

L Fund

Asset Allocation Review

Office of Investments



Thrift Savings Plan

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

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Recommendations to Executive Director

- Implement transitional approach that will increase stock allocation at all ages
- Increase exposure to international stock
- Maintain “to” approach – transition to L Income still occurs at age of first withdrawal
- Increase assumed age of first withdrawal from 62 to 63

L Fund Asset Allocation Review Objectives

- Try to improve outcomes for existing L Fund participants while not unreasonably increasing risk levels
- Start to establish a picture of new L Fund glide path asset allocations
- Develop a transition plan that will be clearly understood and that minimizes disruption for existing participants

Key Developments Impacting the L Funds

- Forthcoming introduction of L 2060 Fund and five-year increments from L 2025 to L 2065
- Current and future automatic enrollment of hundreds of thousands of young participants due to the Blended Retirement System

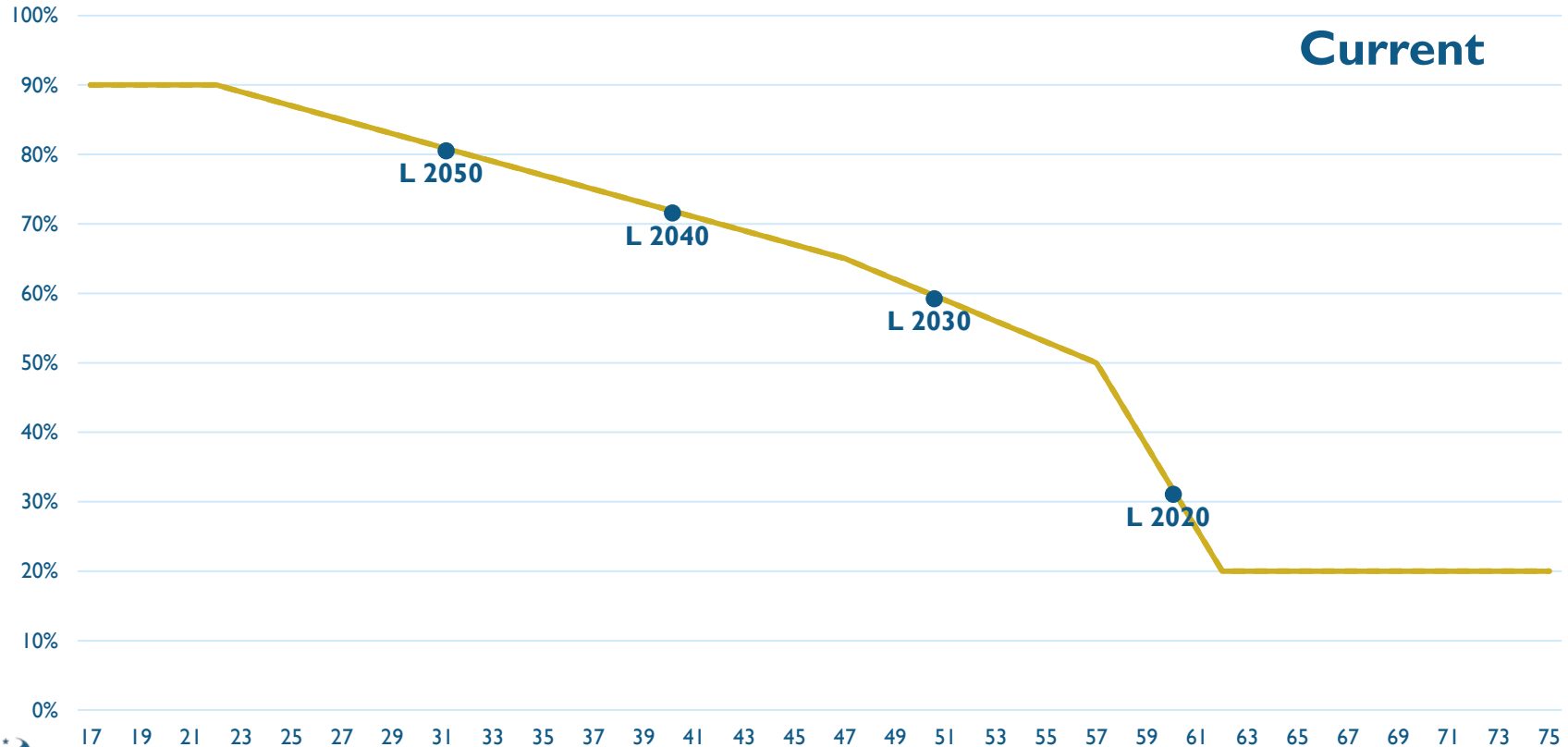
Stock Investments by Generation

- Youngest age group's investments may benefit from highest percentage of growth assets (stocks)
- Federal retirees may benefit from higher stock allocations due to the nature of their retirement package -- the “three-legged stool”

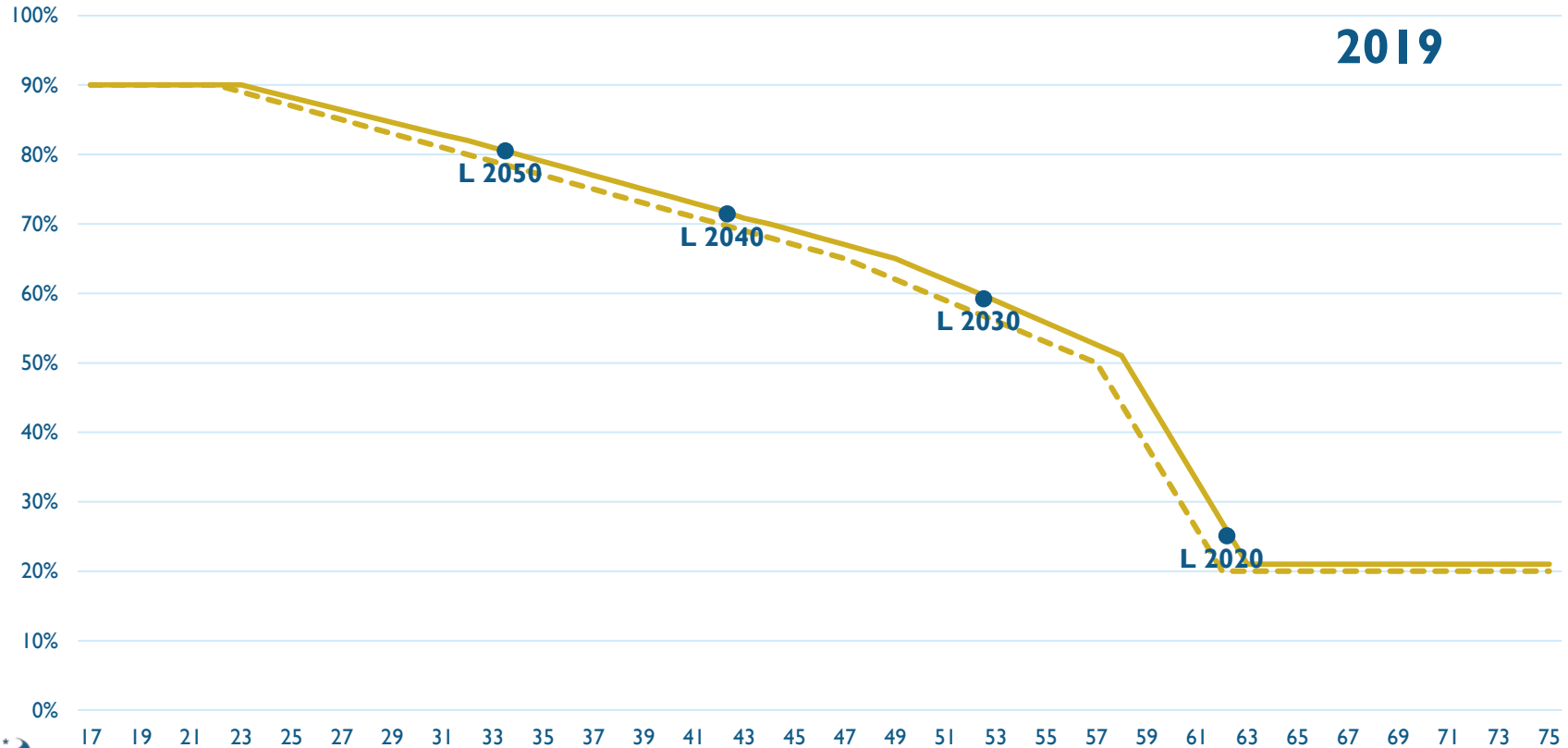
Transitional Approach

- Proposed approach to changing glide paths provides transition plan

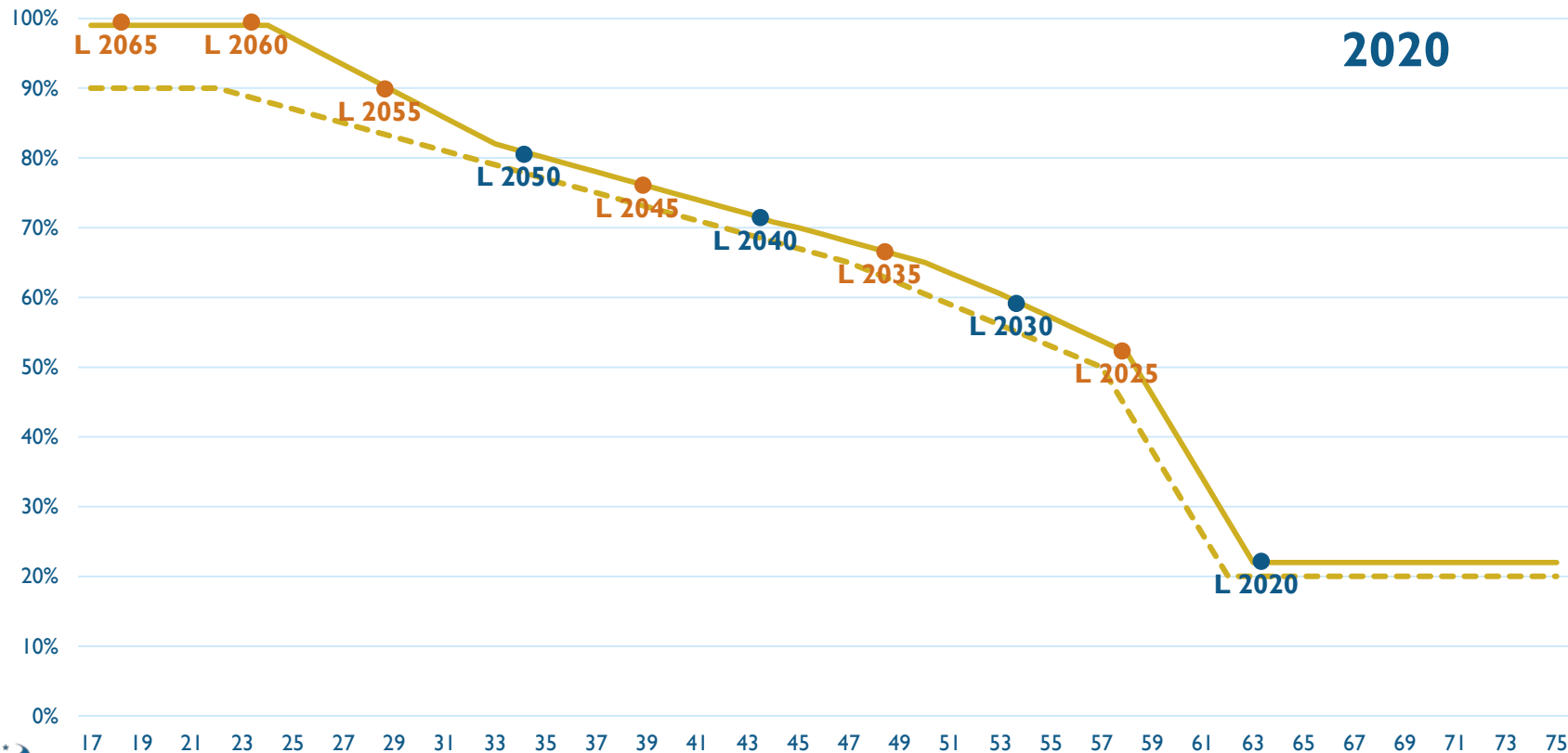
Glide Path Transition (2019-2033)



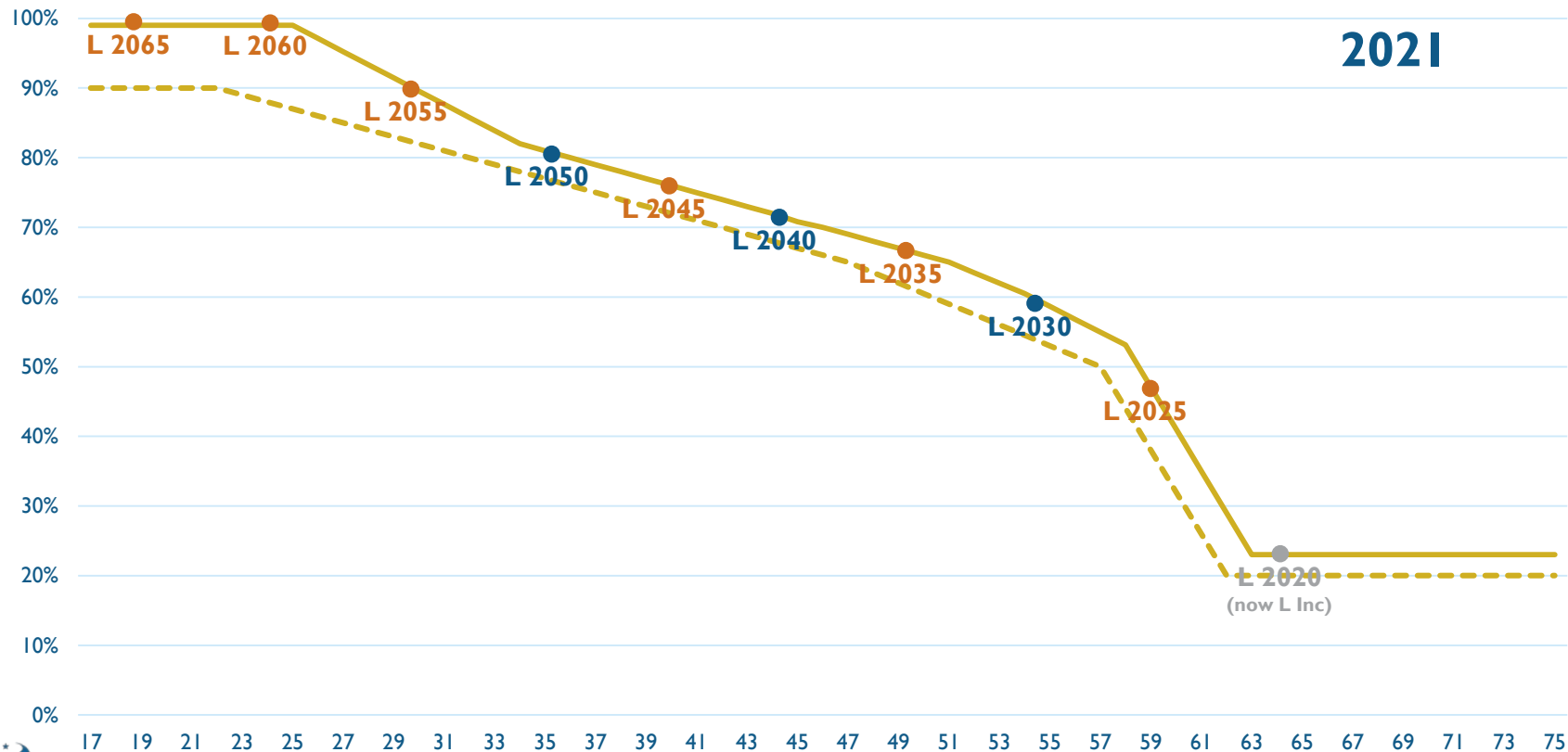
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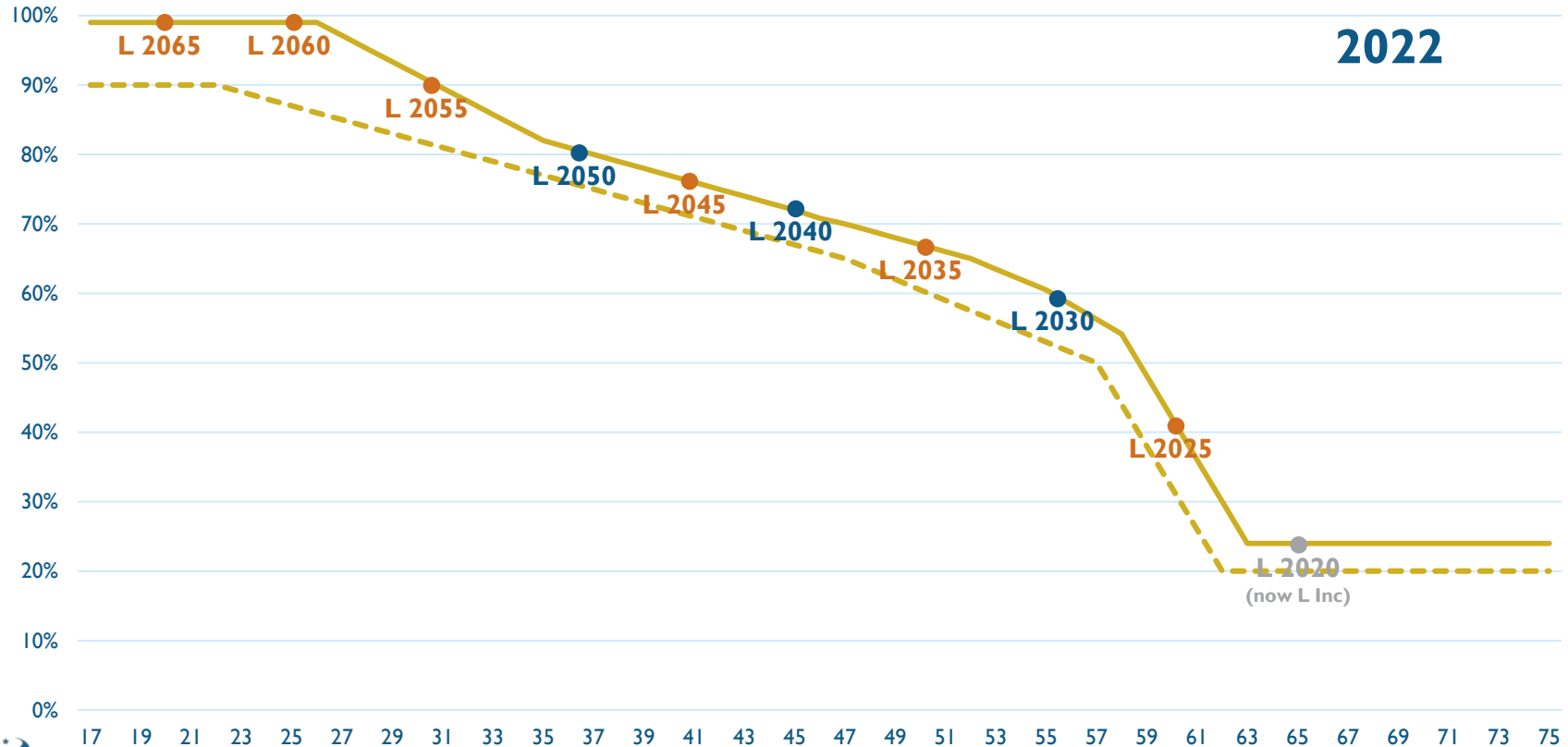
Glide Path Transition (2019-2033)



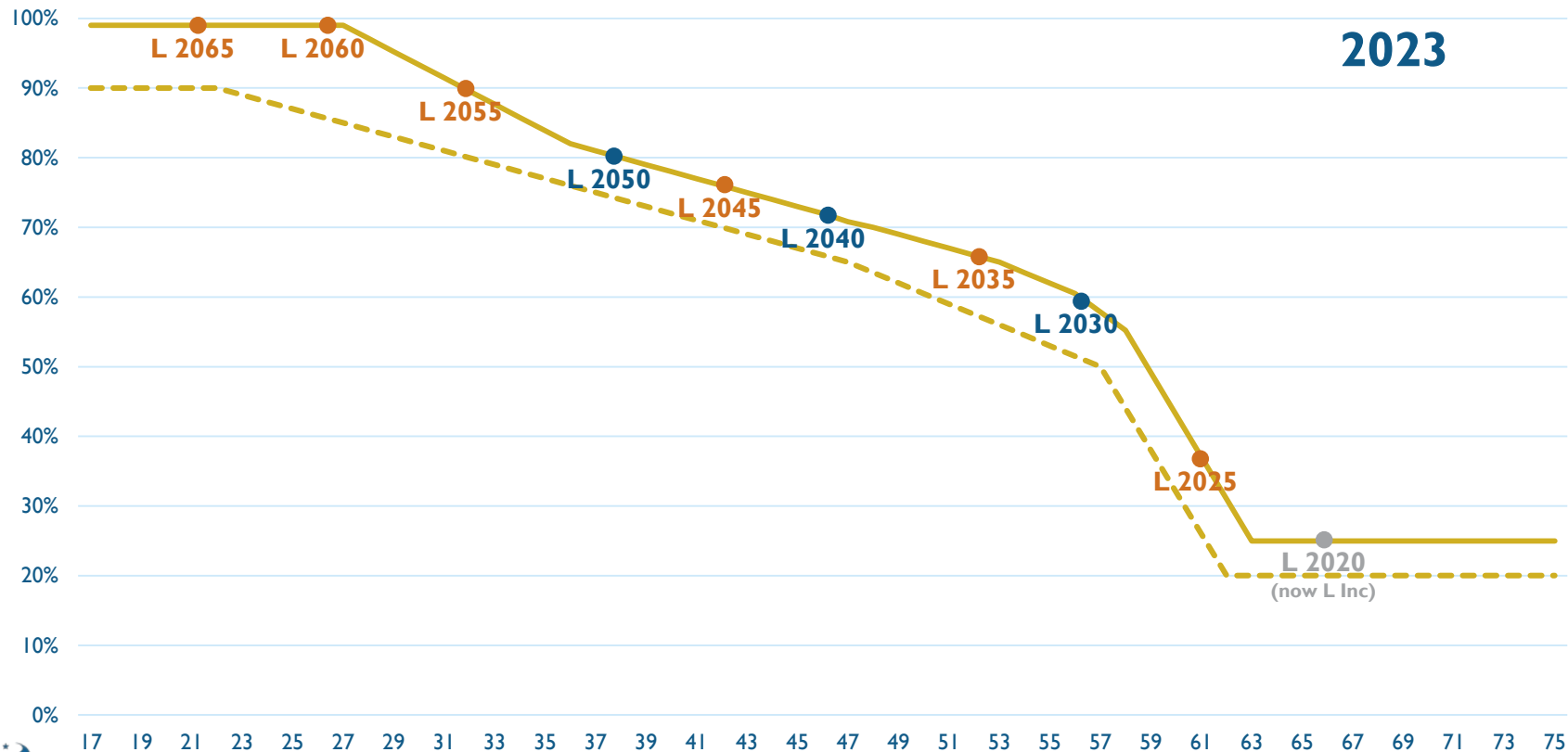
Glide Path Transition (2019-2033)



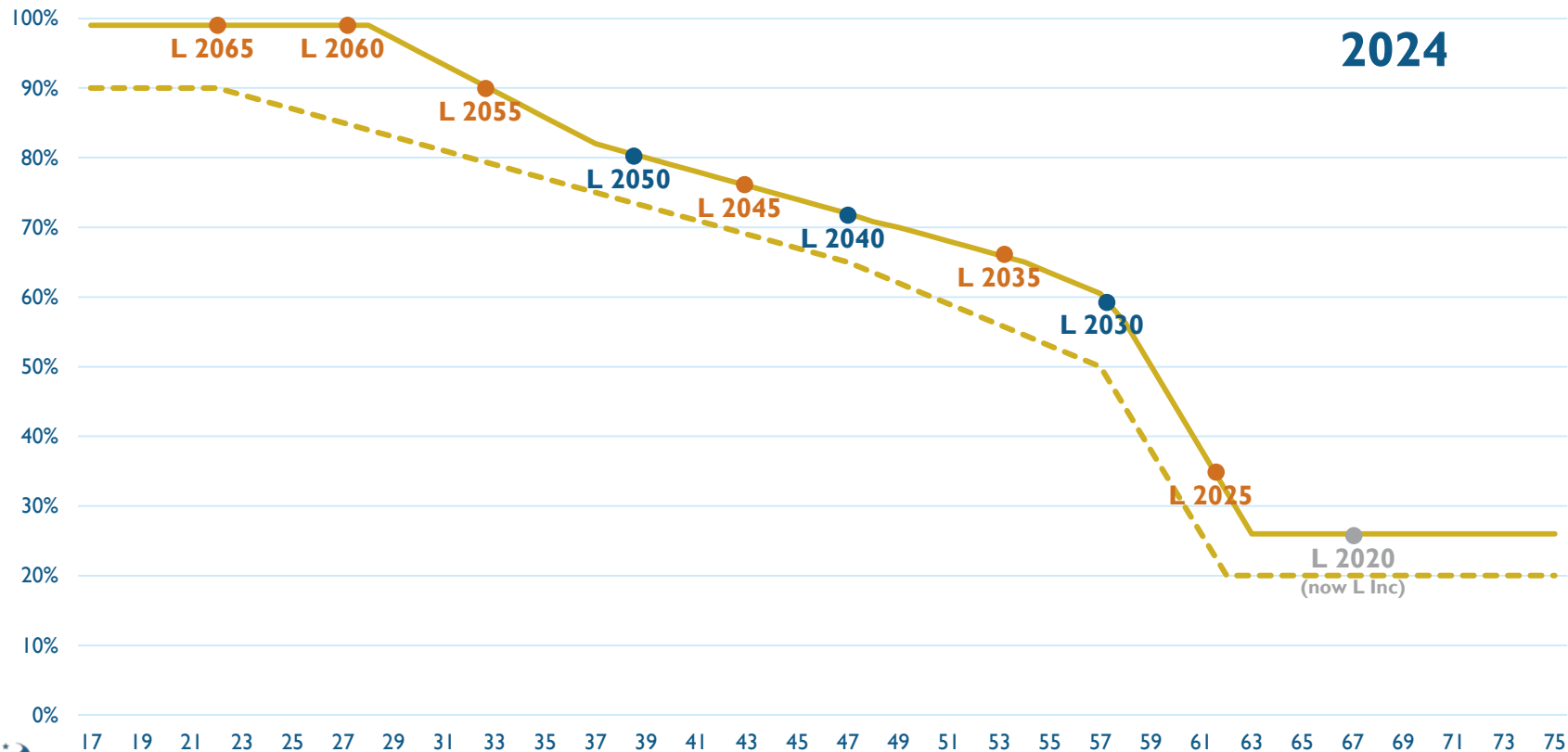
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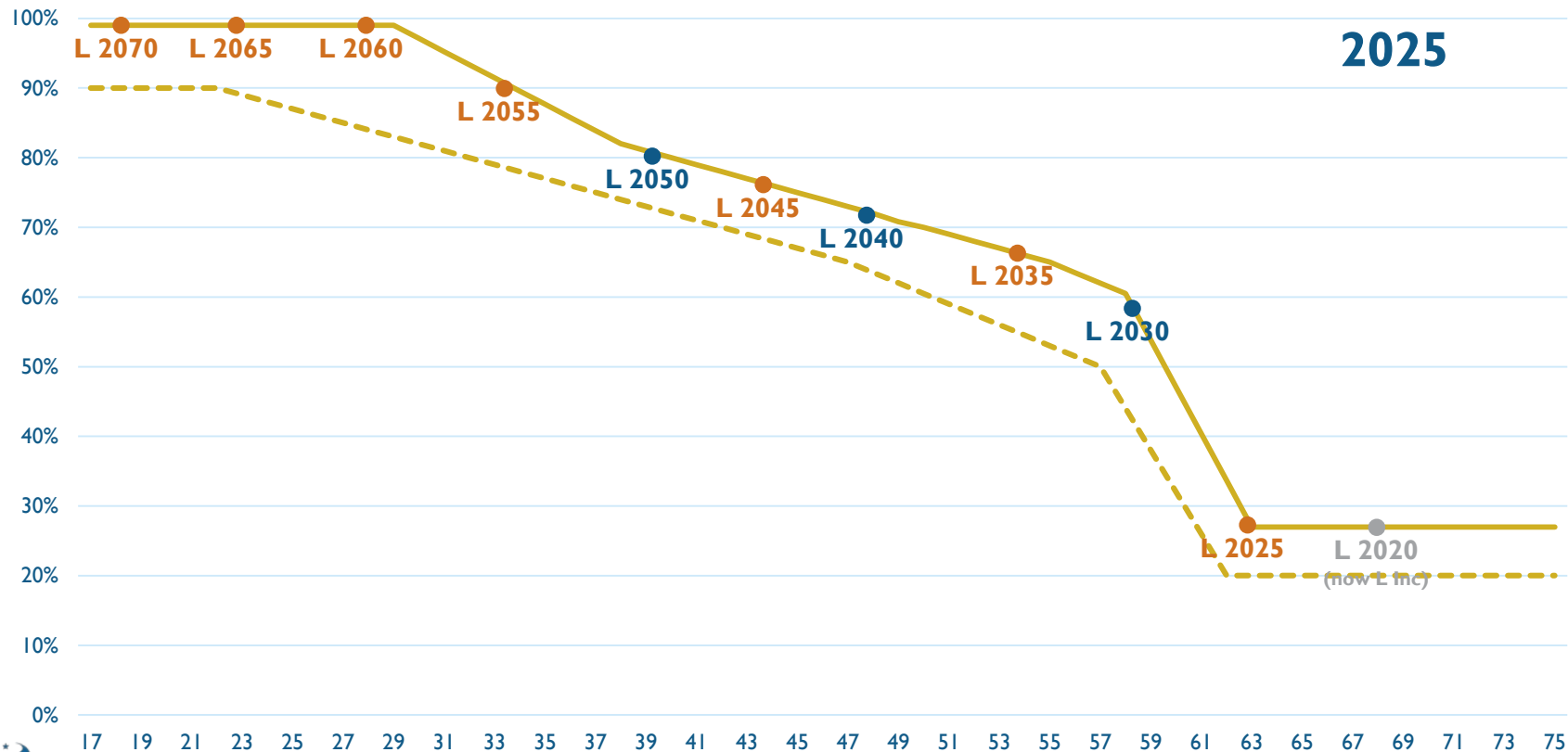
Glide Path Transition (2019-2033)



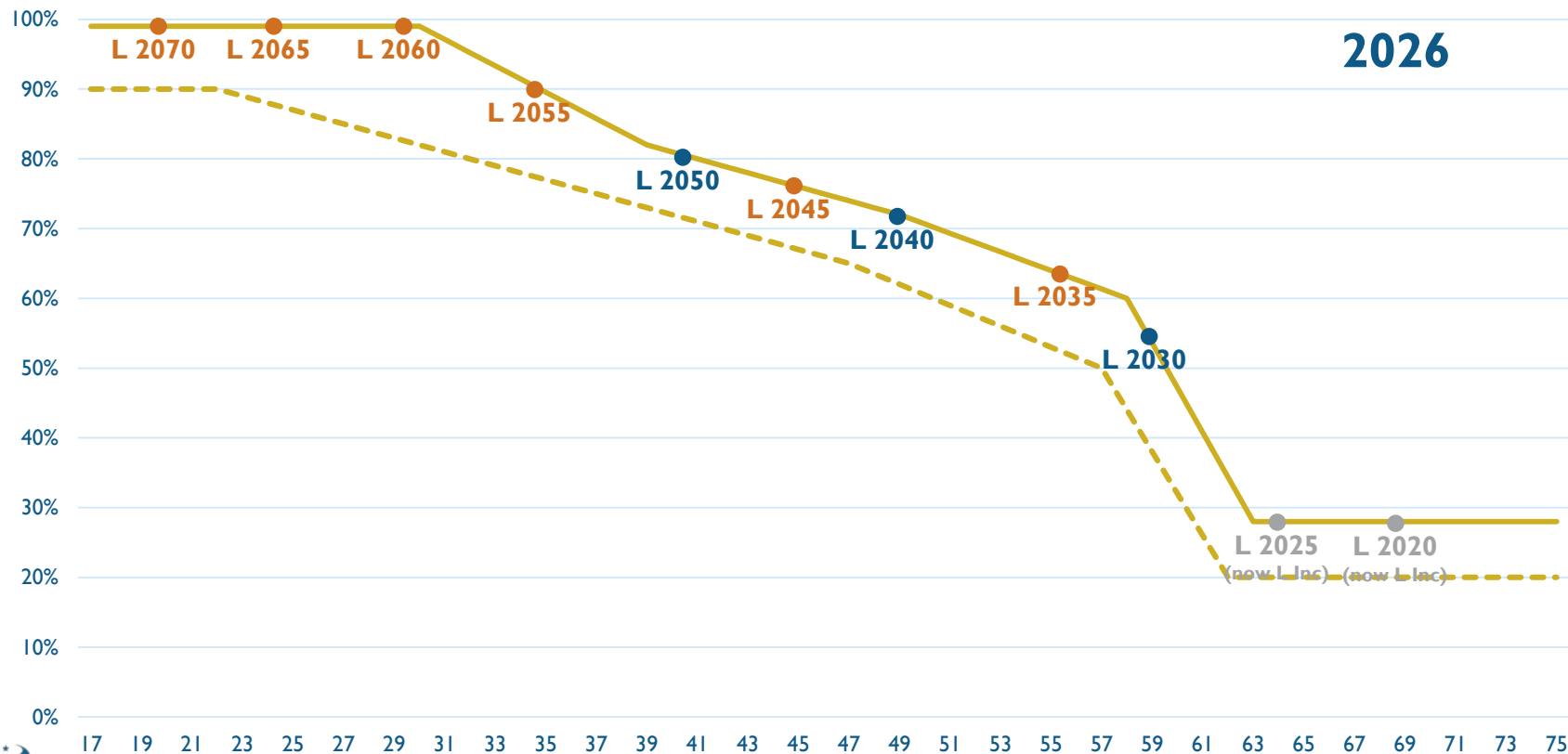
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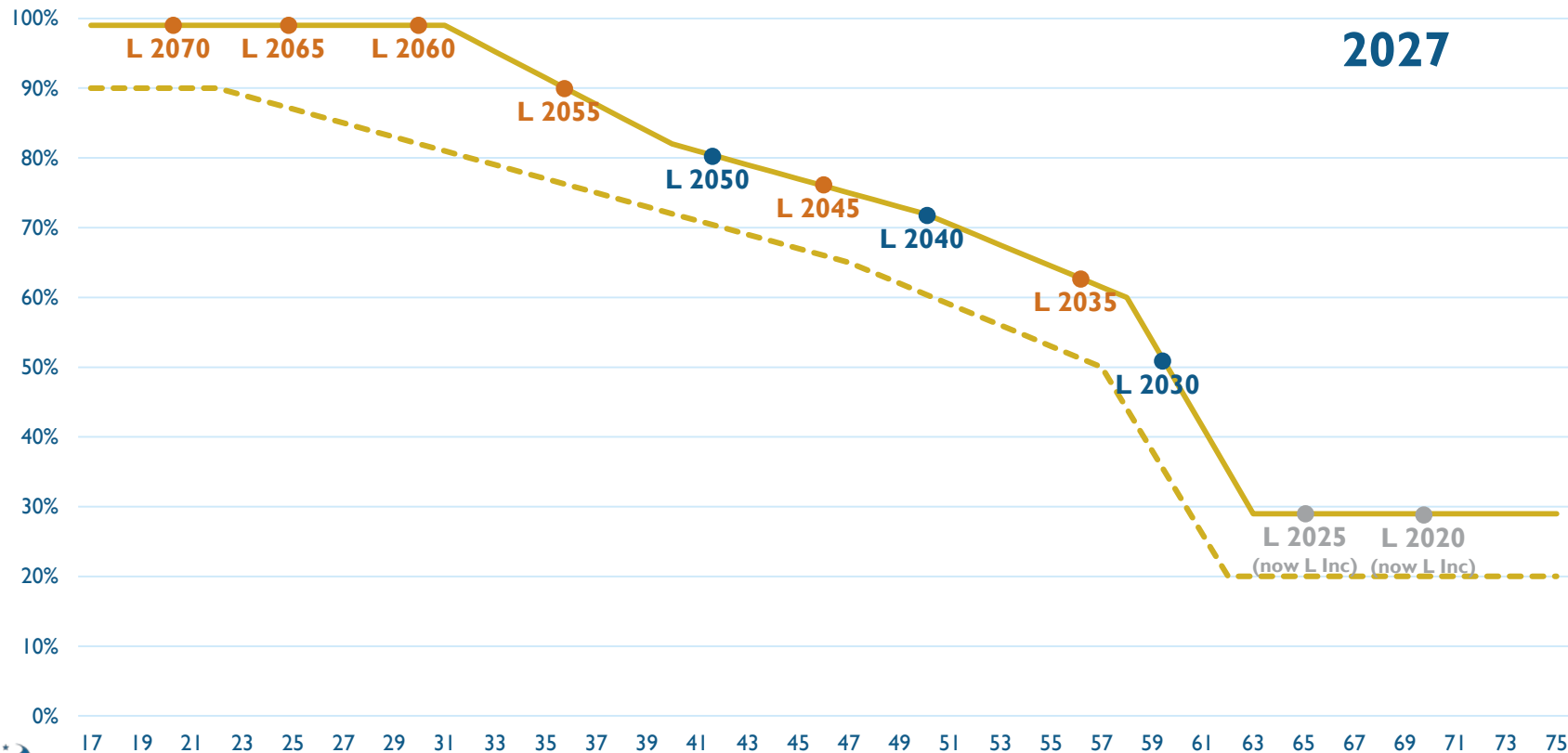
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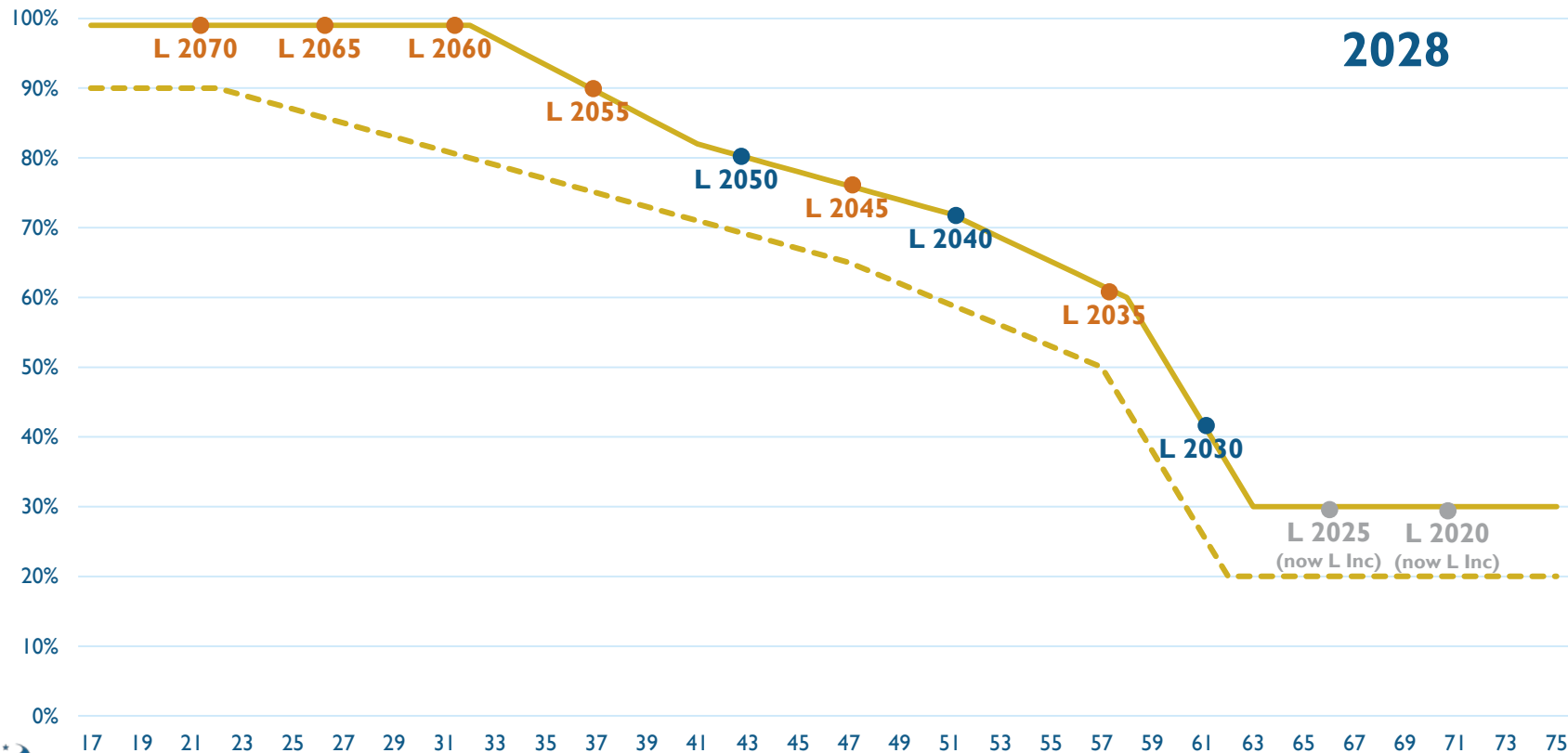
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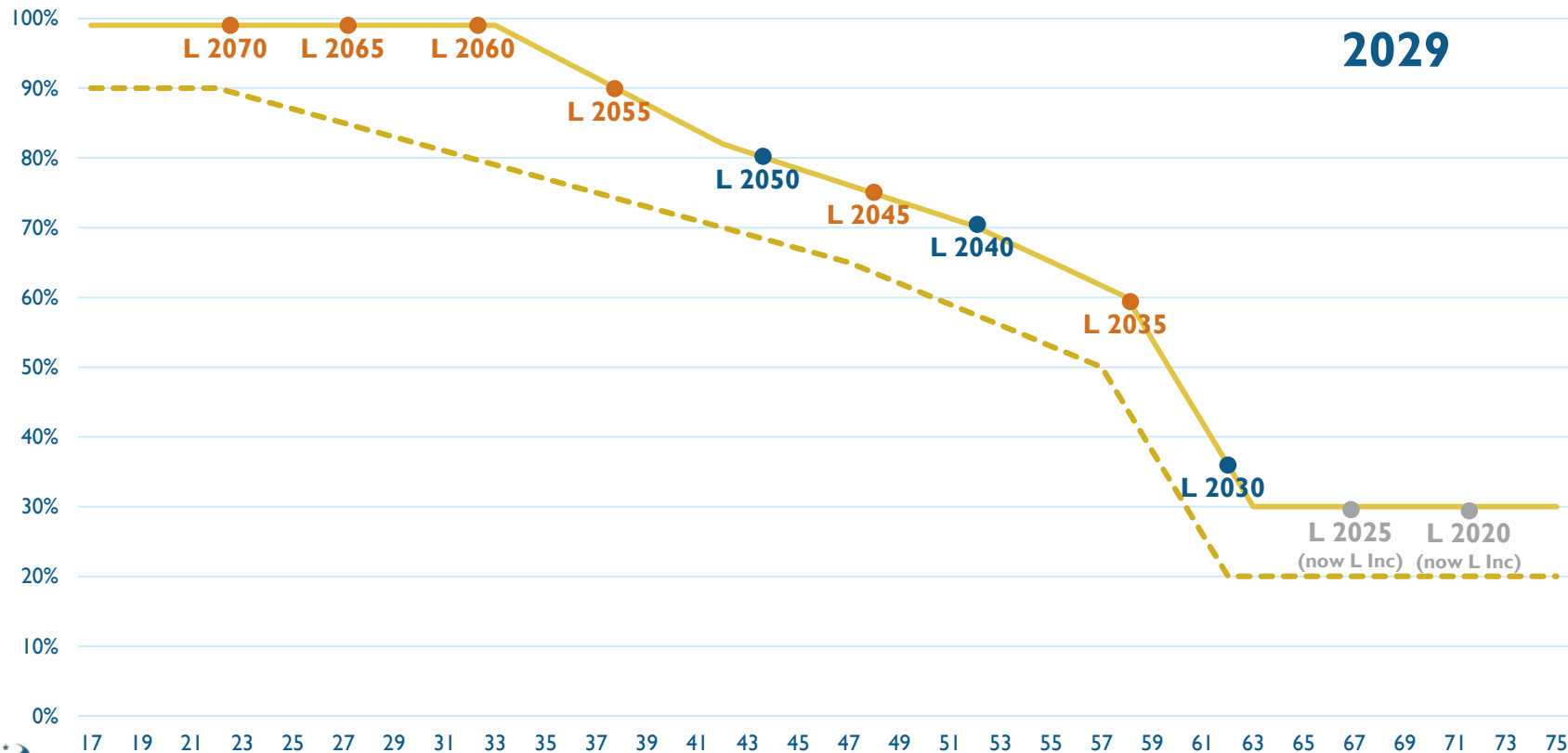
Glide Path Transition (2019-2033)



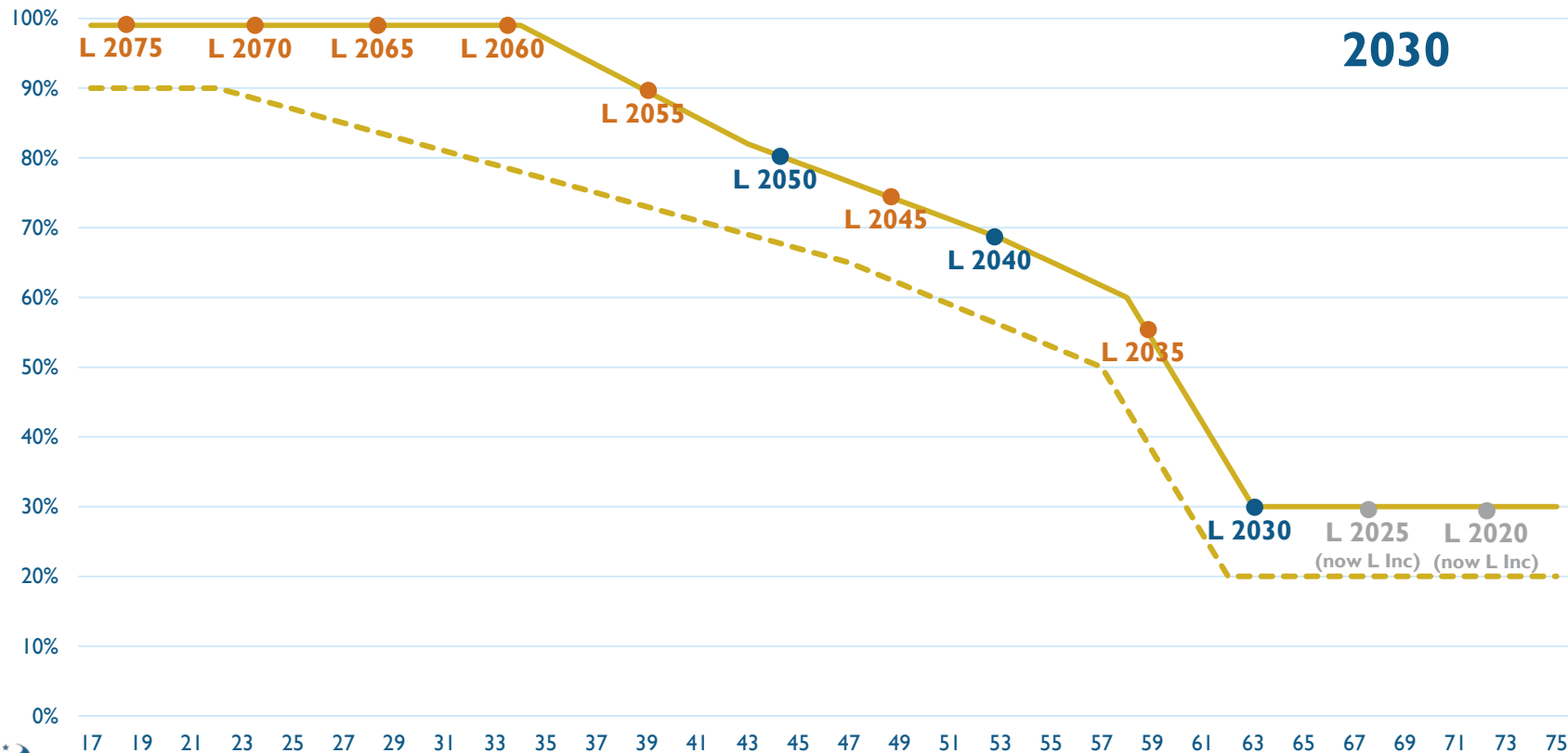
Glide Path Transition (2019-2033)



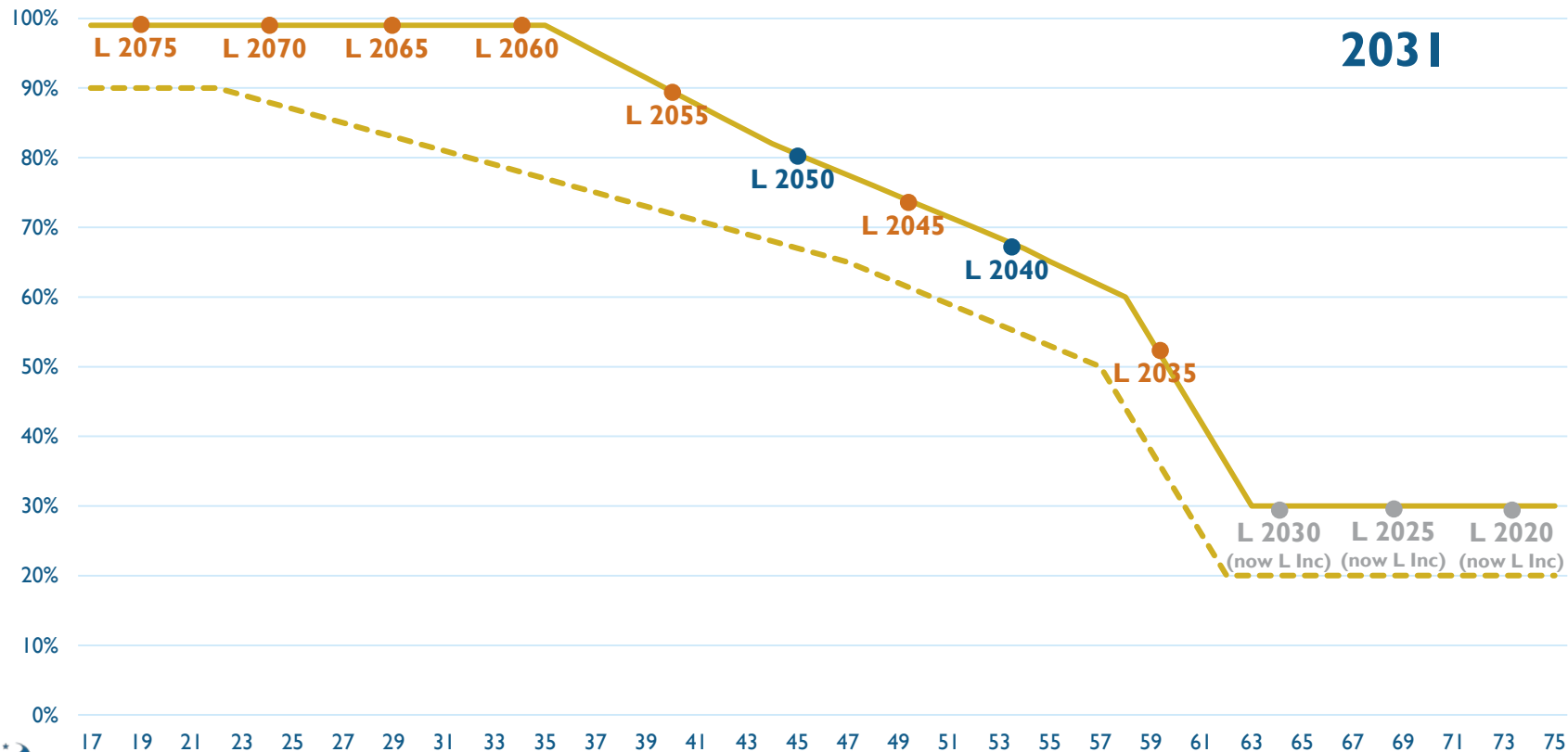
Glide Path Transition (2019-2033)



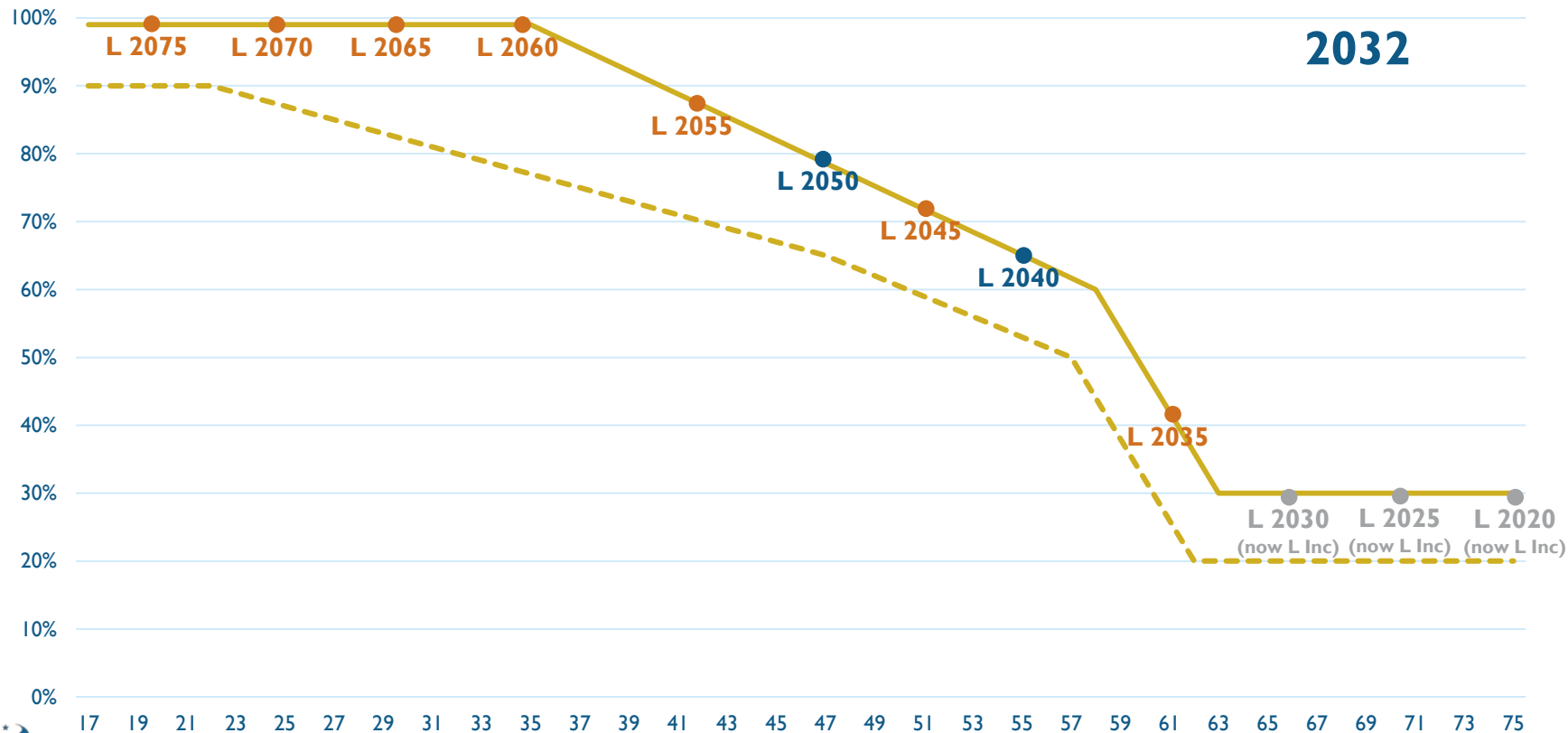
Glide Path Transition (2019-2033)



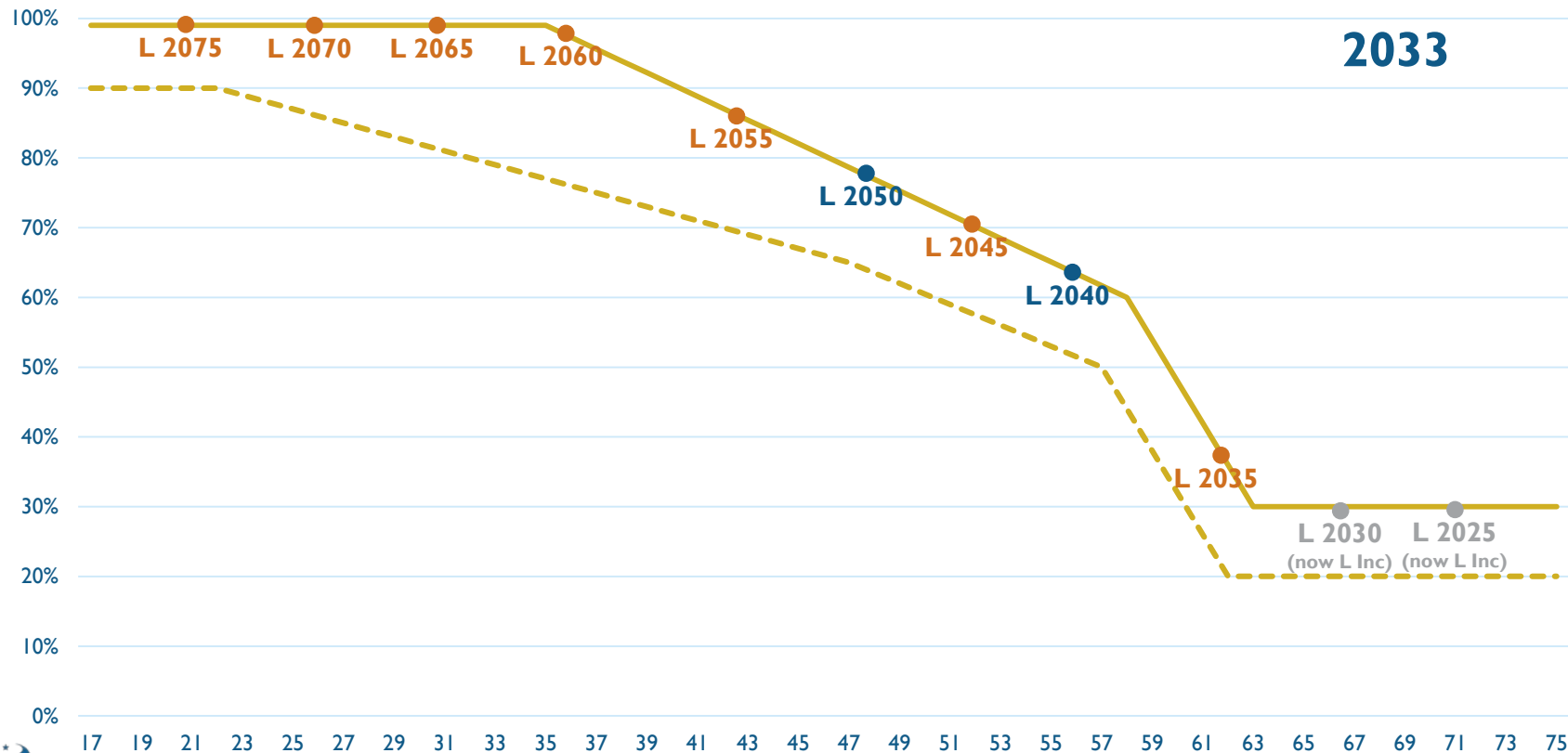
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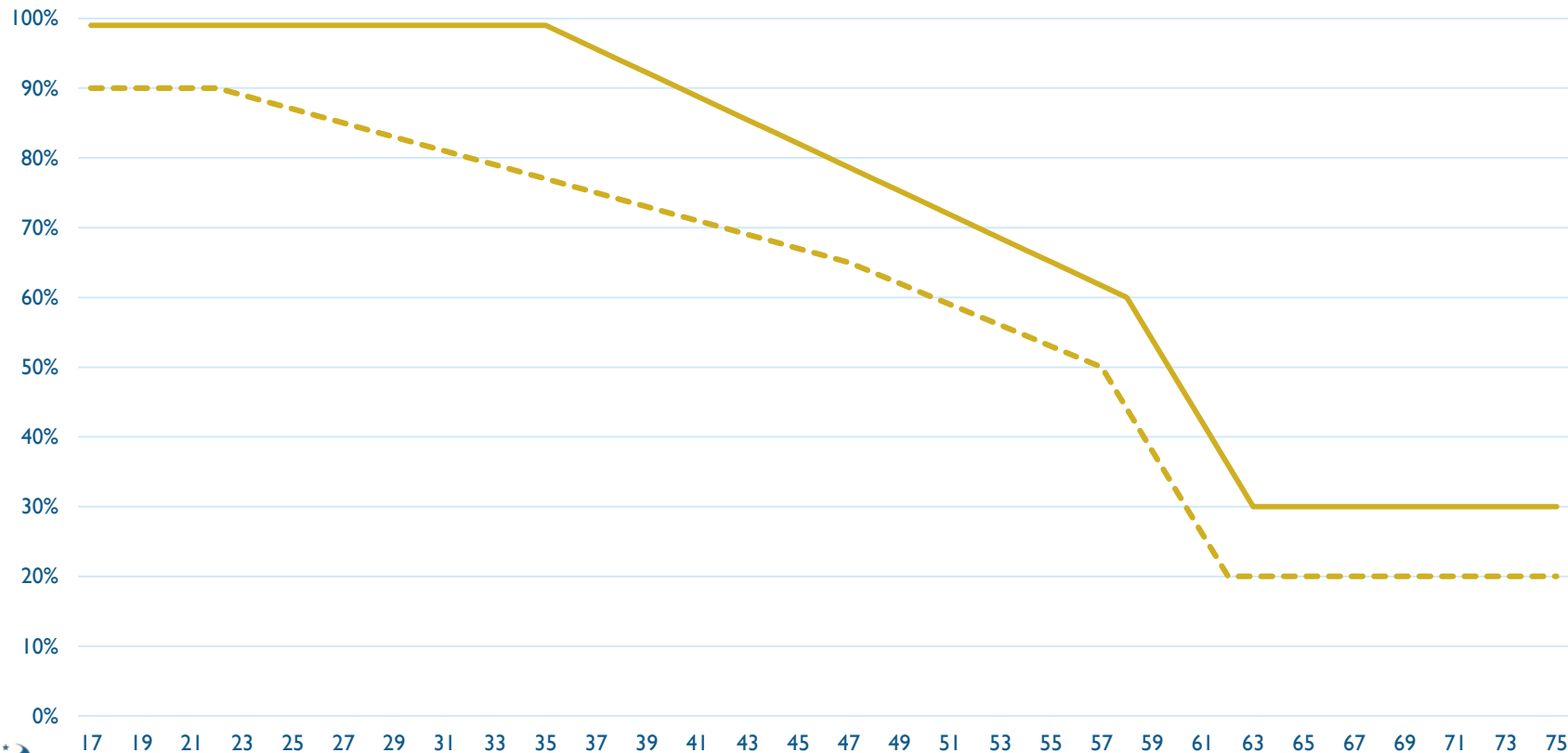
Glide Path Transition (2019-2033)



Glide Path Transition (2019-2033)



Glide Path Transition (2019-2033)



Key Changes to the L Funds

- L 2060 Fund and beyond will begin glide paths with 99% stock rather than current 90%.
- L Income Fund stock allocation will increase to 30% from 20% over a period of up to 10 years.
- International stock will increase to 35% of overall stock allocation from current 30% for all Funds.
- Total stock allocation for the L 2030, L 2040, and L 2050 Funds will be frozen at Q4 2018 levels for periods of years to facilitate transition to the new L 2060 glide path. No overall stock levels will be increased for existing Funds, with the exception of the L Income Fund.
- Total stock allocation for the L 2020 Fund will decline at a rate that facilitates meeting the L Income Fund at its new July 2020 stock allocation.
- Rules for assigning automatic enrollees to age-appropriate L Funds will be modified to reflect change in assumed age of first withdrawal from age 63 to age 62.