



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002

July 13, 2012

MEMORANDUM FOR BOARD MEMBERS KENNEDY, DUFFY, BILYEU,
MCCRAY, AND JONES

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

A handwritten signature in black ink, appearing to be "GTL", written over the printed name of Gregory T. Long.

SUBJECT: June 2012 Performance Review - G, F, C, S, I, and L Funds

INTRODUCTION

This report reviews key aspects of the investment performance of the G, F, C, S, I, and L Funds through June 2012, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BlackRock Funds (BTC)

June Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.05	0.04	0.01
Large Cap	4.13	4.12	0.01
Small Mid Cap	3.24	3.16	0.08
International	7.07	7.01	0.06

2012 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	2.42	2.37	0.05
Large Cap	9.54	9.49	0.05
Small Mid Cap	9.17	9.00	0.17
International	3.24	2.96	0.28

The BlackRock Extended Equity Market Fund E outperformed by 8 basis points in June, and by 17 basis points year to date, primarily due to the optimization process. The BlackRock EAFE Equity Index Fund E outperformed by 6 basis points in June, and by 28 basis points year to date, primarily as a result of the tax effect.

Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	<u>Basis Points</u>
		<u>\$</u>	
<u>F Fund</u>			
June	906,116,853	274,992	3.0
Year-to-Date	4,338,900,770	4,396,198	10.1
<u>C Fund</u>			
June	1,213,095,801	75,338.28	0.6
Year-to-Date	5,416,059,651	(67,227.23)	(0.1)
<u>S Fund</u>			
June	879,322,264	(155,080)	(1.8)
Year-to-Date	4,996,308,375	(276,890)	(0.6)
<u>I Fund</u>			
June	806,980,979	(87,819)	(1.1)
Year-to-Date	4,548,477,485	2,040,580	4.5

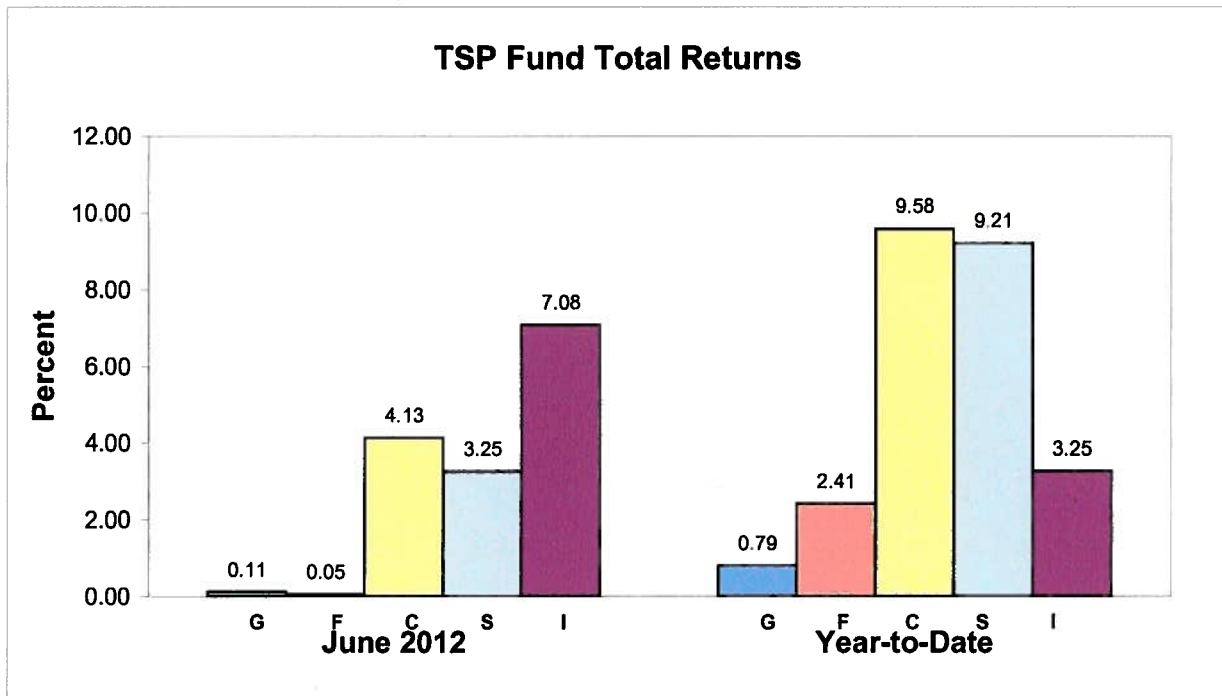
G Fund

The following table compares the G Fund rate to be paid in the month noted to the 3 month Treasury bill, the 10 year Treasury note and the 30 year Treasury bond at the time the rate was set. The weighted average maturity of the securities included in the G Fund rate calculation was 10.7 years, as of December 31, 2011.

	<u>G Fund</u>	<u>3-month T-bill</u>	<u>10 year T-note</u>	<u>30 year T-bond</u>
<u>2012</u>				
July	1.38%	0.08%	1.65%	2.75%
June	1.38	0.07	1.56	2.64
May	1.63	0.10	1.92	3.11
April	1.88	0.07	2.21	3.34
March	1.63	0.08	1.97	3.09
February	1.50	0.05	1.80	2.94
January	1.50	0.01	1.88	2.90
<u>2011</u>				
December	1.75%	0.00%	2.07%	3.06%
November	1.75	0.00	2.11	3.13
October	1.63	0.02	1.92	2.91
September	1.88	0.01	2.22	3.60
August	2.25	0.09	2.80	4.12
July	2.63	0.02	3.16	4.37
June	2.50	0.06	3.06	4.23
May	2.88	0.05	3.29	4.40
April	3.00	0.09	3.47	4.51
March	3.00	0.14	3.43	4.50
February	2.88	0.15	3.37	4.57
January	2.88	0.13	3.30	4.34
<u>2010</u>				
December	2.38%	0.17%	2.60%	4.11%
November	2.13	0.12	2.60	3.98
October	2.13	0.16	2.51	3.69
September	2.13	0.14	2.47	3.52
August	2.50	0.15	2.91	3.99
July	2.63	0.17	2.93	3.89
June	2.88	0.16	3.29	4.21
May	3.25	0.16	3.66	4.52
April	3.38	0.14	3.83	4.71
March	3.13	0.13	3.61	4.56
February	3.13	0.08	3.59	4.49
January	3.50	0.08	3.84	4.64

Performance of TSP Funds

The chart below shows the G, F, C, S, and I Fund net rates of return.



The table below compares the net rates of return for the F, C, S, and I Funds to the returns of the corresponding BlackRock funds.

June

Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.05	0.05	0.00	0.04
Large Cap	4.13	4.13	0.00	4.12
Small Cap	3.25	3.24	0.01	3.16
International	7.08	7.07	0.01	7.01

2012

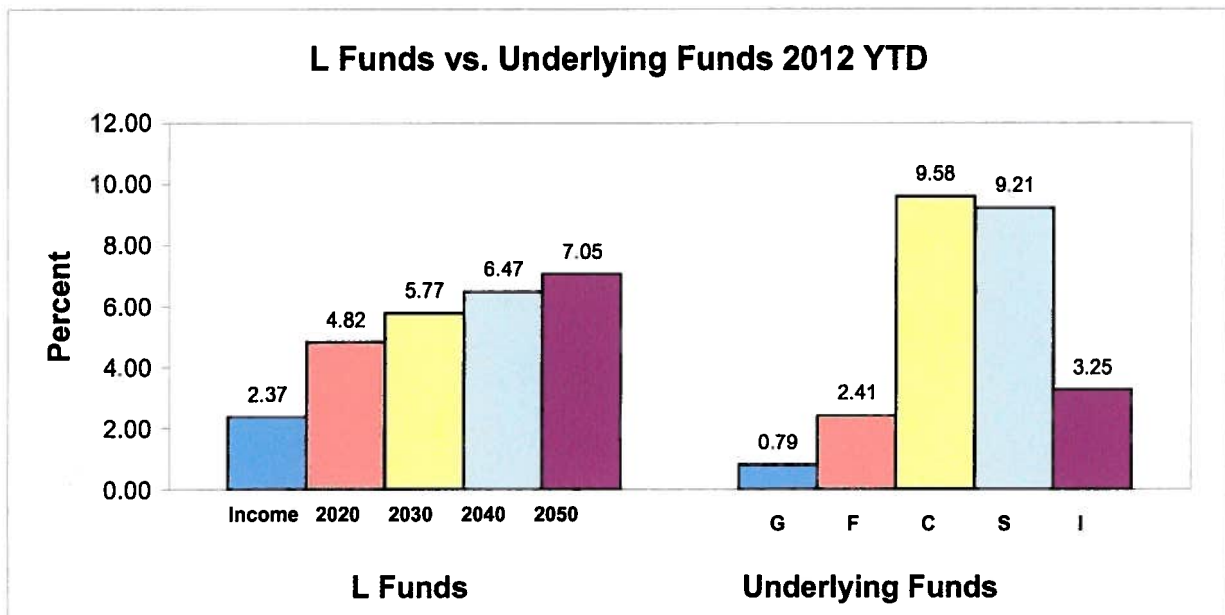
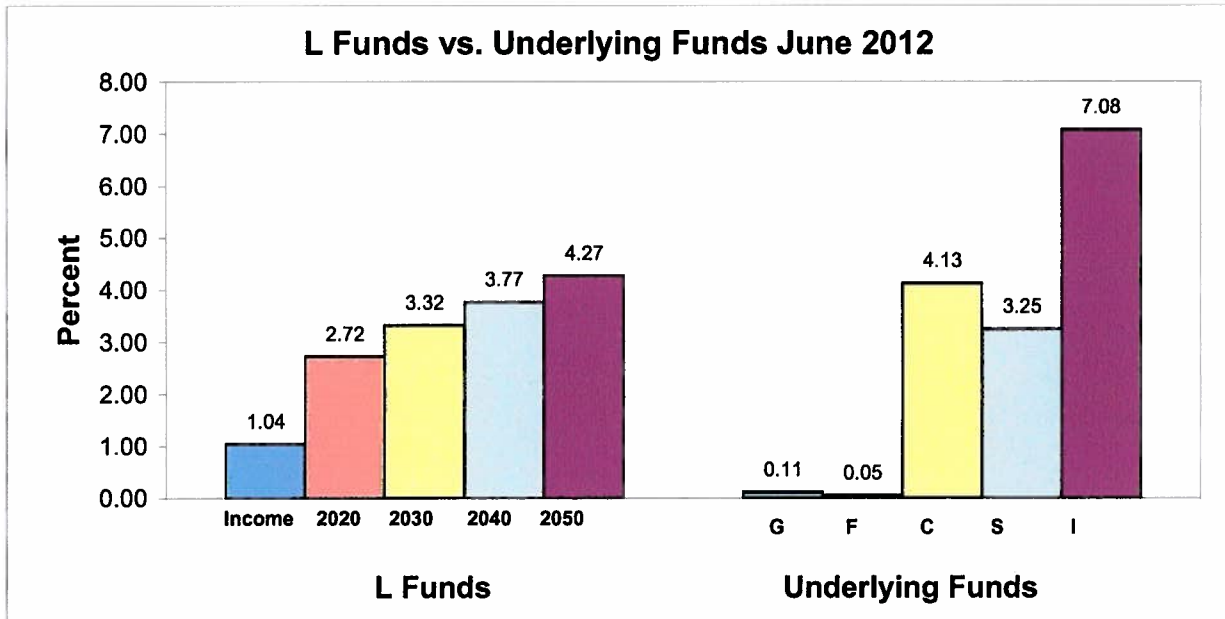
Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	2.41	2.42	-0.01	2.37
Large Cap	9.58	9.54	0.04	9.49
Small Cap	9.21	9.17	0.04	9.00
International	3.25	3.24	0.01	2.96

The TSP Funds closely tracked the BTC Funds for the month and year-to-date.

L Funds

The net rates of return for the L Funds are shown below along with comparable returns for the G, F, C, S, and I Funds.



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

Attachment 1 provides a summary of TSP investment activity and participation rates.

PROXY VOTING

An audit of BTC's proxy votes voting conducted by ISS found no exceptions to BTC's established guidelines during the first quarter of 2012. A copy of the audit report is provided as Attachment 2. The ISS audit report for the second quarter of 2012 is not yet available.

RECOMMENDATION

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.**

WHEREAS the Federal Employees' Retirement System Act of 1986, as amended (5 U.S.C. § 8401 -- et seq.) provides that 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.

Attachments

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Contributions and Interfund Transfers

	Contributions							Interfund Transfer Activity						
	G Fund (%)	F Fund (%)	C Fund (%)	S Fund (%)	I Fund (%)	L Funds (%)	Total (\$Mil)	G Fund (\$Mil)	F Fund (\$Mil)	C Fund (\$Mil)	S Fund (\$Mil)	I Fund (\$Mil)	L Funds (\$Mil)	# of IFTs
2006	34%	5%	32%	10%	10%	9%	19,531	(252)	(965)	(6,556)	(631)	2,989	5,415	1,964,545
2007	32%	4%	29%	9%	12%	13%	20,786	3,056	57	(6,343)	(1,505)	1,448	3,287	2,245,657
2008	37%	5%	25%	8%	11%	14%	21,772	19,383	293	(7,393)	(2,938)	(6,729)	(2,616)	1,561,517
2009	45%	5%	21%	7%	8%	14%	22,668	(3,818)	330	(1,051)	1,294	2,088	1,157	1,237,637
2010	42%	5%	20%	8%	9%	16%	24,426	97	635	(2,223)	2,397	(2,762)	1,856	1,427,253
2011	41%	5%	20%	9%	8%	17%	25,215	10,282	1,776	(5,607)	(2,660)	(3,133)	(658)	1,618,528
1/31/2011	41%	5%	21%	9%	8%	16%	1,813	(694)	(443)	271	501	(115)	480	142,594
2/28/2011	41%	5%	20%	9%	8%	17%	1,982	883	(247)	(479)	(189)	(302)	334	153,601
3/31/2011	41%	5%	20%	9%	8%	17%	2,339	1,345	151	(691)	(300)	(570)	65	173,787
4/30/2011	41%	5%	20%	9%	8%	17%	2,192	(371)	(181)	(248)	522	10	268	122,475
5/31/2011	40%	5%	20%	9%	8%	18%	2,142	(290)	310	(214)	(55)	42	207	99,151
6/30/2011	40%	5%	20%	9%	8%	18%	2,235	1,756	574	(897)	(844)	(332)	(257)	111,724
7/31/2011	41%	5%	20%	9%	8%	18%	1,980	5,581	(180)	(2,041)	(1,556)	(757)	(1,047)	149,823
8/31/2011	42%	5%	19%	9%	8%	17%	1,988	1,365	687	(571)	(437)	(468)	(576)	239,363
9/30/2011	43%	5%	19%	8%	7%	17%	2,431	(102)	582	(184)	(93)	(128)	(75)	104,089
10/31/2011	43%	5%	19%	8%	7%	17%	2,028	159	156	(173)	(66)	(84)	8	122,878
11/30/2011	42%	5%	19%	9%	7%	17%	2,203	147	147	(70)	75	(203)	(96)	104,938
12/31/2011	44%	5%	19%	8%	7%	17%	1,882	503	220	(310)	(218)	(226)	31	94,105
1/31/2012	43%	5%	19%	8%	7%	17%	1,960	(821)	582	141	71	(207)	234	113,050
2/29/2012	42%	6%	19%	9%	7%	17%	2,010	(1,293)	439	98	466	(46)	336	128,789
3/31/2012	43%	6%	19%	9%	7%	17%	2,520	(471)	(126)	225	127	(5)	250	114,394
4/30/2012	42%	6%	19%	9%	7%	18%	2,099	446	162	(148)	(305)	(211)	56	102,479
5/31/2012	41%	6%	19%	9%	7%	18%	2,297	709	878	(520)	(454)	(337)	(276)	114,494
6/30/2012	42%	6%	19%	9%	7%	18%	2,002	720	722	(535)	(428)	(220)	(260)	102,032

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
L Fund Investment Balances and Investment Allocations

	L Fund Investment Balances					Allocation of L Fund Balances (%)			
	Income (\$Mil)	2010 (\$Mil)	2020 (\$Mil)	2030 (\$Mil)	2040 (\$Mil)	Total (\$Mil)	FERS Inc/2010/2020/2030/2040	CSRS Inc/2010/2020/2030/2040	Uniformed Services Inc/2010/2020/2030/2040
2006	917	4,081	6,418	3,335	2,126	16,877	4/21/40/22/13	11/45/32/6/6	2/7/22/35/34
2007	1,237	5,326	8,801	4,970	3,547	23,881	4/19/39/23/15	10/42/34/7/7	2/6/21/34/37
2008	968	4,001	6,593	4,031	2,725	18,318	5/19/37/24/15	11/44/33/7/5	2/7/20/34/37
2009	1,205	4,479	9,290	6,219	4,558	25,751	4/15/37/26/18	11/39/36/8/6	2/5/19/34/40
2010	5,404	0	12,914	8,840	6,645	33,803	14/0/38/28/20	39/0/45/9/7	5/0/18/34/43

	L Fund Investment Balances					Allocation of L Fund Balances (%)			
	Income (\$Mil)	2020 (\$Mil)	2030 (\$Mil)	2040 (\$Mil)	2050 (\$Mil)	Total (\$Mil)	FERS Inc/2020/2030/2040/2050	CSRS Inc/2020/2030/2040/2050	Uniformed Services Inc/2020/2030/2040/2050
1/31/2011	5,234	13,493	9,212	6,888	142	34,969	13/39/28/20/0	37/47/9/7/0	5/18/34/43/0
2/28/2011	5,270	13,971	9,591	7,046	473	36,351	12/40/28/19/1	36/47/9/7/1	6/18/34/41/2
3/31/2011	5,256	14,075	9,725	7,091	569	36,716	12/39/28/19/2	36/47/10/6/1	4/18/34/42/2
4/30/2011	5,317	14,632	10,184	7,426	661	38,220	12/39/28/19/2	35/48/10/6/1	4/17/35/42/2
5/31/2011	5,357	14,688	10,237	7,441	707	38,429	12/39/28/19/2	35/48/10/6/1	4/17/34/42/3
6/30/2011	5,317	14,526	10,183	7,386	703	38,115	12/39/28/19/2	36/47/10/6/1	4/17/34/42/3
7/31/2011	5,249	13,960	9,892	7,179	651	36,931	12/39/28/19/2	36/48/9/6/1	4/17/34/42/3
8/31/2011	5,025	13,193	9,455	6,786	672	35,131	12/38/29/19/2	37/47/9/6/1	5/17/34/41/3
9/30/2011	4,924	12,623	9,000	6,412	648	33,607	13/38/28/19/2	38/47/9/5/1	5/17/34/41/3
10/31/2011	5,024	13,494	9,798	7,064	731	36,112	12/38/29/19/2	36/47/10/6/1	4/17/34/42/3
11/30/2011	4,993	13,488	9,839	7,116	757	36,193	12/38/29/19/2	37/48/9/5/1	4/17/34/41/4
12/31/2011	5,006	13,572	9,971	7,205	764	36,517	12/38/29/19/2	37/47/10/5/1	4/17/34/41/4

1/31/2012	5,079	14,155	10,522	7,618	830	38,204	11/38/29/20/2	36/47/10/6/1	4/17/34/41/4
2/29/2012	5,160	14,709	11,040	8,003	925	39,837	11/38/29/20/2	35/48/10/6/1	4/17/34/41/4
3/31/2012	5,225	15,062	11,396	8,268	1,009	40,961	11/38/29/20/2	35/48/10/6/1	4/16/34/42/4
4/30/2012	5,220	15,086	11,459	8,309	1,030	41,104	11/38/29/20/2	35/49/10/5/1	4/16/34/42/4
5/31/2012	5,097	14,384	10,921	7,871	979	39,251	11/38/29/20/2	36/48/10/5/1	4/16/33/42/5

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Allocation of Account Balances

	Number of TSP Participants					Allocation of Account Balances (G/F/C/S/I/L Fund)			
	with Entire Account Balance Invested in One Lifecycle Fund					Allocation of Account Balances (G/F/C/S/I/L Fund)			
	FERS	CSRS	Uniformed Services	FERS		CSRS		Uniformed Services	
	#	%	#	%	#	(G/F/C/S/I/L)	(G/F/C/S/I/L)	(G/F/C/S/I/L)	(G/F/C/S/I/L)
2006	94,323	4%	25,860	4%	30,921	4%	32/5/36/8/10/9	38/5/35/6/8/8	38/4/20/14/13/11
2007	116,157	5%	28,753	5%	40,046	5%	32/5/33/7/12/11	39/5/32/6/9/9	36/4/18/13/15/14
2008	108,130	4%	21,470	4%	42,267	5%	50/7/22/5/6/10	58/6/21/3/4/8	48/5/14/9/10/14
2009	116,137	4%	20,090	4%	43,720	4%	44/6/25/6/8/11	53/6/23/4/6/8	42/4/15/11/12/16
2010	134,674	5%	21,025	4%	47,928	4%	40/6/25/9/7/13	49/6/24/7/5/9	39/4/15/13/11/18
1/31/2011	137,604	5%	21,090	4%	49,088	5%	39/6/26/9/7/13	48/6/25/7/5/9	39/4/15/13/11/18
2/28/2011	139,504	5%	21,218	4%	49,706	5%	39/6/26/9/7/13	48/6/25/7/5/9	38/4/15/13/11/19
3/31/2011	140,389	5%	21,134	4%	50,184	5%	40/6/25/9/7/13	47/6/25/7/5/10	38/4/15/13/11/19
4/30/2011	141,500	5%	21,207	4%	50,444	5%	39/6/26/9/7/13	47/6/25/7/5/10	37/4/15/14/11/19
5/31/2011	142,683	5%	21,277	4%	50,875	5%	39/6/25/9/7/14	47/6/25/7/5/10	38/4/15/13/11/19
6/30/2011	142,559	5%	21,058	4%	51,056	5%	40/6/25/9/7/13	48/6/24/7/5/10	38/4/15/13/11/19
7/31/2011	140,596	5%	20,473	4%	51,167	5%	43/6/24/8/6/13	52/6/23/6/4/9	38/4/15/13/11/19
8/31/2011	139,009	5%	19,877	4%	51,235	5%	43/7/23/8/6/13	52/7/22/6/4/9	40/5/14/12/10/19
9/30/2011	138,842	5%	19,688	4%	51,225	5%	46/7/22/7/5/13	54/7/21/5/4/9	43/5/14/11/9/18
10/31/2011	139,380	5%	19,539	4%	51,535	4%	43/7/23/8/6/13	51/7/23/6/4/9	39/5/15/12/10/19
11/30/2011	139,204	5%	19,342	4%	51,683	4%	44/7/23/8/5/13	52/7/22/6/4/9	40/5/15/12/9/19
12/31/2011	139,599	5%	19,253	4%	51,715	4%	44/7/23/8/5/13	52/7/23/6/3/9	40/5/15/12/9/19
1/31/2012	140,948	5%	19,230	4%	52,315	5%	43/7/24/8/5/13	51/7/23/6/4/9	40/5/15/12/9/19
2/29/2012	142,420	5%	19,271	4%	52,785	5%	42/7/25/8/5/13	50/7/24/6/4/9	39/5/15/13/9/19
3/31/2012	142,745	5%	19,212	4%	53,090	5%	41/7/25/8/5/14	50/7/24/6/4/9	38/5/15/13/9/20
4/30/2012	143,242	5%	19,140	4%	53,328	5%	41/7/25/8/5/14	50/7/25/6/3/9	38/5/15/13/9/20
5/31/2012	142,647	5%	18,894	4%	53,376	5%	43/7/24/8/5/13	51/8/23/6/3/9	40/5/15/12/8/20
6/30/2012	142,193	5%	18,642	4%	53,306	4%	42/8/24/8/5/13	50/8/24/6/3/9	39/5/15/12/9/20

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
L Fund Participation

	Participants with Balances in the L Funds				Number of Participant Accounts with L Fund Balances								
	FERS		CSRS		Uniformed Services (000s)	%	Income	2010	2020	2030	2040	Any L Fund	
	(000s)	%	(000s)	%									
2006	273	12%	57	9%	103	14%	34,698	87,845	137,155	124,086	132,325	433,025	
2007	359	15%	68	11%	139	17%	45,093	108,073	175,838	168,215	196,888	566,232	
2008	373	15%	57	10%	154	17%	48,139	103,507	174,922	179,855	211,196	584,468	
2009	424	16%	57	10%	165	17%	53,770	110,879	195,500	204,995	244,145	647,040	
2010	497	18%	59	11%	183	17%	130,930	0	230,231	243,512	295,619	738,720	
	FERS (000s)	%	CSRS (000s)	%	Uniformed Services (000s)	%	Income	2020	2030	2040	2050	Any L Fund	
1/31/2011	505	18%	59	11%	184	17%	127,892	234,372	247,483	299,794	3,176	748,186	
2/28/2011	513	18%	60	11%	187	17%	127,328	236,984	250,725	300,507	15,645	759,595	
3/31/2011	522	18%	60	11%	189	17%	126,889	238,665	253,941	302,907	22,873	770,657	
4/30/2011	528	18%	60	12%	191	17%	126,806	241,486	257,383	305,966	28,163	779,089	
5/31/2011	533	19%	60	12%	192	17%	127,024	243,221	259,899	308,262	32,126	785,674	
6/30/2011	534	19%	60	12%	193	17%	126,513	242,897	260,762	308,677	34,734	787,339	
7/31/2011	530	18%	58	11%	194	17%	125,018	238,983	258,922	306,624	35,997	781,907	
8/31/2011	528	18%	57	11%	194	17%	122,453	234,539	257,007	303,831	38,922	778,913	
9/30/2011	530	18%	56	11%	195	17%	122,268	235,399	258,261	304,908	41,458	781,547	
10/31/2011	531	18%	56	11%	196	17%	121,893	236,424	259,744	306,369	43,817	783,052	
11/30/2011	533	18%	56	11%	196	17%	121,566	236,638	260,835	307,241	46,029	785,421	
12/31/2011	536	19%	55	11%	197	17%	121,564	237,321	262,098	308,186	47,832	788,326	
1/31/2012	539	20%	55	11%	199	17%	121,752	238,782	264,330	309,932	50,505	793,065	
2/29/2012	544	19%	55	11%	200	17%	121,762	240,291	266,794	311,982	54,065	799,416	
3/31/2012	549	19%	56	11%	202	17%	122,023	241,964	269,277	314,487	57,627	806,634	
4/30/2012	552	19%	55	11%	203	17%	121,885	242,462	270,585	315,669	60,026	809,731	
5/31/2012	552	19%	55	11%	203	17%	121,377	241,174	270,580	317,512	61,670	810,111	

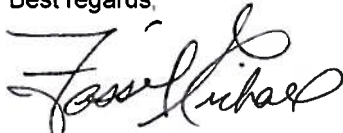
April 9, 2012

Mr. Chad Spittler
Director
PMG – Corporate Governance
BlackRock
400 Howard Street
San Francisco, CA 94105

Dear Chad,

Enclosed are the results of our review of proxy votes by BlackRock for the 1st quarter of 2012.
Our review found that there were no exceptions to policy over this period.

Best regards,



Fasil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 1st quarter proxy voting are as follows:

- Votes at 32 meetings were examined.
- Votes at 14 of the 32 meetings were for directors, auditors, and/or proposals related to management say-on-pay (MSOP) only.
- At the 18 remaining meetings, there were 23 non-director/auditor/MSOP-related proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	9
Non-executive stock option plan	1
Employee stock purchase plan	1
Reverse stock split	2
Merger and/or reorganization	2
Adjourn meeting	2
Declassify board of directors	1
Fix number of directors	1
Other business	1
Shareholder proposal	3
Total:	23

- There were 9 votes cast on executive stock option plans; the votes were cast in favor of the plans.
- There was 1 vote cast on a non-executive stock option plan; the vote was cast in favor of the plan.
- There were 2 votes cast on increases in authorized common stock; the votes were cast in favor of the authorizations.
- There were 2 votes cast on mergers and/or major corporate transactions; the votes were cast in favor of the transactions.
- There were 3 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to redeem outstanding rights under rights agreement; the vote was cast in favor of the proposal.
 - b) 1 shareholder proposal to submit poison pill to shareholder vote; the vote was cast in favor of the proposal.
 - c) 1 shareholder proposal to repeal bylaw amendments; the vote was cast against the proposal.
- There were 7 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There was 1 vote cast on a management advisory vote on golden parachute compensation; the vote was cast in favor of the advisory vote.

There were no exceptions to policy this period.