



Employee Benefits Security Administration

**Performance Audit of BlackRock Institutional Trust
Company, N.A.'s
Thrift Savings Plan
Investment Management Operations**

June 26, 2025

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EXECUTIVE SUMMARY

Chief Executive Officer
BlackRock Institutional Trust Company, N.A.
San Francisco, CA

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

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 BlackRock Institutional Trust Company, N.A.'s (BTC or investment manager) Thrift Savings Plan (TSP) investment management operations related to the Fixed Income Index Investment Fund (F Fund), Common Stock Index Investment Fund (C Fund), Small Capitalization Stock Index Investment Fund (S Fund), and International Stock Index Investment Fund (I Fund). Our fieldwork was performed remotely from February 10, 2025 through April 28, 2025, in coordination with personnel primarily from BTC. Our scope period for testing was January 1, 2024, through December 31, 2024.

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 the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes United States Code (USC) Title 5, Chapter 84 and the Code of Federal Regulations (CFR) Title 29, Chapter XXV.

The objectives of our audit over BTC's TSP investment management operations were to:

- Determine whether the investment manager implemented certain procedures to (1) promptly and accurately deposit TSP investments in the authorized investment funds; (2) accurately summarize and report TSP investment transactions, including management fees related to TSP investment funds, to the Federal Retirement Thrift Investment Board's (Board) Staff; (3) accurately report the daily yield on each investment fund, less authorized management fees, to the Board's Staff (Agency); (4) invest index investment funds in a portfolio that matches the indices selected by the Board; (5) vote proxies of the C, S, and, I Fund investments in accordance with the investment manager's stated guidelines; and (6) accurately and timely process TSP investment transactions.
- Test compliance of the investment manager's investment management operations with the United States Code Chapter 5, Sections 8438(b-c) or 8477(c)(2) (hereinafter referred to as FERSA); CFR Title 29, Chapter XXV, Part 2509.08-2 (hereinafter referred to as Agency regulations); Individual Prohibited Transaction Exemptions 2012-09 and 2013-05 (hereinafter referred to as individual prohibited transaction exemptions); and Prohibited Transaction Class Exemptions 2002-12 and 2006-16 (hereinafter referred to as prohibited transaction class exemptions) in BTC's TSP F, C, S, and I Funds investment management operations.
- Review policies and procedures and to determine how the TSP deals with foreign currency transaction fees.

We noted no prior recommendations, and the current engagement produced no new recommendations.

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, 2024, through December 31, 2024, BTC implemented certain procedures to (1) promptly and accurately deposit TSP investments in the authorized investment funds; (2) accurately summarize and report TSP investment transactions, including management fees related to TSP investment funds, to the Agency; (3) accurately report the daily yield on each investment fund, less authorized management fees, to the Agency; (4) invest index investment funds in a portfolio that matches the indices selected by the Board; (5) vote proxies of the C, S, and, I Fund investments in accordance with its investment manager stated guidelines; and (6) accurately and timely process TSP investment

transactions. We also reviewed policies and procedures and determined how the TSP deals with foreign currency transaction fees.

As a result of our compliance testing, we did not identify any instances of noncompliance with FERSA, Agency regulations, individual prohibited transaction exemptions or prohibited transaction class exemptions.

The Agency's formal response to the draft report is included as an appendix within this report (Appendix A). BTC elected not to provide a formal response because no findings or recommendations are presented in the report.

This performance audit did not constitute an audit of the TSP's or BTC'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 BTC'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 Benefit Security Administration, Members of the Federal Retirement Thrift Investment Board, BTC management and Agency management. The report is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

June 26, 2025

I. BACKGROUND OF THE INVESTMENT MANAGEMENT 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 (BRS), 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, 2024, had approximately \$963 billion in assets and approximately 7.2 million participants¹.

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 Board's Staff (Agency) is responsible for administering TSP operations.

The TSP is required to offer five investment options: Government Securities Investment Fund (G Fund), the Fixed Income Index Investment Fund (F Fund), the Common Stock Index Investment Fund (C Fund), the Small Capitalization Stock Index Investment Fund (S Fund), and the International Stock Index Investment Fund (I Fund). FERSA requires the following²:

- G Fund contributions are 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 market yield on outstanding marketable U.S. Treasury securities with four or more years to maturity;
- F Fund contributions are to be invested in insurance contracts, certificates of deposit, or other fixed income securities selected by a qualified professional asset manager;

¹ Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on January 28, 2025, posted on www.frtib.gov.

² Sources: G, F, C, S, and I Fund requirements from FERSA, United States Code Chapter 5, Sections 8438(b)(1)(A)(E), 8438(b)(2)-(4).

- C Fund contributions are to be invested in a portfolio designed to replicate the performance of a commonly recognized index. The index should be a reasonably complete representation of the U.S. equity markets;
- S Fund contributions are to be invested in a portfolio designed to replicate the performance of a commonly recognized index. The index should be a reasonably complete representation of the U.S. equity markets excluding the common stocks included in the C Fund; and
- I Fund contributions are to be invested in a portfolio designed to replicate the performance of a commonly recognized index. The index should be a reasonably complete representation of the international equity markets excluding the U.S. equity markets.

Additionally, the TSP offers the Lifecycle 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 meet investment objectives based on ten different time horizons³.

B. TSP Investment Management Operations

During the scope period, the Agency contracted with BlackRock Institutional Trust Company, N.A. (BTC), a national banking association and subsidiary of BlackRock, Inc., and State Street Global Advisors Trust Company (SSGA), a Massachusetts non-depository trust company and subsidiary of State Street Corporation (State Street) to each manage a portion of the assets for the F, C, S, and I Funds (TSP Fund Accounts). In connection with its management of TSP Fund Accounts, BTC is responsible for ensuring that:

- Investments and investment management operations comply with FERSA and provisions of the contract between the Agency and BTC;
- Investment management and custodian operations safeguard F, C, S, and I Fund investments;
- F, C, S and I Funds investment transactions are processed accurately and timely;
- Proxies related to the C, S, and I Funds' investments are voted in accordance with BTC's stated guidelines;

³ Source: "Lifecycle Funds" page posted on www.TSP.gov.

- Cross-trades, securities lending, and transactions involving minority passive shareholders (MPS) are executed in accordance with the terms of the applicable DOL exemptions (see section E); and
- The Agency receives timely transaction reports to facilitate reconciliations to the TSP general ledger.

The portions of the F, C, S, and I Fund investments managed by SSGA were not within the scope of this performance audit. Further, the G Fund is managed by the Agency and, therefore, was not within the scope of this performance audit.

1. The F Fund⁴

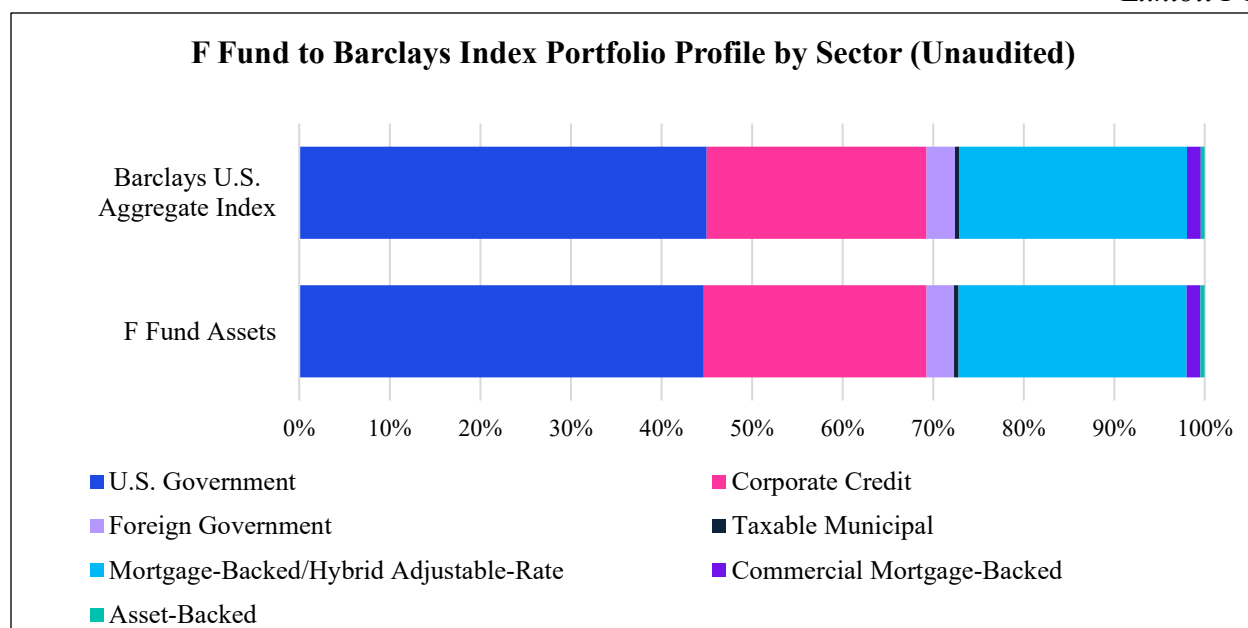
F Fund assets are invested in BTC's Thrift Savings Fund (TSF) F Fund Fixed Income Index Account (F Fund Account), a daily-valued, separate account that holds only TSP assets and is designed to track the performance of the Bloomberg Barclays U.S. Aggregate Index. The Bloomberg Barclays U.S. Aggregate Index was designed to provide a representative measure of the U.S. fixed income markets; it is a broad index representing U.S. Government, asset-backed, corporate, and foreign government (issued in the U.S.) sectors of the U.S. stock market.

Because the Bloomberg Barclays U.S. Aggregate Index is comprised of numerous securities, some of which are infrequently traded, it is not practical for the F Fund Account to hold every security. Consequently, BTC uses mathematical models to select a representative sample of the types of U.S. Government, foreign government, corporate, taxable municipal, mortgage-backed, commercial mortgage-backed, and asset-backed securities included in the Bloomberg Barclays U.S. Aggregate Index. As illustrated in *Exhibit I-1*, the portfolio profile of the F Fund Account (in dollar terms) closely represented the Bloomberg Barclays U.S. Aggregate Index as of December 31, 2024⁵.

Although the investment policy related to the F Fund Account allows the use of futures to improve tracking or provide liquidity, futures were not used in the account during the period January 1, 2024 through December 31, 2024.

⁴ Sources: "F Fund" page posted on www.TSP.gov; BTC TSF Fund Series Audited Financial Statements as of December 31, 2024.

⁵ Source: [REDACTED].



2. The C Fund⁶

C Fund assets are invested in BTC's TSF C Fund Equity Index Account (C Fund Account), a daily-valued, separate account that only holds TSP assets and is designed to track the performance of the S&P 500 Index. The S&P 500 Index was designed to provide a representative measure of U.S. stock market performance. It consists of approximately 500 common stocks, representing more than 150 separate industries, which trade primarily on the New York Stock Exchange.

A portion of the C Fund Account assets is reserved to meet the needs of daily participant activity. This liquidity reserve is invested in S&P 500 Index futures contracts, a type of derivative, to equitize cash balances⁷, reduce tracking errors, and provide liquidity. For the C Fund Account, BTC invests only in S&P 500 Index futures that are freely traded on major futures exchanges in order to minimize the counter-party credit risk with these transactions.

⁶ Sources: "C Fund" page posted on www.TSP.gov; BTC TSF Series Audited Financial Statements as of December 31, 2024.

⁷ Equitizing cash is to purchase an equity, forward, or options synthetic position which is generally collateralized by or maintained against a cash equivalent position.

3. The S Fund⁸

S Fund assets are invested in BTC's TSF S Fund Small Cap Stock Index Investment Fund Account (S Fund Account), a daily-valued separate account that only holds TSP assets and is designed to track the performance of the Dow Jones U.S. Completion Total Stock Market Index. The Dow Jones U.S. Completion Total Stock Market Index is an index of small-to-medium traded U.S. common stocks that are not included in the S&P 500 Index. As of December 31, 2024, the Dow Jones U.S. Completion Total Stock Market Index was comprised of over 3,400 common stocks included in the U.S. stock market.

The S Fund Account holds a majority of stocks in the index; however, it is not practicable to hold all such stocks because some stocks are illiquid and infrequently traded or priced at less than \$1.00 per share and thus inefficient for investment purposes. Therefore, the S Fund Account is managed as a model-driven fund with the objective of replicating the returns of the Dow Jones U.S. Completion Total Stock Market Index. The S Fund Account also invests in related index futures to improve tracking and liquidity.

4. The I Fund⁹

I Fund assets are invested in BTC's TSF I Fund International Stock Index Investment Fund Account (I Fund Account), a daily-valued separate account that only holds TSP assets and is designed to track the performance of the Morgan Stanley Capital International All Country World Index Investible Market Index ex United States ex China ex Hong Kong (MSCI ACWI IMI Index ex US/CN/HK). BTC transitioned the I Fund Account from tracking the MSCI Europe, Australasia, Far East Index (MSCI EAFE Index) to the MSCI ACWI IMI Index ex US/CN/HK. The transition concluded in October 2024. The MSCI EAFE Index is an index of the equity markets of the developed world outside of the U.S. and Canada, while the MSCI ACWI IMI Index ex US/CN/HK is an index of the equity markets of the emerging and developed world outside of the U.S, China, and Hong Kong.

⁸ Sources: "S Fund" page posted on www.TSP.gov; BTC TSF Series Audited Financial Statements as of December 31, 2024.

⁹ Sources: "I Fund" page posted on www.TSP.gov; BTC TSF Series Audited Financial Statements as of December 31, 2024.

Exhibit I-2 compares the portfolio profile of the MSCI EAFE Index as of September 30, 2024 to the MSCI ACWI IMI Index ex US/CN/HK as of December 31, 2024 by sector¹⁰.

Exhibit I-2

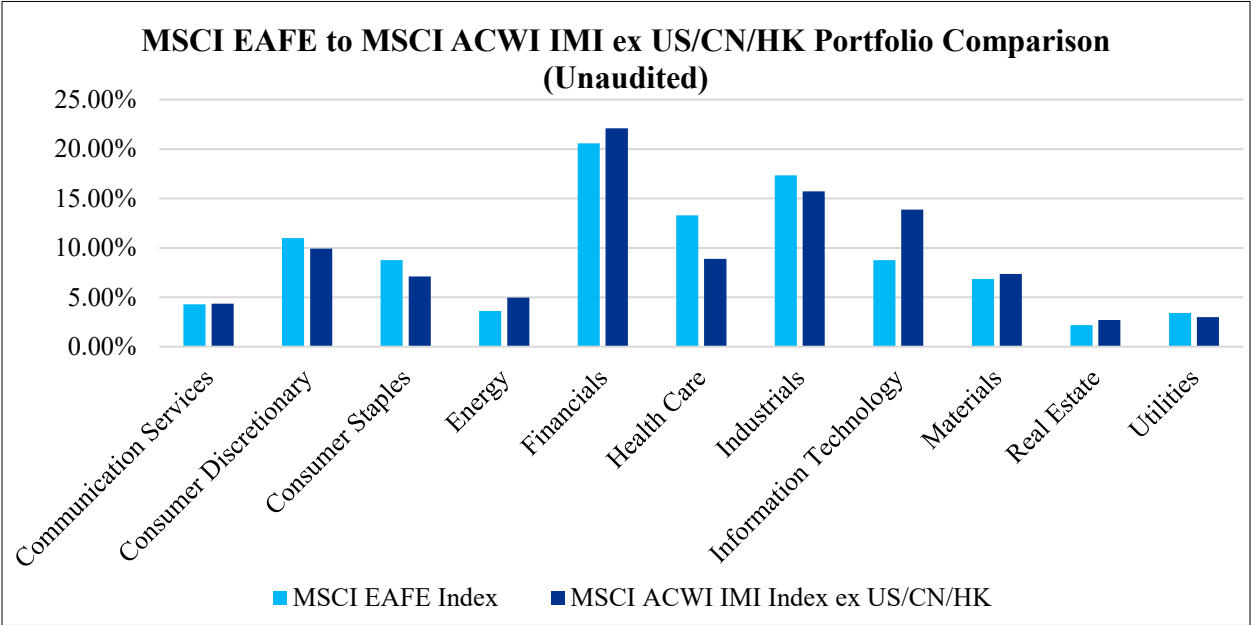
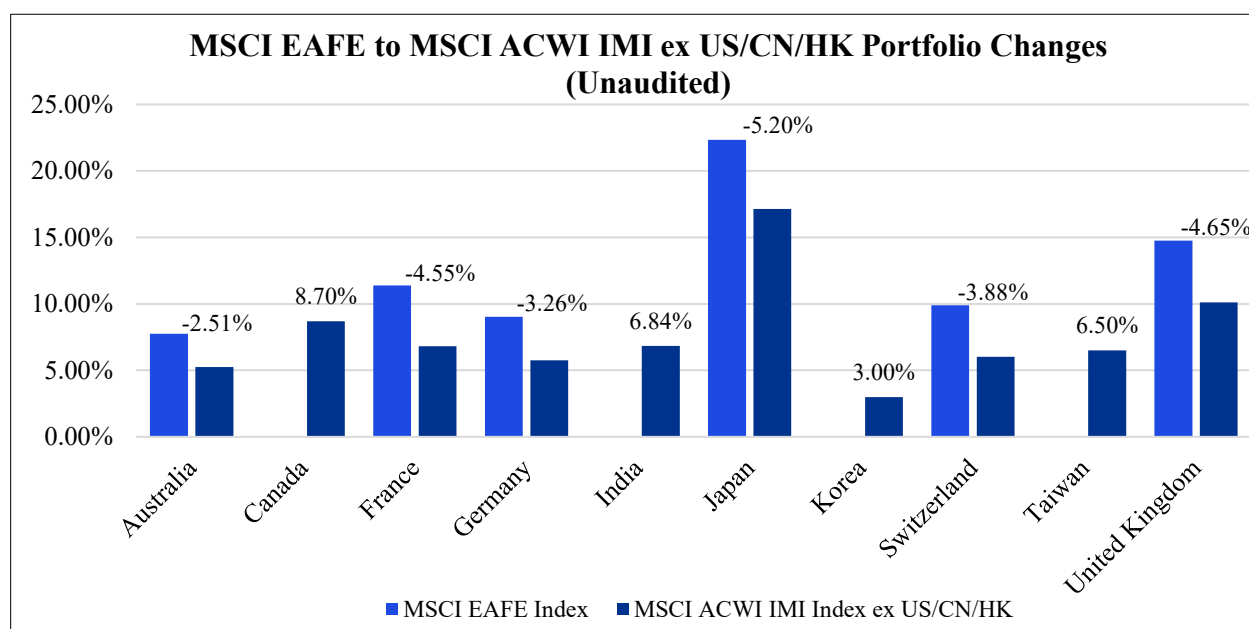


Exhibit I-3 displays the ten countries with the largest portfolio composition fluctuations between the MSCI EAFE Index as of September 30, 2024 and the MSCI ACWI IMI Index ex US/CN/HK as of December 31, 2024¹¹.

¹⁰ Source: [REDACTED]
¹¹ Source: [REDACTED]



The MSCI ACWI IMI Index ex US/CN/HK consisted of over 5,000 stocks representing 47 countries as of December 31, 2024, including 23 additional countries that were not included in the MSCI EAFE Index¹². The I Fund Account holds securities from all countries included in the MSCI ACWI IMI Index ex US/CN/HK. The I Fund also invests in selected futures that have been approved by U.S. regulators for investment by U.S. persons and that have substantial liquidity to improve tracking (e.g., SPI 200 Index, Euro Stoxx 50 Index, NIKKEI 225 Index, and FTSE 100 Index futures). The primary source of earnings for the I Fund is the net changes in the prices of securities in BTC's I Fund Account, although at times, net foreign currency changes relative to the U.S. dollar can be a greater component of earnings than stock price gains or losses. Dividend income and securities lending income are also important sources of earnings. The MSCI ACWI IMI Index ex US/CN/HK is diversified among countries and industries, so that the effect of poor performance in one stock market or group of companies may be reduced.

The I Fund does not incur foreign currency transaction fees; however, the Fund does incur costs related to slippage, as well as other effects of changes in exchange rates. Slippage refers to the difference between a trade's expected executed price and the actual price at which the trade is executed. It occurs when the bid/ask spread changes between the time the order is requested and the time the other market executes the order. These costs are not specific to the I Fund; however,

¹² The only country included in the MSCI EAFE Index that is not included in the MSCI ACWI IMI Index ex US/CN/HK is Hong Kong.

benchmark slippage is the most pronounced in the I Fund because BTC executes trades on U.S. Eastern Time, which may differ greatly from the international closing times and prices.

5. BTC Investment Management Process Overview¹³

The Agency submits orders daily by 2:00pm and has the option to submit its orders by fax, email, web, or [REDACTED]. The vast majority of the Agency's orders in 2024 were submitted electronically. Electronic orders are processed automatically through [REDACTED] via an [REDACTED] between the TSP system and BTC's [REDACTED] system.

Upon receipt of the order, [REDACTED] will check that key attributes are valid, generate an automated electronic confirmation, and submit the order back to the Agency for verification. Since this is an automated process, BTC's [REDACTED] group reviews electronic investment orders only if there are exceptions or rejections of the data submitted for Agency review. Once the order has been properly verified, it is routed through [REDACTED] to the Portfolio Managers to determine equitable trade options and then to traders for execution. The trading file then goes to [REDACTED]¹⁴ for custodial and fund accounting. Reports are then generated denoting the trade.

Prior to trading, authorized cross-trades are executed through the [REDACTED], a crossing application that resides on the [REDACTED] platform. The [REDACTED] identifies cross-trading opportunities among eligible funds and accounts. Cross-trades for the C Fund Account, S Fund Account, and I Fund Account occur when another fund or account managed by BTC or one of its affiliates is a buyer or a seller of an equity security or securities for which one of the TSP Fund Accounts is a seller or a buyer, respectively (See Section D)¹⁵. The [REDACTED] is designed to only authorize cross-trades qualified under prohibited transaction class exemption (PTE) 2002-12 (See Section E). Traders execute remaining trades with external brokers. The [REDACTED] group confirms the trades with executing brokers and uses the [REDACTED] system to transmit the information electronically to [REDACTED] to record the accounting and custodial information.

¹³ Source: BTC *Client Order Management Procedure Document* (March 2020).

¹⁴ [REDACTED].

¹⁵ Cross-trading opportunities do not typically occur in the F Fund Account due to the nature of the securities held in the account.

TSP trades settle one business day after the trade date. The Agency's accounting staff authorizes the wire transfer of the F, C, S, and I Fund net contributions to BTC on the settlement date for purchases. (In the case of a redemption, the money is wire transferred from BTC to the TSP's account with the U.S. Department of the Treasury). The BTC [REDACTED] sends the Agency transaction reports confirming the trades. These reports include the Agency's trading costs, if any (See Section D).

The BTC [REDACTED] also sends monthly transaction reports for the TSP investments in the various TSP Fund Accounts to the Agency's Office of Investments. These reports list the details of all TSP transactions during the month as well as the market and book values of the funds at the end of the month.

6. Management Fees

On a monthly basis, the BTC [REDACTED] reports its management fees to the Agency. Management fees are based on rates established in the investment management contracts between the Agency and BTC.

C. Securities Lending¹⁶

Bank and broker dealer counterparties occasionally borrow specified securities to complete a trade that would otherwise fail, or to short sell (i.e., sell with the expectation of buying the securities to settle the trade at a later time at a lower price). BTC is responsible for negotiating securities lending transactions for its funds and accounts within its established guidelines, which include any requirements set forth in PTE 2006-16 and PTE 2013-05 (See Section E). Income from securities lending provides additional returns to the TSP's funds.

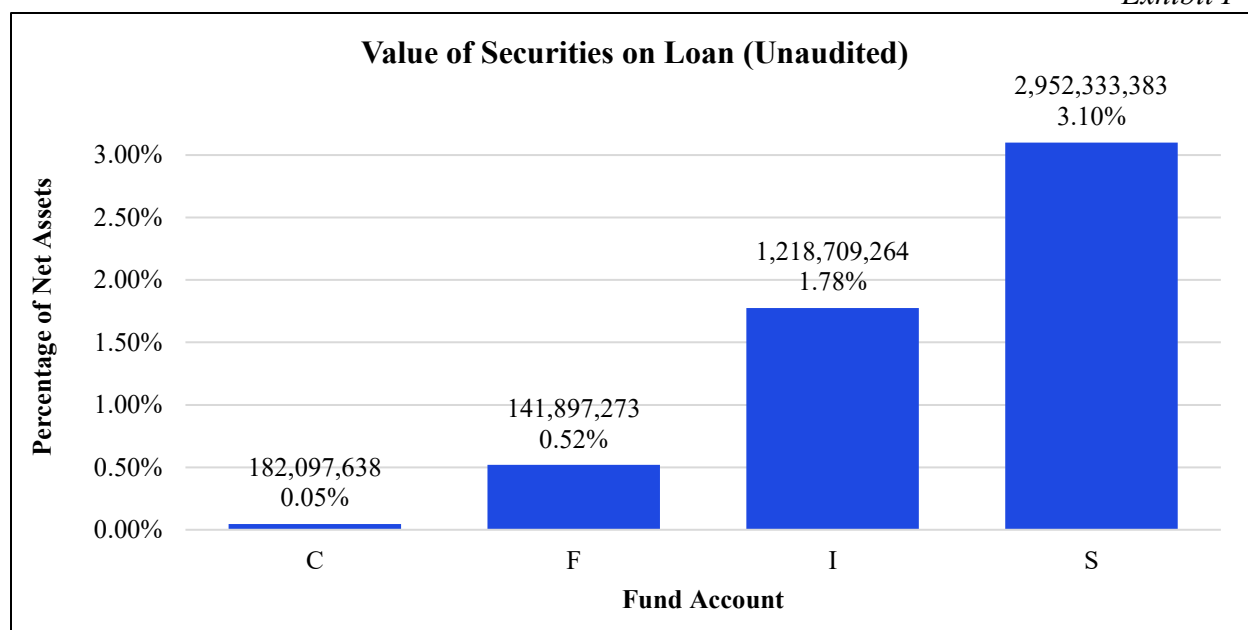
Securities loans are collateralized in order to limit the risk of borrower default. Potential borrowers undergo a credit screening process and, if approved, must provide collateral equal to at least 102 percent of the market value of the U.S. securities loaned and 105 percent of the market value of international securities loaned. The collateral is marked-to-market daily so that it is maintained at these levels. U.S. collateral may be in the form of cash, U.S. government obligations, bank certificates of deposit, bankers' acceptance, certain mortgage-backed securities or irrevocable letters of credit from BTC-approved institutions that are not affiliated with the borrower. Non-U.S.

¹⁶ Source: [REDACTED].

collateral may be in the form of cash denominated in certain non-U.S. currencies, securities issued or guaranteed by certain multilateral development banks, highly rated sovereign debt, and letters of credit issued by certain non-U.S. banks. During the scope period of this performance audit, the TSP Fund Accounts only accepted cash collateral. Cash collateral is segregated from other assets of the lending TSP Fund Account by identification on the books and records of the lender and is invested in cash collateral funds.

BTC invests securities lending collateral in various investments in accordance with the investment guidelines for the collateral investment vehicle. To limit the risk involved with these transactions, BTC applies the same credit screening process to potential counterparties as it does to its security lending borrowers. BTC has set limits on the amount of securities lending and collateral investments that it has with any one entity. *Exhibit I-4* represents the value of securities in each of the TSP Fund Accounts that were on loan to approved brokers as of December 31, 2024.¹⁷

Exhibit I-4



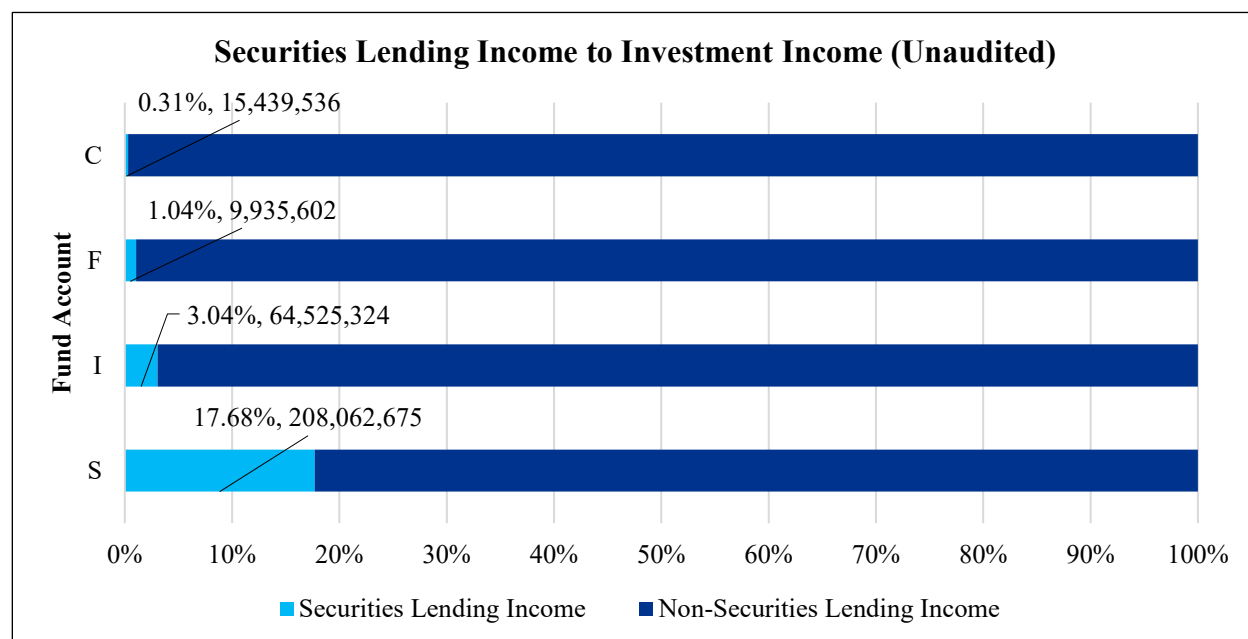
Lending opportunities are allocated to a particular BTC managed fund or account via an algorithm in BTC's [REDACTED] system that seeks to allocate loan opportunities among funds and accounts in a manner that, over time, approximates the outcome of a pro-rata allocation. The algorithm incorporates factors such as whether a lending fund or account has been passed over for previous loan opportunities; availability of the security sought by the borrower; applicable legal,

¹⁷ Sources: TSF Fund Series audited financial statements as of December 31, 2024.

tax and credit restrictions for each lending fund or account; any restrictions imposed by the borrower; and constraints imposed by the lending fund’s or account’s custodian or relevant sub-custodian(s) or the relevant securities market.

BTC bears all operational costs directly related to securities lending. *Exhibit I-5* represents the income generated from securities lending and the proportion of securities lending income to net investment income for the fiscal year ended December 31, 2024¹⁸.

Exhibit I-5



D. Trading Costs¹⁹

Trading costs associated with client transactions in the C Fund Account, S Fund Account, and I Fund Account generally consist of negotiated commissions on common stock purchases and sales or the buying and selling of futures contracts. Trading costs in the F Fund Account consist of the spreads between a dealer’s bid price and ask price on debt securities purchased and sold. Trading costs associated with client transactions are borne by the TSP as the sole participant in the respective accounts. Trading costs did not contribute significantly to the tracking error of the TSP Fund Accounts during the scope period of January 1, 2024 to December 31, 2024 (see Section F).

¹⁸ Sources: TSF Fund Series audited financial statements as of December 31, 2024.

¹⁹ Source: [REDACTED].

To minimize trading costs, BTC cross-trades, in the case of equities only, among eligible BTC managed funds and accounts before trading in the external market. Transaction costs are also decreased to the extent that cash from client contributions are available for cash redemptions on a fund opening day.

1. Cross Trades²⁰

BTC uses cross-trades among eligible funds and accounts, where appropriate, to reduce transaction costs and facilitate achieving client or fund investment objectives. Clients contributing cash to or withdrawing cash from an account or fund may benefit through trading efficiencies²¹ and transaction cost savings to the extent that securities may be purchased or sold through a cross-trade with another BTC-managed account or fund rather than purchased or sold on the market through a broker. BTC is obligated by its fiduciary responsibilities to ensure that cross-trading activity has not created an advantage to any client or fund relative to any other client or fund. By internally matching BTC's sell orders for a particular day with its buy orders for the same day, both funds and/or accounts achieve trading efficiencies and transaction cost savings.

For BTC, as a manager of index and model-driven funds and accounts, cross-trading is a method of executing a securities transaction that the portfolio manager has already included on a trade list and that would occur even if cross-trades were not permitted. After a separate decision has been made that the fund or account will buy or sell the security, BTC will trade that security through a cross-trade if crossing opportunities are available. Therefore, cross-trading is a cost-efficient mechanism for implementing prior decisions to buy or sell.

DOL's position is that, without an applicable exemption, cross-trading transactions result in violations of one or more provisions of Part 4 of Title I of the Employee Retirement Income Security Act of 1974 (ERISA). FERSA contains similar restrictions in section 8477(c)(2)(B). The basis for this position is that by representing the buyer on one side and the seller on the other in a cross-trade, a fiduciary acts on behalf of parties that have adverse interests to each other.²² DOL

²⁰ Sources: BTC cross-trade transactions during the period of January 1, 2024 to December 31 2024; DOL's Office of Exemptions; [REDACTED] PTE 2002-12.

²¹ BTC uses an algorithm within its trading platform to allocate cross trade opportunities using a pro rata allocation for up to three business days after a triggering event (e.g., a change in index composition or weighting). The use of the algorithm reduces BTC's ability to exercise discretion over the cross-trading opportunities, resulting in an equitable share for all cross-trading participants [Source: *BTC Managing ERISA Assets Manual* (July 2023)].

²² Federal Register, Volume 63, Number 64, *Notices – Department of Labor – Pension and Welfare Benefits Administration, Cross-Trades of Securities by Investment Managers*, 63 FR 13696.

has issued PTE 2002-12 allowing certain passive investment managers of plans to cross-trade securities. BTC used PTE 2002-12 for cross-trades in the C, S, and I Fund Accounts during the scope period. While PTE 2002-12 allows for the cross-trading of fixed income securities, BTC did not engage in cross-trades of fixed income securities in the F Fund Account during our scope period.

E. Exemptions²³

DOL grants certain class and individual exemptions for transactions prohibited by ERISA and FERSA. BTC currently utilizes the following exemptions from DOL related to the TSP investment activities:

- PTE 2002-12 permitted the cross-trading of index and model-driven accounts and funds and certain client restructure accounts.
- PTE 2006-16 permitted the lending of securities to various banks and broker-dealers under certain conditions. These banks and broker-dealers are typically “parties in interest” under ERISA. This exemption also permitted the entity to receive compensation with respect to securities lending services.
- Individual Prohibited Transaction Exemption (IPTE) 2012-09 permitted BTC to enter into certain transactions with, or involving, BlackRock stock or its MPS. No MPS transactions occurred within the scope period of January 1, 2024, through December 31, 2024.
- IPTE 2013-05 permitted BTC, as an affiliate of an equity owner of EquiLend, to use the EquiLend platform to sell or license products/services of EquiLend to plans and includes a provision for the use of off-platform security lending data. The EquiLend platform is a common electronic platform provided by EquiLend Holdings LLC for negotiating securities lending transactions, identifying borrowing opportunities with pre-approved borrowers, negotiating specific loans, maintaining appropriate records, marking to market all outstanding loans, ensuring collateral maintenance, and monitoring delivery and control of collateral.

²³ Sources: DOL’s Office of Exemptions; [REDACTED] PTE 2002-12.

F. Tracking Errors²⁴

The TSP Fund Accounts were designed to replicate the performance of specific indices (see Section A). The difference between the performance of each of TSP Fund Account and the performance of the index it is designed to replicate is known as “tracking error.” BTC’s established procedures over tracking error enable it to monitor the TSP portfolios against the investment indices selected by the Board. On a monthly basis, BTC reports monthly tracking error, as well as cumulative tracking error, over periods of three, six and twelve months, to the Agency for each TSP Fund Account. *Exhibit I-6* compares the TSP Fund Account performance to the performance of the applicable index benchmark for the 12 months ended December 31, 2024.

Exhibit I-6

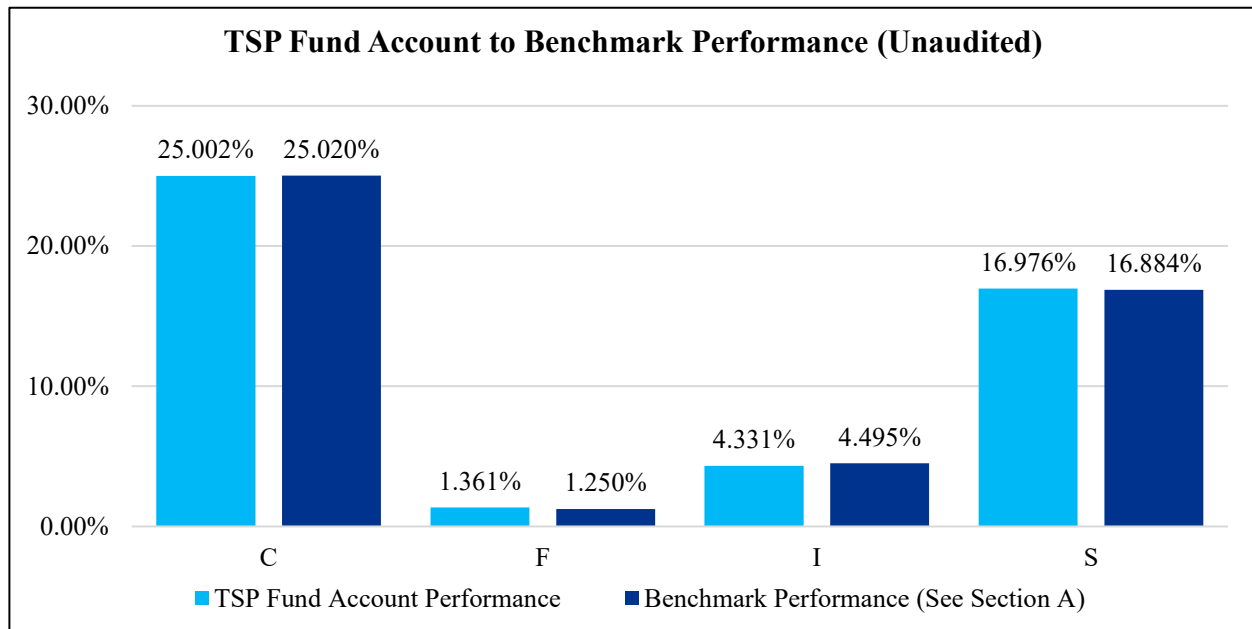
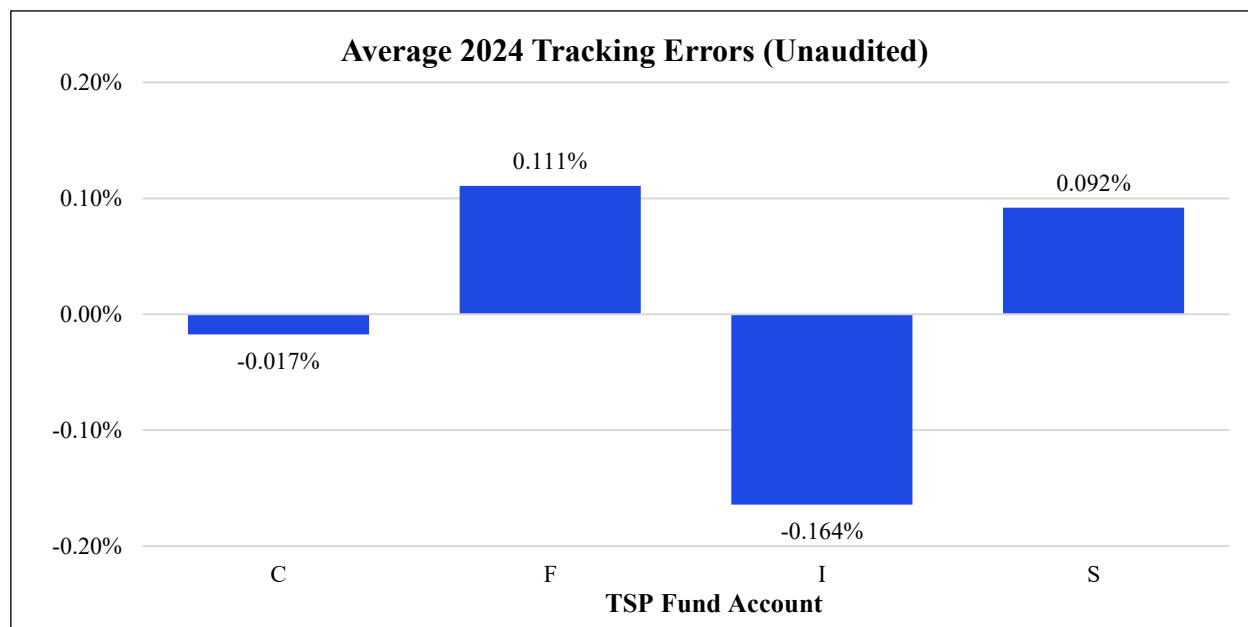


Exhibit I-7 represents the calculated average tracking error for each TSP Fund Account for the 12 months ended December 31, 2024. The TSP Fund Account statistics are presented prior to any deductions of TSP administrative costs and certain transaction costs. The Agency separately reports performance for the individual TSP Funds net of the aforementioned costs.

²⁴ Source: Tracking error performance reports for the C, F, I, and S Fund accounts during the period of January 1, 2024 to December 31, 2024.



G. Proxy Voting²⁵

In order to comply with FERSA Section 8438(g), the contracts between the Agency and BTC delegate the authority to vote the Thrift Savings Fund's proxies to BTC²⁶. BTC is required to vote the C Fund Account, S Fund Account, and I Fund Account proxies in the best interests of the TSP participants and beneficiaries.

Although the Board does not vote proxies directly, its fiduciary responsibilities include monitoring BTC's voting of the C Fund Account, S Fund Account, and I Fund Account proxies. BTC's fundamental policy is to vote in the best economic interest of its clients. BlackRock publishes its proxy voting guidelines for U.S. and international securities, which describe the guiding principles and overarching issues related to the proxy voting process, on its public website. BlackRock also publishes regionally tailored proxy voting guidelines.

The Agency reviews BTC's proxy voting guidance for adherence to appropriate fiduciary standards. To facilitate the Agency's monitoring of BTC's proxy voting, BTC provides the

²⁵ Sources: [REDACTED]
[REDACTED] 5 USC 8438(g)

²⁶ FERSA Section 8438(g) states, "The Board, other Government agencies, the Executive Director, an employee, a Member, a former employee and a former Member may not exercise voting rights associated with the ownership of securities by the Thrift Savings Fund".

Agency with its written proxy voting guidelines when they are revised or updated. BTC also provides the Agency with quarterly reports prepared by Institutional Shareholder Services (ISS), a proxy voting analysis firm. The Agency reviews the proxy voting policy and the ISS quarterly independent reports to ensure that BTC has voted the proxies according to BTC's written guidelines. The Agency reports the proxy voting results quarterly at a regularly scheduled meeting for Board members.

ISS provides corporate data, research and analysis to BTC and drafts vote recommendations on routine voting matters in accordance with BlackRock's proxy voting guidelines²⁷. A BTC analyst may then review the vote recommendations drafted by ISS for the routine matters and determine whether to keep the ISS votes or to perform additional research and change the vote. In instances where ISS cannot clearly apply BTC's guidelines, based on the nature of the vote, or where BTC's policy requires the voting decision to be referred back to BTC, the votes are referred back to a BTC analyst for review and final approval. Non-routine matters are more complex in nature and require further discussion and research by BlackRock personnel²⁸. BTC analysts use ISS research; their own research; and industry, corporate and market awareness to determine their voting decision.

For both routine and non-routine voting matters, final decision making (i.e., vote casting) is the responsibility of BTC. All proxy votes are submitted by BTC through ISS's voting platform.

H. Audits and Regulatory Reviews

BlackRock, its subsidiaries, and joint venture operations are subject to examinations and audits by government regulatory agencies and independent public accountants. From January 1, 2020 through December 31, 2024, examinations and audits related to BTC included the following.

- PricewaterhouseCoopers LLP – Financial Statement and Internal Control Audits of BlackRock's TSF Fund Series and Collective Trust Funds for the Years Ended December 31, 2024 and 2023;

²⁷ Examples of routine matters include votes related to directors, ratification of auditors, and 401(k) plans.

²⁸ Examples of non-routine matters include votes related to executive and employee stock option plans, mergers, reorganizations, name changes, and cash bonus plans.

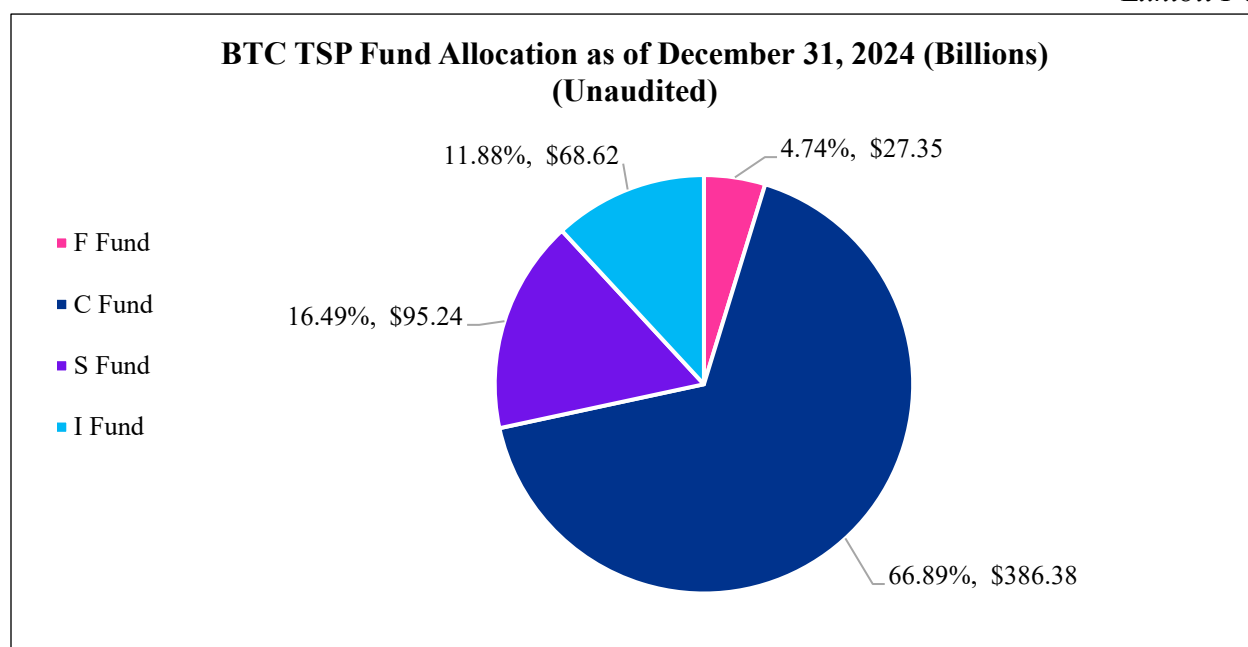
- Deloitte & Touche LLP – Financial Statement Audit of BlackRock Institutional Trust Company, N.A. for the Years Ended December 31, 2024 and 2023;
- Deloitte & Touche LLP – Report on Controls at BlackRock Placed in Operation and Tests of Operating Effectiveness for Asset Management Services for the period October 1, 2023 through September 30, 2024;
- Deloitte & Touche LLP – Financial Statement Audit of BlackRock, Inc. for the Years Ended December 31, 2024 and 2023;

We reviewed the reports related to the examinations and audits listed above. No matters were noted during our review of these reports that would impact our conclusions on the performance audit objectives listed in the Executive Summary of this report.

I. TSP Investment Statistics

As of December 31, 2024, the largest portion of TSP investments held by BTC was held in the C Fund. *Exhibit I-8* summarizes BTC’s TSP investments by fund. The data in the chart does not include the net asset balances related to the Cash Equivalents account. The net asset balance in the Cash Equivalents Account was \$4.8 billion as of December 31, 2024²⁹.

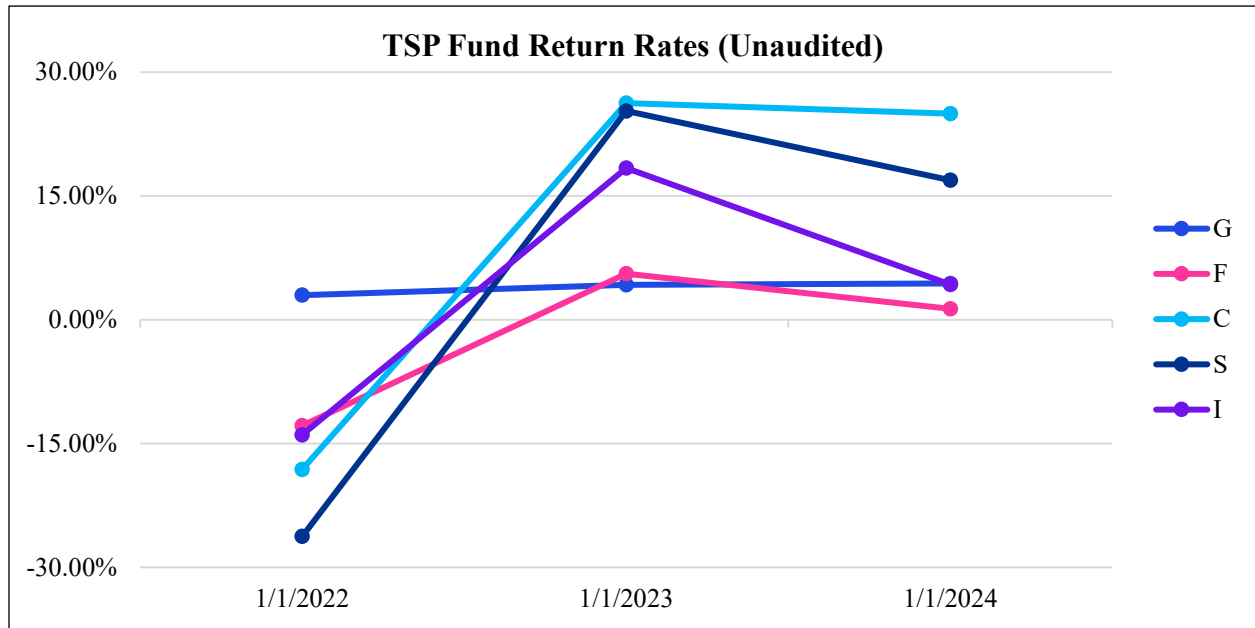
²⁹ Sources: BTC Cash Equivalents Audited Financial Statements as of December 31, 2024; BTC Short Term Investments Audited Financial Statements as of December 31, 2024; TSF Series Audited Financial Statements as of December 31, 2024.



Exhibits I-9 and I-10 compare the TSP fund returns for the 12-month periods ending December 31, 2024, 2023, and 2022³⁰.

TSP Fund	Return rate for the 12-months ended (Unaudited):		
	December 31, 2022	December 31, 2023	December 31, 2024
G	2.98%	4.22%	4.40%
F	-12.83%	5.58%	1.33%
C	-18.13%	26.25%	24.96%
S	-26.26%	25.30%	16.93%
I	-13.94%	18.38%	4.27%

³⁰ Sources: Minutes of the Federal Retirement Thrift Investment Board meeting held on January 28, 2025, January 23, 2024, and January 24, 2023 posted on www.frtib.gov.



II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The U.S. Department of Labor (DOL), Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit of BlackRock Institutional Trust Company, N.A. (BTC or investment manager) Thrift Savings Plan (TSP) investment management operations related to the Fixed Income Index Investment Fund (F Fund), Common Stock Index Investment Fund (C Fund), Small Capitalization Stock Index Investment Fund (S Fund), and International Stock Index Investment Fund (I Fund).

The objectives of our audit over BTC's TSP investment management operations were to:

- Determine whether the investment manager implemented certain procedures to (1) promptly and accurately deposit TSP investments in the authorized investment funds; (2) accurately summarize and report TSP investment transactions, including management fees related to TSP investment funds, to the Federal Retirement Thrift Investment Board (Board)'s Staff; (3) accurately report the daily yield on each investment fund, less authorized management fees, to the Board's Staff (Agency); (4) invest index investment funds in a portfolio that matches the indices selected by the Board; (5) vote proxies of the C, S, and, I Fund investments in accordance with the investment manager's stated guidelines; and (6) accurately and timely process TSP investment transactions.
- Test compliance of the investment manager's investment management operations with the United States Code Chapter 5, Sections 8438(b-c) or 8477(c)(2); Code of Federal Regulations Title 29, Chapter XXV, Part 2509.08-2; Individual Prohibited Transaction Exemptions 2012-09 and 2013-05; or Prohibited Transaction Class Exemptions 2002-12 and 2006-16 in BTC's TSP F, C, S, and I Funds investment management operations.
- Review policies and procedures and to determine how the TSP deals with foreign currency transaction fees.

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, 2024, through December 31, 2024. We performed the audit in four phases: (1) planning, (2) arranging for engagement with the BTC, (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 BTC's TSP investment management operations. Arranging the engagement included contacting the BTC 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; and designed and performed tests of controls³¹ and compliance. Our performance audit procedures included using [REDACTED] sampling to select samples from the following populations related to BTC's TSP investment management operations for the period January 1, 2024, through December 31, 2024, which we used to achieve our audit objectives:

- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]

³¹ We tested certain information technology (IT) application controls in BTC's [REDACTED] system related to investment manager operations. The scope of our audit did not include the testing of general IT controls that support the consistent and effective functioning of those IT application controls by maintaining the continued proper operation of the [REDACTED] system.

We conducted these test procedures remotely in coordination with personnel primarily from BTC's headquarters in San Francisco, California. Appendix B lists the key documentation and reports we reviewed during our performance audit. Because we used non-statistically determined sample sizes in our procedures, our results are applicable to the sample items we tested and were not extrapolated to the population.

Criteria used for this engagement are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes U.S. Code Title 5, Chapter 84, Code of Federal Regulations Title 29, Chapter XXIV, Individual Prohibited Transaction Exemptions 2012-09 and 2013-05, and Prohibited Transaction Class Exemptions 2002-12 and 2006-16.

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

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to the Thrift Savings Plan (TSP) investment management operations for the Fixed Income Index Investment Fund (F Fund), Common Stock Index Investment Fund (C Fund), Small Capitalization Stock Index Investment Fund (S Fund), and International Stock Index Investment Fund (I Fund) while remotely conducting a performance audit related to activities at BlackRock Institutional Trust Company, N.A. (BTC or investment manager). Our scope period for testing was January 1, 2024, through December 31, 2024. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel, reviewing key reports and documentation (Appendix B), and observing selected procedures.

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, 2024, through December 31, 2024, BTC implemented certain procedures to (1) promptly and accurately deposit TSP investments in authorized investment funds; (2) accurately summarize and report TSP investment transactions, including management fees related to TSP investment funds, to the Federal Retirement Thrift Investment Board's (Board) Staff (Agency); (3) accurately report the daily yield on each investment fund, less authorized management fees, to the Agency; (4) invest index investment funds in a portfolio that matches the indices selected by the Board; (5) vote proxies of the C, S, and, I Fund investments in accordance with the investment manager's stated guidelines; and (6) accurately and timely process TSP investment transactions. We also reviewed policies and procedures and determined how the TSP deals with foreign currency transaction fees.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of the United States Code Chapter 5, Sections 8438(b-c) or 8477(c)(2); Code of Federal Regulations Title 29, Chapter XXV, Part 2509.08-2; Individual Prohibited Transaction Exemptions 2012-09 and 2013-05; or Prohibited Transaction Class Exemptions 2002-12 and 2006-16 in BTC's TSP F, C, S, and I Funds investment management operations.

We noted no prior recommendations, and the current engagement produced no new recommendations.

AGENCY'S RESPONSE



June 26, 2025

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 is in response to KPMG's email dated June 06, 2025, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of the Investment Management Operations (BlackRock), dated June 2025.

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 we get as a result of your reviews is useful to the continued improvement of the Thrift Savings Plan.

Very truly yours,



Ravindra Deo
Executive Director

KEY DOCUMENTATION AND REPORTS REVIEWED

BlackRock Institutional Trust Company, N.A. (BTC) Documents, Reports, and Sources

- BTC Consolidated Financial Statements for the years ended December 31, 2024 and December 31, 2023
- BTC, TSF Series, Audited Financial Statements, dated December 31, 2024
- BTC, Cash Equivalent Fund A3 Financial Statements, dated December 31, 2024
- BTC, Short-Term Investment Fund Financial Statements, dated December 31, 2024

Row	Bar Length (approx. % of total width)
1	75
2	45
3	85
4	95
5	100
6	10
7	100
8	5
9	55
10	95
11	60
12	95
13	60
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98	95
99	60
100	95

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- [illegible]

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

■	[REDACTED]
	[REDACTED]
■	[REDACTED]
	[REDACTED]
■	[REDACTED]
	[REDACTED]
■	[REDACTED]
	[REDACTED]
■	[REDACTED]
	[REDACTED]
■	[REDACTED]
	[REDACTED]

External Documents, Reports, and Sources

- Composition of BTC's Fixed Income Index Account as of December 31, 2024
- Composition of the MSCI EAFE Index as of September 30, 2024
- Composition of the MSCI ACWI IMI Index ex US/CN/HK as of December 31, 2024
- Composition of the S&P 500 Index as of December 31, 2024
- Composition of the Dow Jones U.S. Completion Total Stock Market Index as of December 31, 2024
- Composition of the Bloomberg Barclays U.S. Aggregate Bond Index as of December 31, 2024

■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]
■	[REDACTED]

- Thrift Savings Plan website – F Fund, C Fund, S Fund, and I Fund
- New York Stock Exchange website – Dow Jones Indices Rebalancing Calendars, 2024