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

October 5, 2012

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: September 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 September 2012, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BlackRock Funds (BTC)

September Tracking Error

Fund	% BTC Fund Performance	% Index Performance	Tracking Error
Fixed Income	0.15	0.14	0.01
Large Cap	2.59	2.58	0.01
Small Mid Cap	**2.50**	**2.45**	**0.05**
International	2.96	2.96	0.00

2012 Tracking Error

Fund	% BTC Fund Performance	% Index Performance	Tracking Error
Fixed Income	4.08	3.99	0.09
Large Cap	16.53	16.44	0.09
Small Mid Cap	**15.16**	**14.73**	**0.43**
International	**10.40**	**10.08**	**0.32**

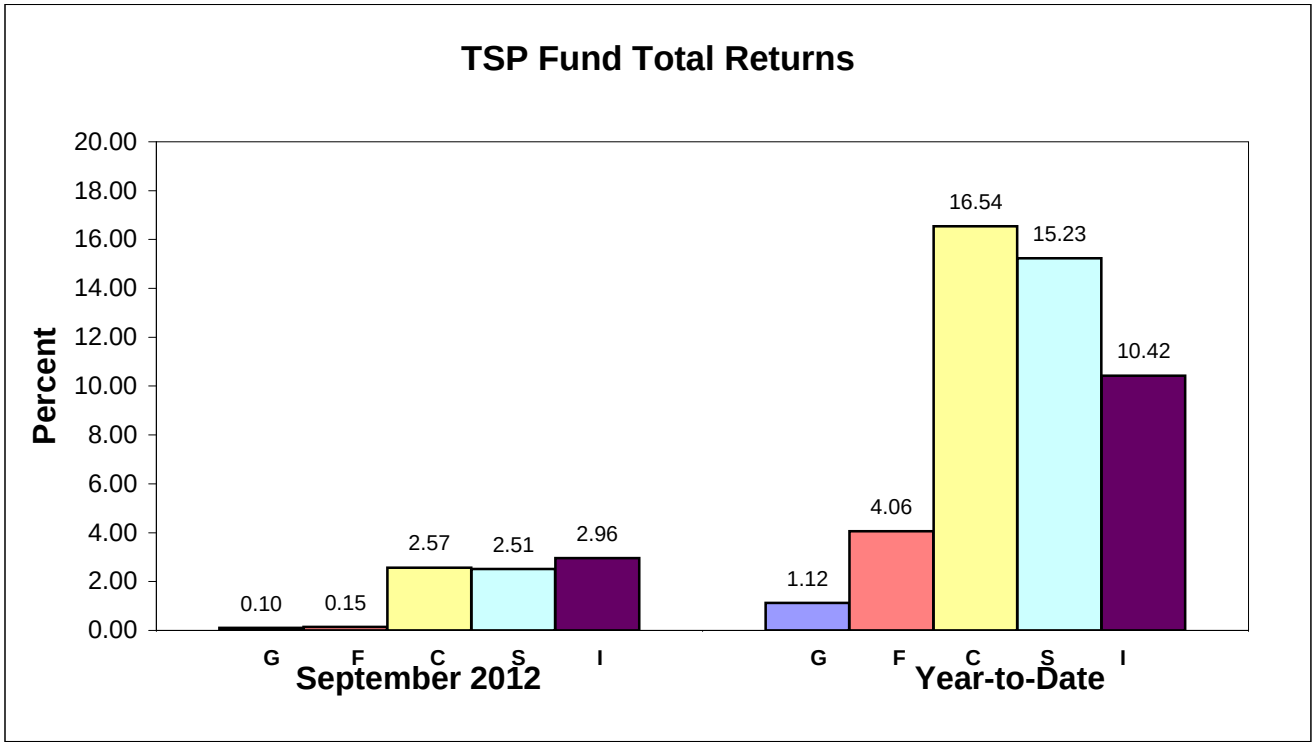
The BlackRock Extended Equity Market Fund E outperformed by 5 basis points in September, and by 43 basis points year to date, primarily due to the optimization process and securities lending income. The BlackRock EAFE Equity Index Fund E has outperformed by 32 basis points year to date, primarily as a result of the tax effect.

Trading Costs

	Dollar Amount Traded	Trading Costs $	Trading Costs Basis Points
F Fund			
September	460,308,461	199,312	4.3
Year-to-Date	6,393,834,694	6,455,391	10.1
C Fund			
September	665,328,367	145,974	2.2
Year-to-Date	8,218,513,153	15,415	0.0
S Fund			
September	524,576,374	(296,962)	(5.7)
Year-to-Date	7,405,045,297	(330,489)	(0.4)
I Fund			
September	708,830,657	73,398	1.0
Year-to-Date	6,964,010,090	273,595	0.4

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.

September
Total Return %

Fund	TSP	BTC	Difference	Index
Fixed Income	0.15	0.15	0.00	0.14
Large Cap	2.57	2.59	-0.02	2.58
Small Cap	2.51	2.50	0.01	2.45
International	2.96	2.96	0.00	2.96

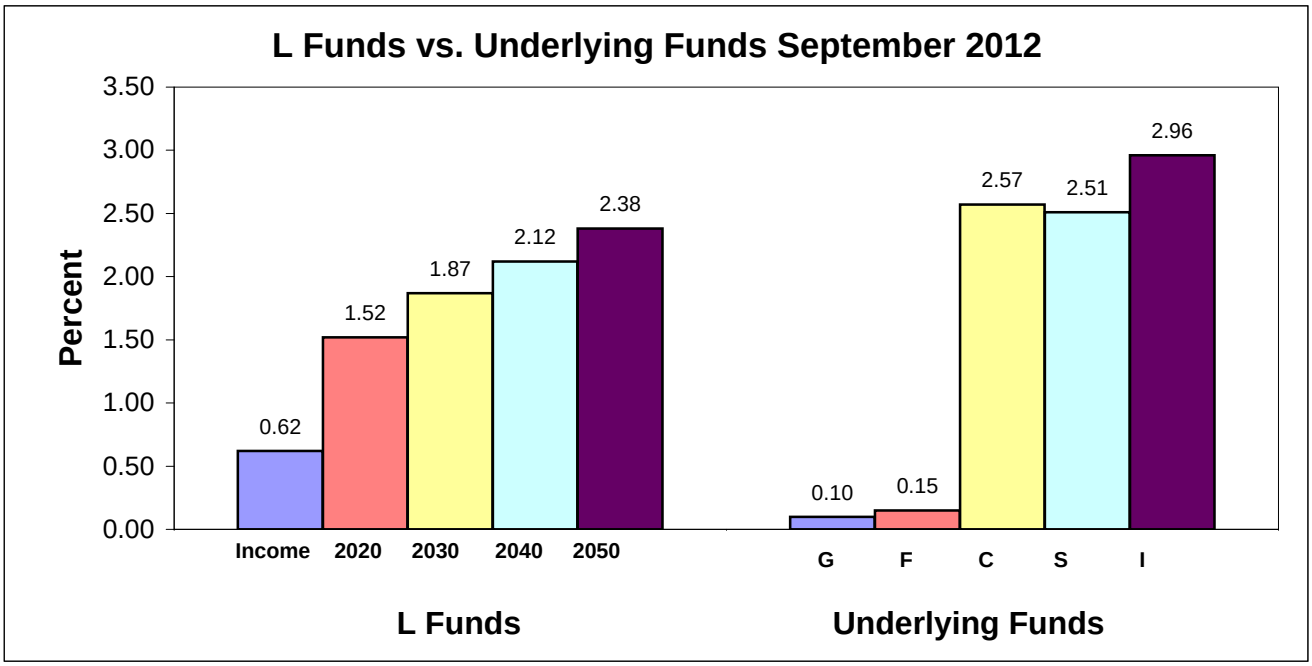
2012
Total Return %

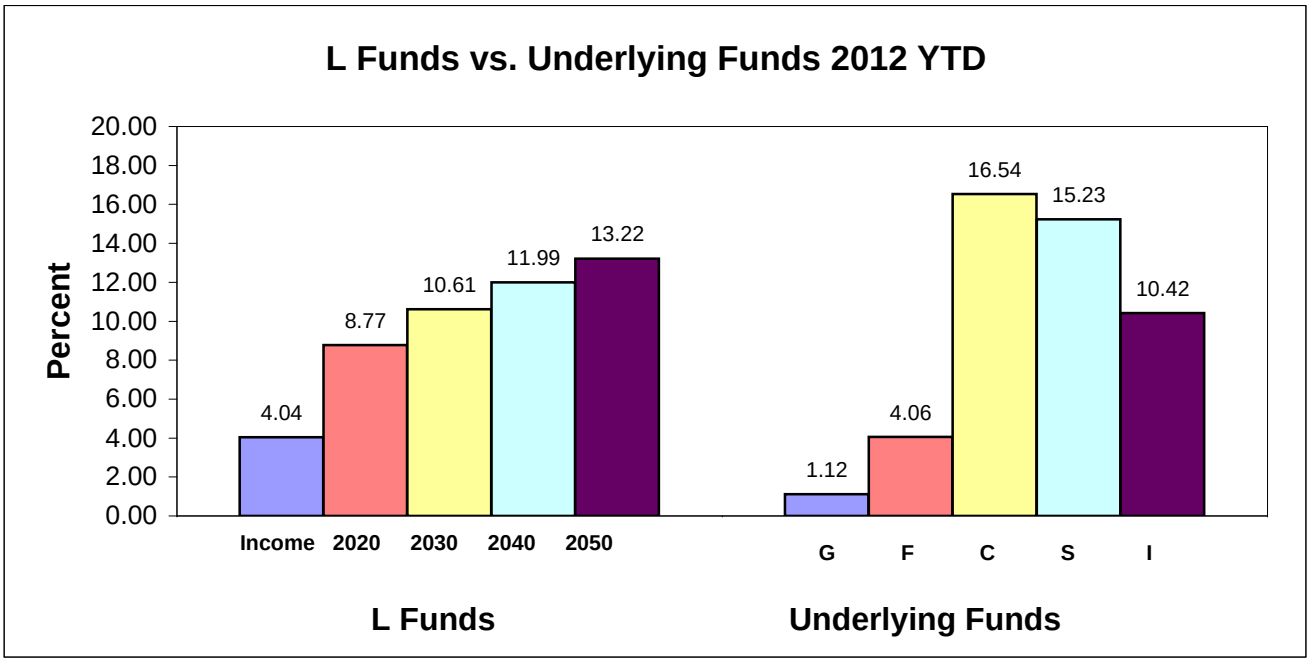
Fund	TSP	BTC	Difference	Index
Fixed Income	4.06	4.08	-0.02	3.99
Large Cap	16.54	16.53	0.01	16.44
Small Cap	15.23	15.16	0.07	14.73
International	10.42	10.40	0.02	10.08

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 second quarter of 2012. A copy of the audit report is provided as Attachment 2. The ISS audit report for the third 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

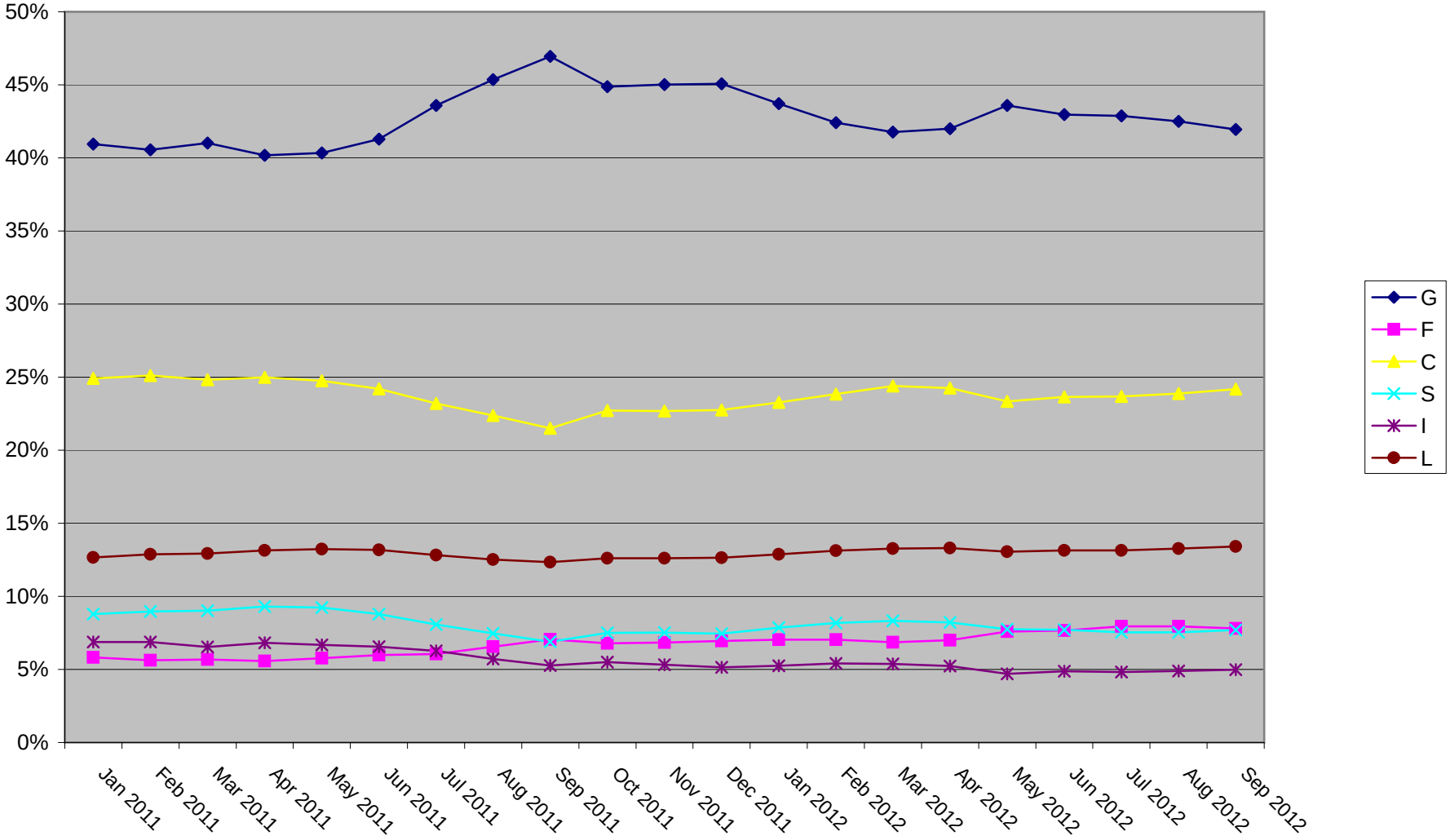
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund; and

WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

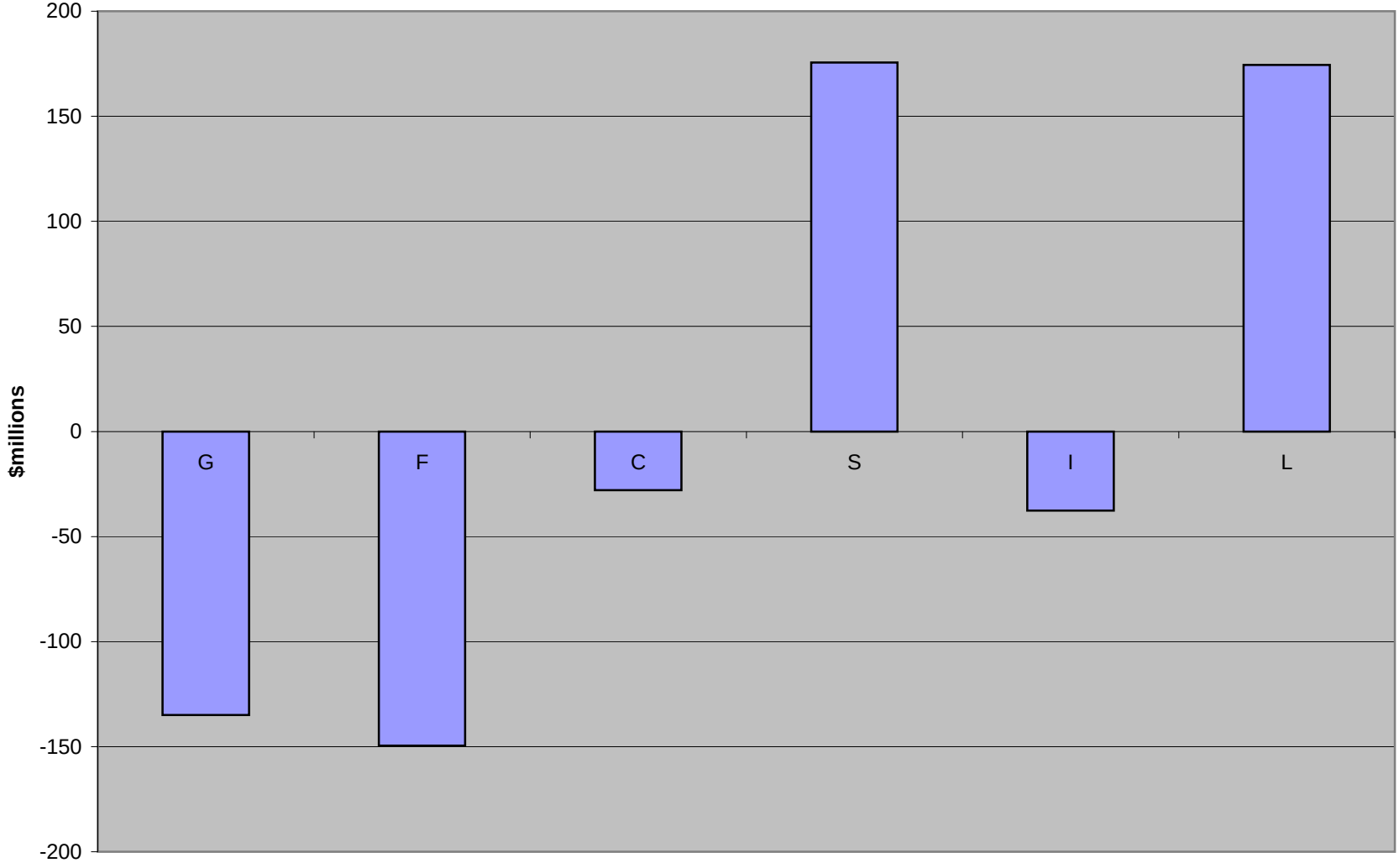
NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

Attachments

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Participant Asset Allocation

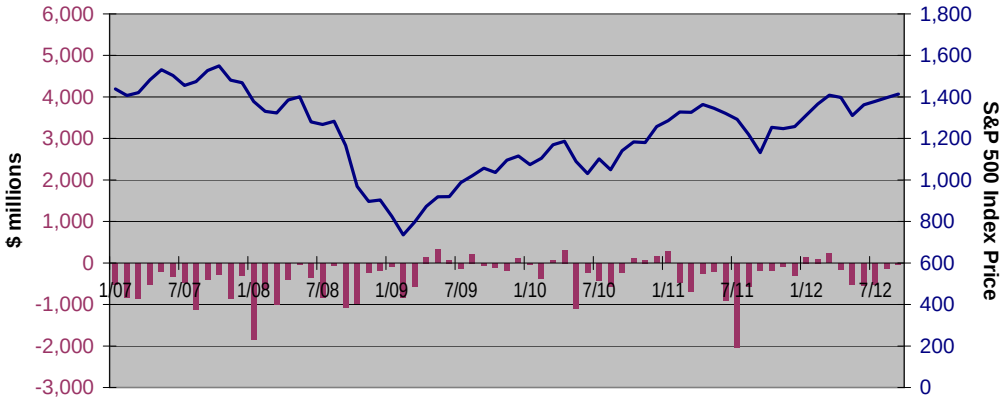


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
September 2012 Interfund Transfers

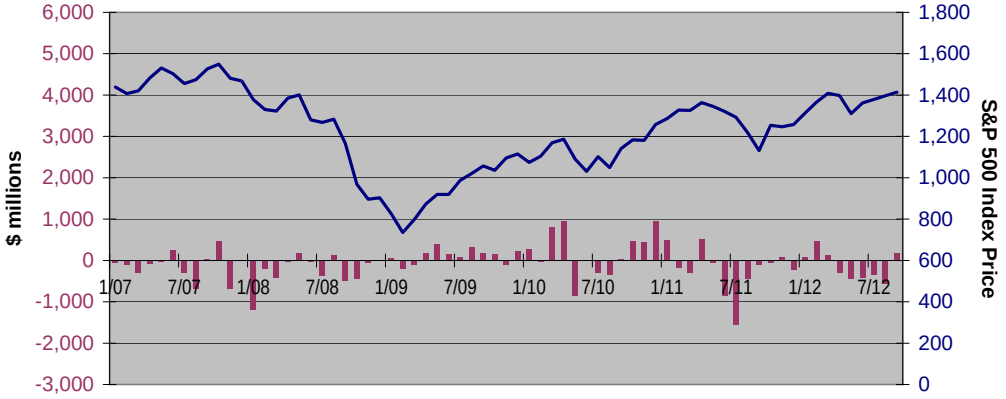


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

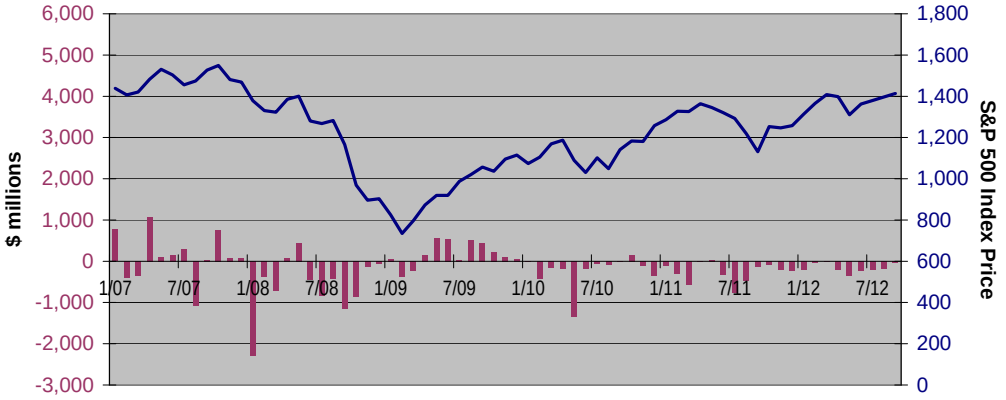
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund

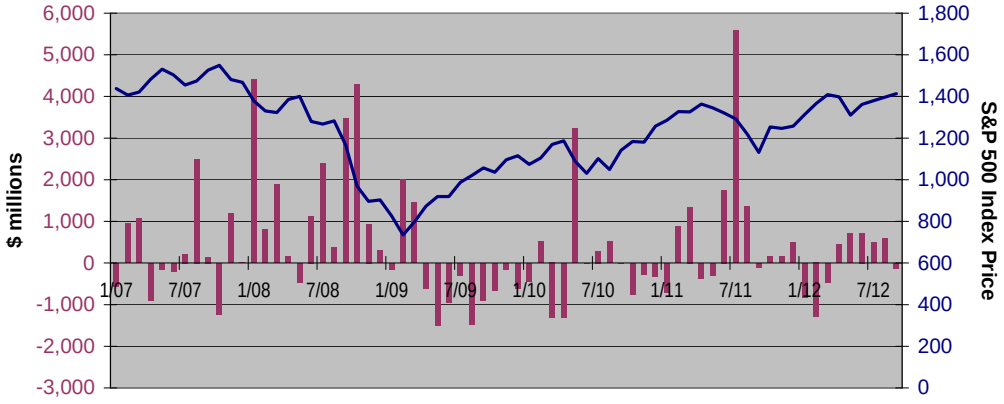


Monthly Interfund Transfers
I Fund

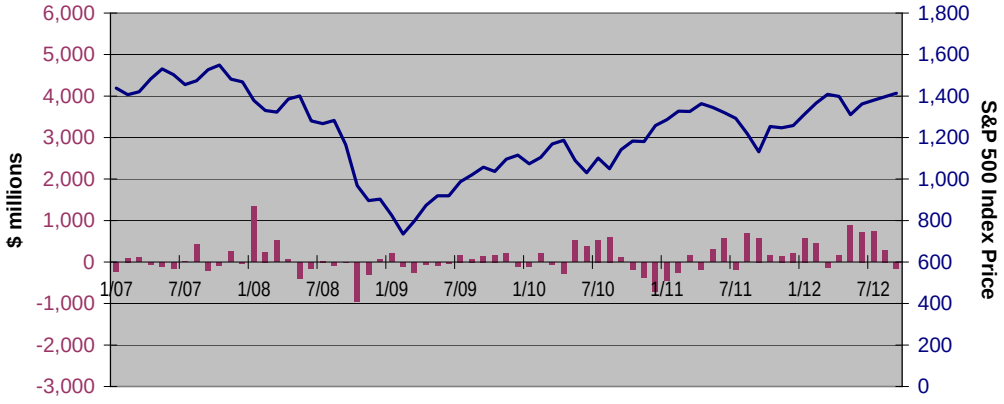


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

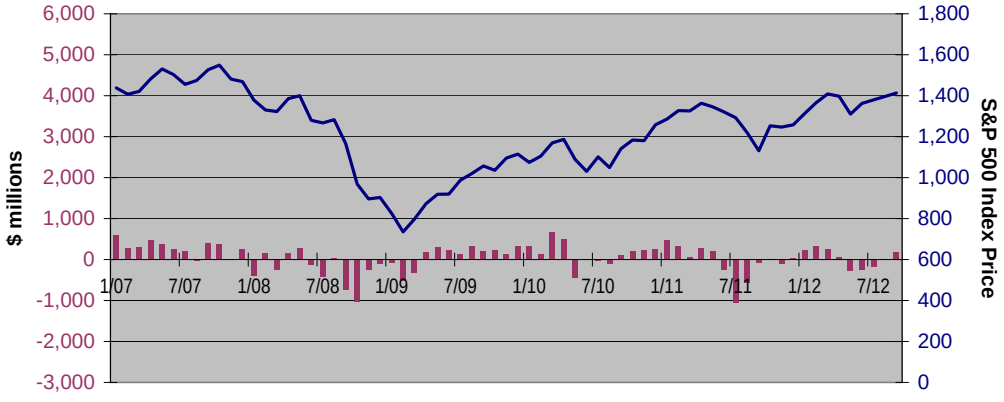
Monthly Interfund Transfers
G Fund



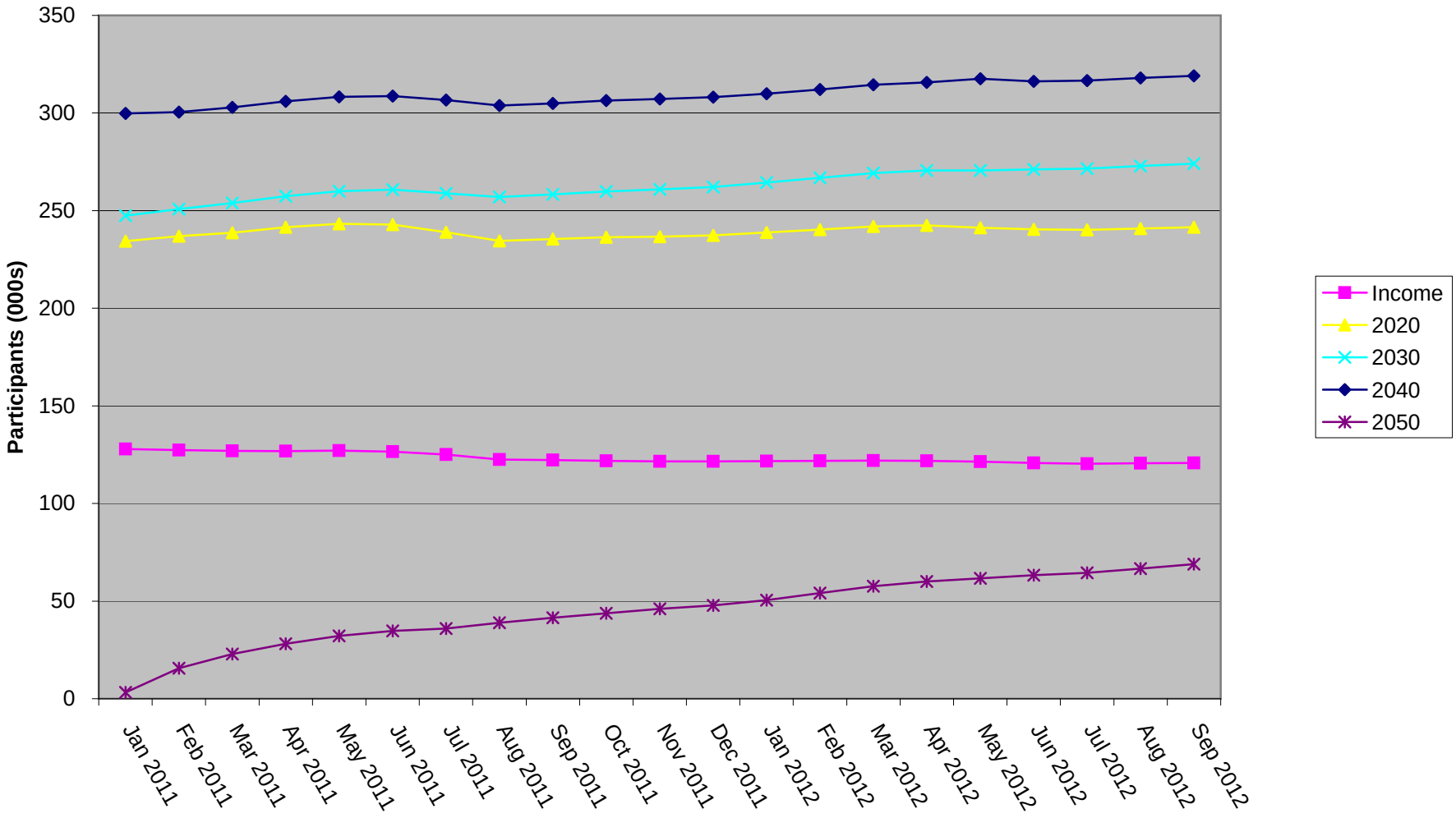
Monthly Interfund Transfers
F Fund



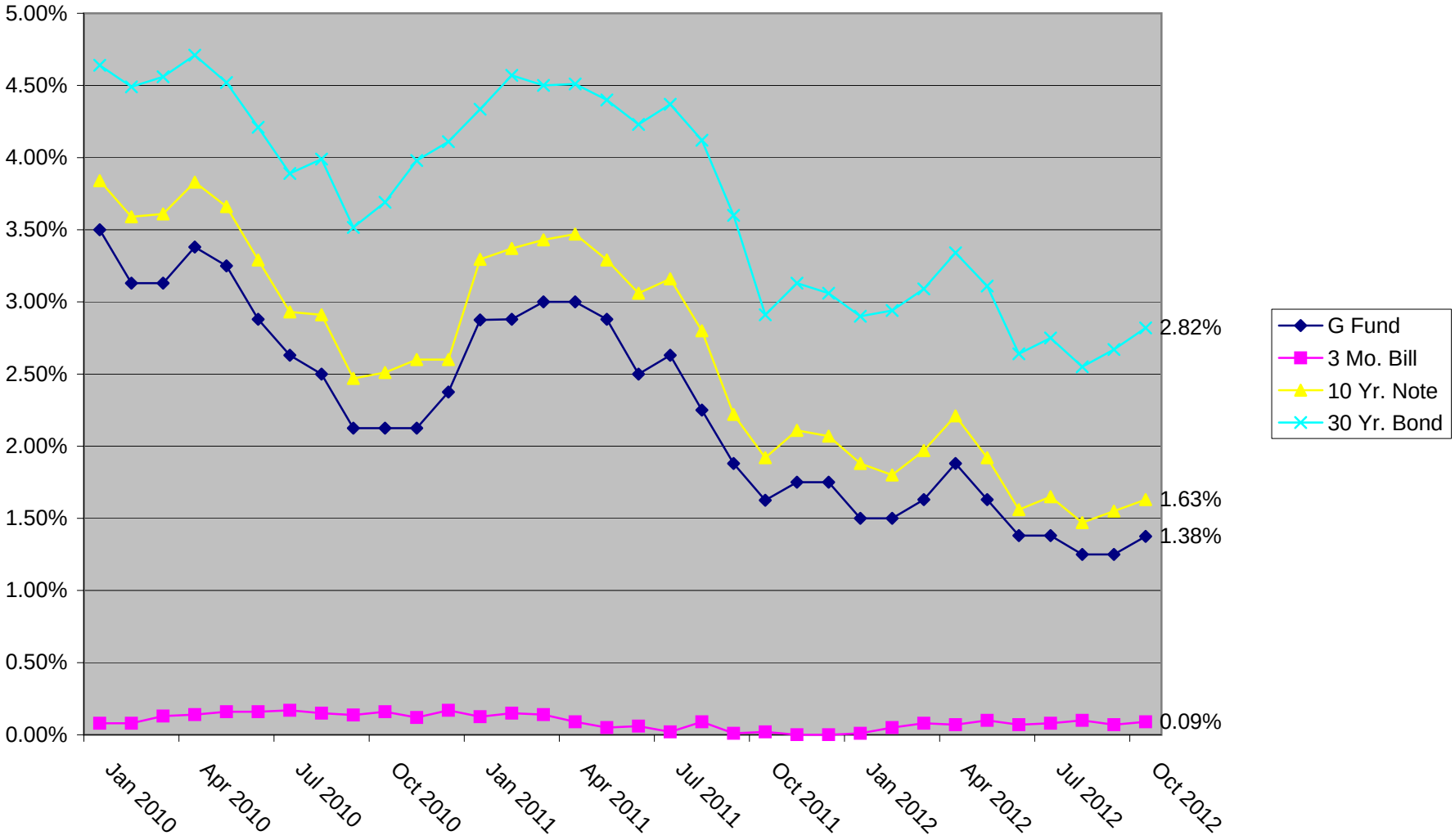
Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
Number of L Fund Participants
Total = 817,370



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
G Fund Rate vs. Market Yields of U.S. Government Securities



ISS
An MSCI Brand

July 13, 2012

Mr. Chad Spitler
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 2nd quarter of 2012. Our review found that there were no exceptions to policy over this period.

Best regards,

Fassil G. Michael
Executive Director, Head of Custom Research

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MEMORANDUM

The results of our review of BlackRock's 2nd quarter proxy voting are as follows:

- Votes at 266 meetings were examined.
- Votes at 135 of the 266 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 131 remaining meetings, there were 206 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	69
Non-executive stock option plan	2
Employee share purchase plan	18
Section 162(m)	23
Approve repricing of options	1
Increase in common stock	8
Increase in preferred stock	2
Reverse stock split	2
Approve conversion of securities	3
Approve securities transfer restrictions	1
Amend and restate certificate of designations for preferred stock	2
Merger and/or reorganization	4
Adjourn meeting	6
Establish range in board size	1
Declassify board of directors	10
Adopt majority voting for uncontested election of directors	2
Eliminate plurality voting in the election of directors	1
Adopt director resignation policy	1
Approve director liability and indemnification	1
Approve appointment of group directors	1
Reduce supermajority vote requirement	1
Provide right to act by written consent	2
Provide right to call special meeting	4
Adopt jurisdiction of incorporation as exclusive forum for certain disputes	1
Change company name	2
Amend articles	1
Other business	4
Shareholder proposal	33
Total:	**206**

- There were 69 votes cast on executive stock option plans:

  a) 62 votes were cast in favor of the plans (89.9 percent);
  b) 7 votes were cast against the plans (10.1 percent);
     i.) 3 plans were opposed due to ability to reprice options without prior shareholder approval.
     ii.) 2 plans were opposed as the plans contain an evergreen provision.
     iii.) 2 plans were opposed due to their potential to be excessively dilutive to existing shareholders.

- There were 2 votes cast on a non-executive stock option plan; the votes were cast in favor of the plans.

- There were 8 votes cast on increases in common stock; the votes were cast in favor of the increases.

- There were 4 votes cast on mergers and/or major corporate transactions; the votes were cast in favor of the transactions.

- There were 33 votes cast on shareholder proposals which included:

  a) 6 shareholder proposals to declassify the board; the votes were cast in favor of the proposals.
  b) 3 shareholder proposals to require majority voting for the election of directors; the votes were cast in favor of the proposals.
  c) 2 shareholder proposals to require independent board chairman; the votes were cast against the proposals.
  d) 1 shareholder proposal to provide right to act by written consent; the vote was cast in favor of the proposal.
  e) 2 shareholder proposals to call special meeting; the votes were cast against the proposals.
  f) 1 shareholder proposal to provide for cumulative voting; the vote was cast against the proposal.
  g) 1 shareholder proposal to adopt proxy access right; the vote was cast against the proposal.
  h) 1 shareholder proposal to adopt policy to prohibit pro-rata vesting on equity plans; the vote was cast against the proposal.
  i) 1 shareholder proposal to adopt policy on stock retention; the vote was cast against the proposal.
  j) 1 shareholder proposal to adopt policy on bonus banking; the vote was cast against the proposal.
  k) 1 shareholder proposal to provide shareholders with an advisory vote on non-employee director compensation; the vote was cast against the proposal.
  l) 5 shareholder proposals to report on political contributions; the votes were cast against the proposals.
  m) 1 shareholder proposal to prepare sustainability report; the vote was cast against the proposal.

n) 1 shareholder proposal to report on lobbying contributions; the vote was cast against the proposal.
o) 1 shareholder proposal to report on accident risk reduction efforts; the vote was cast against the proposal.
p) 1 shareholder proposal to require audit committee review and report on controls related to loans, foreclosures, and securitizations; the vote was cast against the proposal.
q) 1 shareholder proposal to adopt ILO based code of conduct; the vote was cast against the proposal.
r) 1 shareholder proposal to report on adopting extended producer responsibility policy; the vote was cast against the proposal.
s) 1 shareholder proposal to adopt policy and report on diversity; the vote was cast against the proposal.
t) 1 shareholder proposal to report on policy responses to children's health concerns and fast food; the vote was cast against the proposal.

- There were 184 votes cast on management advisory votes on executive compensation:

  a) 181 votes were cast in favor of the advisory votes (98.4 percent);
  b) 3 votes were cast against the advisory votes, as pay did not appear to be properly aligned with performance and peers (1.6 percent).

- There were 3 votes cast on management advisory votes on golden parachute compensation; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.