statutory public debt limit. These obligations bear an interest rate equal to the average market yield for all marketable interest-bearing obligations of the United States forming a part of the public debt that are not due or not callable within four (4) years, as of the last business day of the preceding month.

The monthly interest rate for the G Fund is calculated by Treasury's Office of Debt Management using the [redacted]. Data entered into the system for this calculation includes:

- The outstanding face value of all marketable interest-bearing U.S. Government obligations

2 Source: Treasury and Agency standard operating procedures related to TSP G Fund investment management operations.

that are not due or callable within four (4) years, and the related coupon rate and maturity or call date (as applicable), obtained from Treasury's Bureau of the Fiscal Service; and

- The bid prices at the close of business as of the last business day of the prior month. These bid prices are obtained from the Federal Reserve Bank of New York and are based on a composite of bid prices reported by the major dealers in U.S. government securities.

Treasury's Bureau of Fiscal Service calculates interest on maturing G Fund investments daily by applying the interest rate provided by Treasury's Office of Debt Management. Treasury then reports this information to the Agency through [redacted][3] for use in the daily valuation of the G Fund.

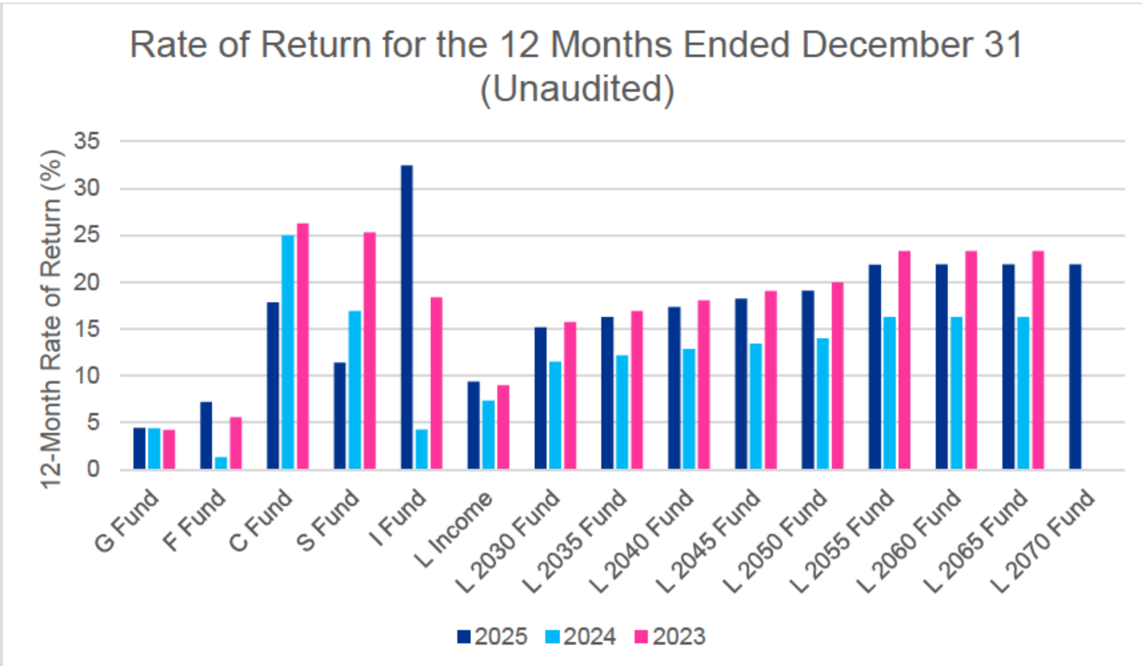
Whenever special interest-bearing obligations cannot be issued for purchase by the G Fund because of the public debt limit, Treasury is required to immediately notify Congress and the Agency in writing. Once the debt issuance suspension period expires, Treasury must immediately issue the special interest-bearing obligations that would have been held by the G Fund and pay the related interest that would have been earned had the suspension not occurred. Treasury is also required to notify Congress and the Agency in writing that the suspension period has ended.

C. TSP Fund Statistics

The table below (*Exhibit I-1*) represents the rate of return on each of the TSP funds for the twelve months ended December 31 for each of the last three years.

[3] [redacted]

Exhibit I-1[4, 5]



As of December 31, 2025, 23 percent (unaudited) of TSP assets were invested in the G Fund, as illustrated in Exhibit I-2. A summary of TSP fund balances held by the G, F, C, S, I and L Funds on December 31, 2025 and 2024 is also illustrated in *Exhibit I-2* and *Exhibit I-3*, respectively.

[4] Source: TSP Rates of Return - https://www.tsp.gov/fund-performance/

[5] The L 2070 and L 2075 Funds were launched mid-year in 2024 and 2025, respectively. As a result, a 12-month rate of return is not available for the year of their inception and therefore is not represented in this chart.

Exhibit I-2 [6, 7]

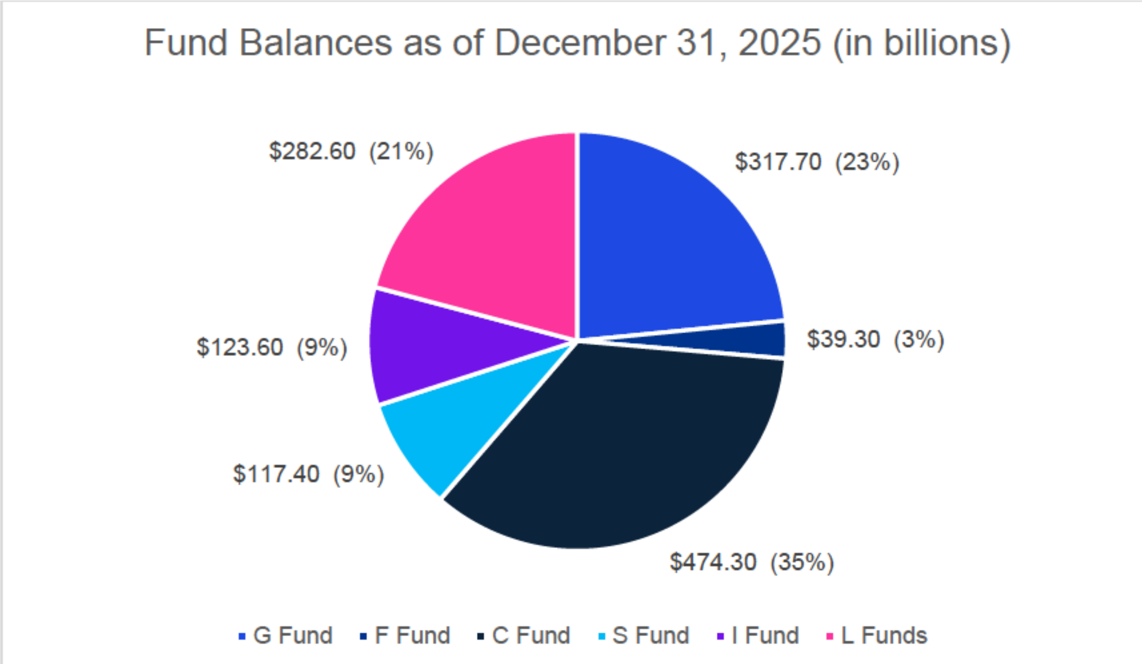
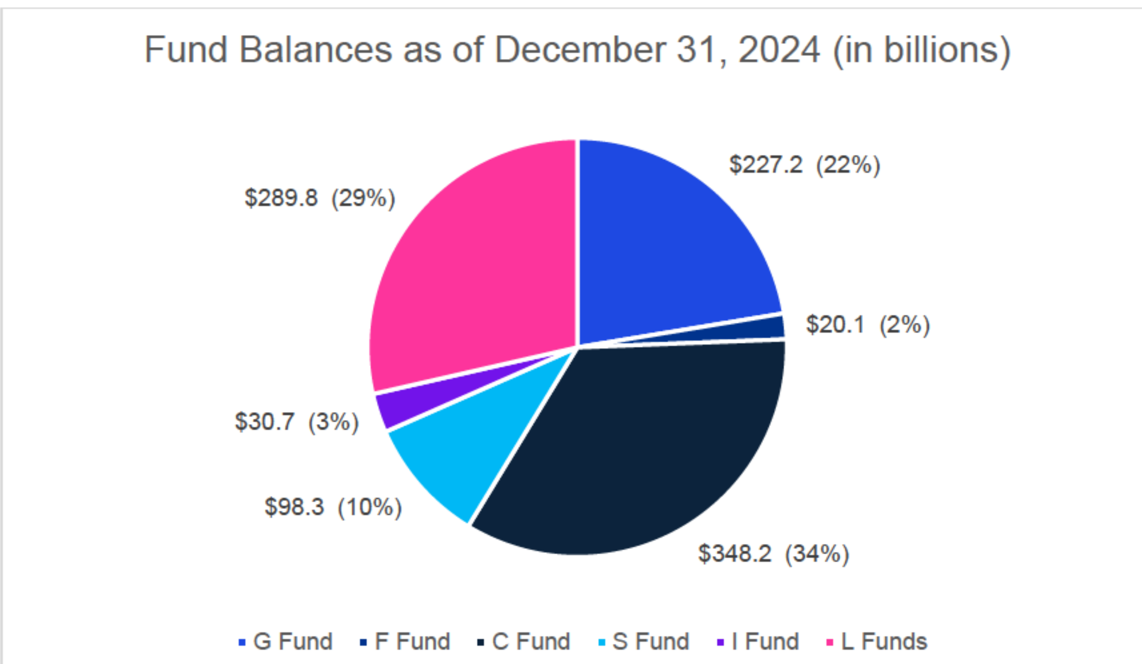


Exhibit I-3 [7, 8]



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[6] Source: TSP Website - https://www.tsp.gov/publications/tsplf14.pdf

[7] Each of the L Funds is a diversified mix of the five individual funds. The balance of the L Funds is included within the individual funds, and it is also presented here separately.

[8] Source: TSP 2024 Audited Financial Statements - https://www.frtib.gov/pdf/reading-room/FinStmts/TSP-FS-Dec2024.pdf

II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The U.S. Department of Labor Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit over the Thrift Savings Plan (TSP) Government Securities Investment Fund (G Fund) investment operations process.

The objectives of our audit over the TSP G Fund investment operations process were to:

- Determine if the U.S. Department of the Treasury (Treasury) implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments, (2) accurately summarize and report G Fund investments and related earnings to the Federal Retirement Thrift Investment Board's Staff (Agency), (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred;

- Determine if the Agency implemented certain procedures to promptly and accurately report to Treasury daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods; and

- Test compliance of the TSP G Fund investment operations with the applicable provisions of Title 5 of the United States Code (USC), Sections 8438(e)(2)(A), 8438(g)(4-5), and 8438(h)(1-2) (hereinafter referred to as FERSA).

B. Scope and Methodology

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' *Standards for Consulting Services*, using EBSA's *Thrift Savings Plan Fiduciary Oversight Program*. Our scope period for testing was January 1, 2025, through December 31, 2025. We performed the audit in four phases: (1) planning, (2) arranging for engagement with the Agency and Treasury, (3) testing and interviewing, and (4) report writing.

During the planning phase, team members developed a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP G Fund investment process. Arranging the engagement included contacting the Agency and Treasury and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, participated in process walk-throughs, considered tests of controls included in Treasury's *Report on the Bureau of the Fiscal Service Federal Investments and Borrowings Branch's Description of its Investment and Redemption Services and the Suitability of the Design and Operating Effectiveness of its Controls* (SSAE 18 – Type 2 Report), and designed and performed tests of controls. Our performance audit procedures included using random attribute sampling to select samples from the following populations related to the TSP G Fund investment for the period January 1, 2025, through December 31, 2025, which we used to achieve our audit objectives.

- Listing of investment transactions requested and processed during the period of January 1, 2025, through December 31, 2025.
- Treasury's Notes and Bonds Trust Fund Reports during the period of January 1, 2025, through December 31, 2025.
- Debt issuance suspension period notifications during the period of January 1, 2025, through December 31, 2025.
- Interest reimbursement calculations and investment transactions processed the date after the end of the debt issuance suspension period during the period of January 1, 2025, through December 31, 2025.
- Listing of investment transactions requested and processed during the debt issuance suspension period during the period of January 1, 2025, through December 31, 2025.

We conducted these test procedures remotely in coordination with personnel primarily from the Agency and Treasury. Appendix C presents the key documentation and reports we reviewed during our performance audit. Because we used non-statistically determined sample sizes in these instances, our results are applicable to the sample we tested and were not extrapolated to the population.

Criteria used for this audit are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes Title 5 of the USC, Chapter 84.

The report writing phase entailed drafting a preliminary report, conducting an exit conference, providing a formal draft report to the Agency and Treasury for comment, and preparing and issuing the final report.

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to the Thrift Savings Plan investment operations for the Government Securities Investment Fund (G Fund) while remotely conducting a performance audit related to activities at the U.S. Department of the Treasury (Treasury) and the Federal Retirement Thrift Investment Board's Staff (Agency). Our scope period for testing was January 1, 2025, through December 31, 2025. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel and reviewing key reports and documentation (Appendix C).

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period January 1, 2025, through December 31, 2025, Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments; (2) accurately summarize and report G Fund investments and related earnings to the Agency; (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred. In addition, we determined that the Agency implemented certain procedures to promptly and accurately report to Treasury the daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods for the period January 1, 2025, through December 31, 2025. As a result of our compliance testing, we did not identify any instances of noncompliance with Title 5 of the United States Code, Sections 8438(e)(2)(A), 8438(g)(4-5), or 8438(h)(1-2).

There were no prior U.S. Department of Labor Employee Benefits Security Administration findings or recommendations, and the current engagement produced no new findings or recommendations. The Agency's and Treasury's responses to this report are included as Appendices A and B, respectively.

Agency's Response

Thrift Savings Plan
Federal Retirement Thrift Investment Board

August 11, 2026

Mr. Marcus J. Aron
Acting Chief Accountant
Employee Benefits
Security Administration
United States Department of Labor
Suite 400
122 C Street, N.W.
Washington, D.C. 20001-2109

Dear Marcus:

This letter is in response to KPMG's email dated July 7, 2026, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of the Government Securities Investment Fund Investment Operations, dated August 2026.

Thank you once again for the constructive approach that the Department of Labor and its contractors are taking in conducting the various audits of the TSP. The information as a result of your reviews are useful to the continued improvement of the Thrift Savings Plan.

Very truly yours,

Ravindra Deo

Ravindra Deo

Treasury's Response

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

August 11, 2026

Mr. Marcus J. Aron
Acting Chief Accountant
Employee Benefits Security Administration
United States Department of Labor
122 C Street, N.W.
Suite 400
Washington, D.C. 20001

Dear Mr. Aron:

Thank you for the opportunity to review and comment on the Employee Benefits Security Administration audit report (Report) as it relates to the Department of the Treasury's investment operations for the Government Securities Investment Fund (G Fund).

The Report finds that:

> [F]or the period January 1, 2025, through December 31, 2025, Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments; (2) accurately summarize and report G Fund investments and related earnings to the Agency; (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred. In addition, we determined that the Agency implemented certain procedures to promptly and accurately report to Treasury the daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods for the period January 1, 2025, through December 31, 2025. As a result of our compliance testing, we did not identify any instances of noncompliance with Title 5 of the United States Code, Sections 8438(e)(2)(A), 8438(g)(4-5), or 8438(h)(1-2).
>
> There were no prior U.S. Department of Labor Employee Benefits Security Administration findings or recommendations, and the current engagement produced no new findings or recommendations.

Report, at III.1.

We agree with these findings and have no comments to add to the Report.

Sincerely,

Matthew R. Garber — Digitally signed by Matthew R. Garber Date: 2026.08.11 17:22:06 -04'00'

Matthew Garber
Deputy Assistant Secretary
Fiscal Operations and Policy

KEY DOCUMENTATION AND REPORTS REVIEWED

U.S. Department of the Treasury Documents and Reports

Bureau of the Fiscal Service

- Monthly Statement of the Public Debt of the United States, various 2025 dates
- [redacted]
- [redacted]
- [redacted]
- Daily calculations related to the G Fund during the Debt Issuance Suspension Period dated January 21, 2025, through July 24, 2025
- Communication provided to the Federal Retirement Thrift Investment Board surrounding the beginning and end of the Debt Issuance Suspension Period dated August January 21, 2025, through July 24, 2025
- [redacted]
- [redacted]

Office of Debt Management

- [redacted]
- [redacted]
- [redacted]

Office of the Inspector General

Report on the Bureau of the Fiscal Service Federal Investments and Borrowings Branch's Description of its Investment and Redemption Services and the Suitability of the Design and Operating Effectiveness of its Controls (SSAE 18 – Type 2 Report), for the Period August 1, 2024, to July 31, 2025

Federal Retirement Thrift Investment Board's Staff (Agency) Documents, Reports, and Sources

- [redacted] various 2025 dates

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- [redacted]
- Communication provided to, and received from, the U.S. Department of the Treasury's Bureau of the Fiscal Service for a sample of days during the Debt Issuance Suspension Period dated January 21, 2025, through July 24, 2025
- [redacted] Reports, various 2025 dates