



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

July 7, 2014

MEMORANDUM FOR BOARD MEMBERS KENNEDY, BILYEU, McCRAY,  
JONES AND JASIEN

FROM: GREGORY T. LONG  
EXECUTIVE DIRECTOR

A handwritten signature in black ink, appearing to be "GTL", written over a light blue background.

SUBJECT: June 2014 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 2014, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

**TRACKING ERROR - BlackRock Funds (BTC)**

***June Tracking Error***

<b><u>Fund</u></b>	<b><u>% BTC Fund Performance</u></b>	<b><u>% Index Performance</u></b>	<b><u>Tracking Error</u></b>
<b>Fixed Income</b>	<b>0.14</b>	<b>0.05</b>	<b>0.09</b>
Large Cap	2.07	2.07	0.00
Small Mid Cap	4.44	4.44	0.00
International	0.99	0.96	0.03

***2014 Tracking Error***

<b><u>Fund</u></b>	<b><u>% BTC Fund Performance</u></b>	<b><u>% Index Performance</u></b>	<b><u>Tracking Error</u></b>
<b>Fixed Income</b>	<b>4.38</b>	<b>3.93</b>	<b>0.45</b>
Large Cap	7.19	7.14	0.05
Small Mid Cap	6.18	6.20	-0.02
<b>International</b>	<b>5.08</b>	<b>4.78</b>	<b>0.30</b>

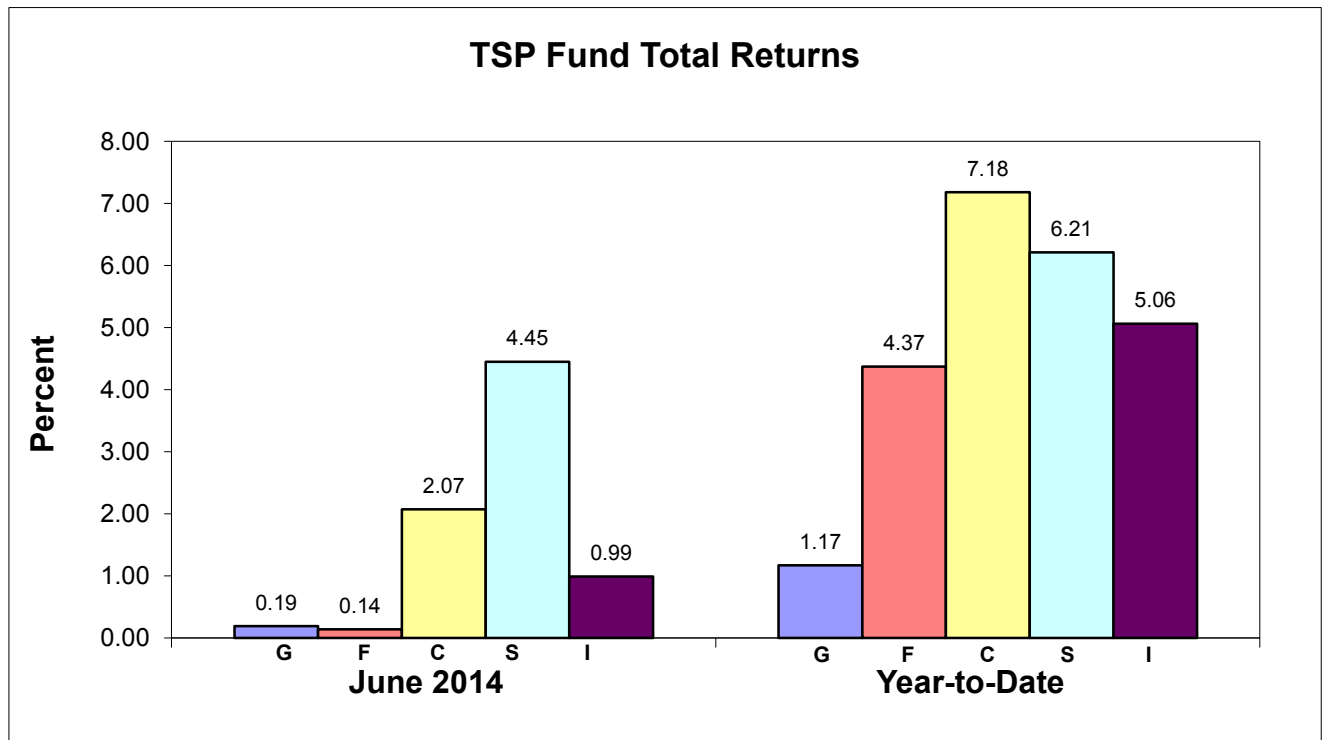
The Fixed Income Fund outperformed the index by 9 basis points for the month and 45 basis points for the year to date, primarily because of securities lending and pricing differences. The International Fund outperformed the index by 30 basis points for the year as a result of the tax effect.

**Trading Costs**

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
June	349,991,201	102,619	2.9
Year-to-Date	4,990,338,791	85,979	0.2
<u>C Fund</u>			
June	894,075,981	30,721	0.3
Year-to-Date	6,900,570,496	(313,912)	-0.5
<u>S Fund</u>			
June	910,943,060	182,396	2.0
Year-to-Date	8,338,934,855	125,976	0.2
<u>I Fund</u>			
June	677,150,708	770,691	11.4
Year-to-Date	4,801,982,684	1,181,035	2.5

## 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	0.14	0.14	0.00	0.05
Large Cap	2.07	2.07	0.00	2.07
Small Cap	4.45	4.44	0.01	4.44
International	0.99	0.99	0.00	0.96

### 2014

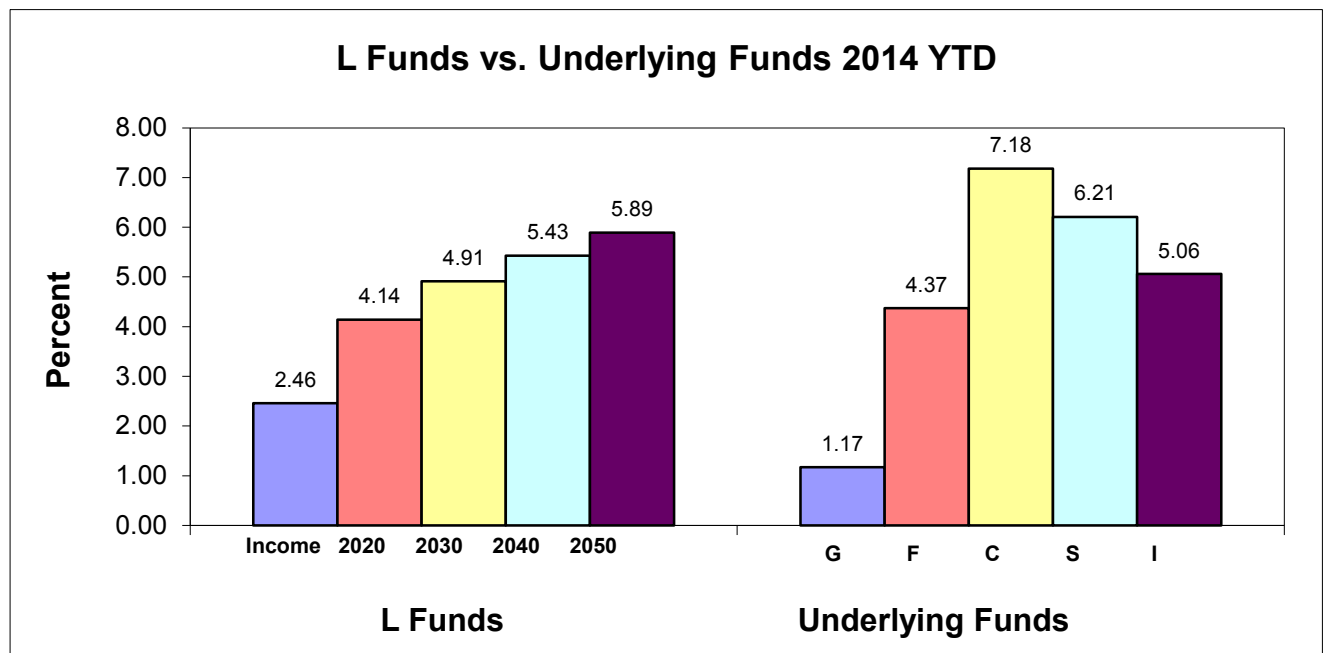
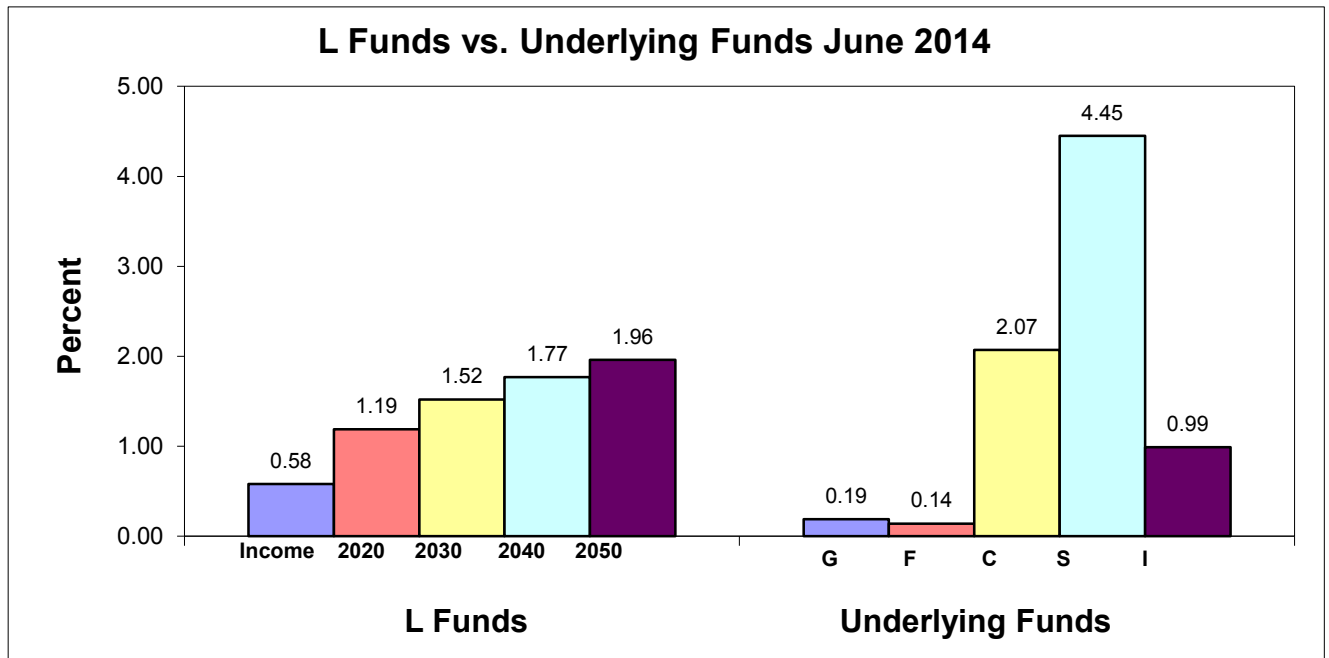
#### Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	4.37	4.38	-0.01	3.93
Large Cap	7.18	7.19	-0.01	7.14
Small Cap	6.21	6.18	0.03	6.20
International	5.06	5.08	-0.02	4.78

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 -- FIRST QUARTER 2014**

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the first quarter of 2014. A copy of the audit report is provided as Attachment 2. The ISS audit report for the second quarter of 2014 is not yet available.

## **CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2014**

A total of 33 claims were opened for all of the funds during the first quarter. Sixty-two claims remain open primarily in the S Fund. Through the first quarter, 21 claims were settled in the S Fund. The TSP has received approximately \$0.43M year to date. This estimate is based on the underlying percentage ownership of the S Fund.

	<b><u>Claims Opened during Quarter</u></b>	<b><u>Open Claims Outstanding</u></b>	<b><u>No. of Claims Settled (YTD)</u></b>	<b><u>Estimate of Settled Claims in 2013 (USD)</u></b>
F Fund	-	-	-	-
C Fund	-	1	-	-
S Fund	33	61	21	\$434,852
I Fund	-	-	-	-
<b>Total</b>	<b>33</b>	<b>62</b>	<b>21</b>	<b>\$434,852</b>

## **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 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, Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund and the International Stock Index Investment Fund; and

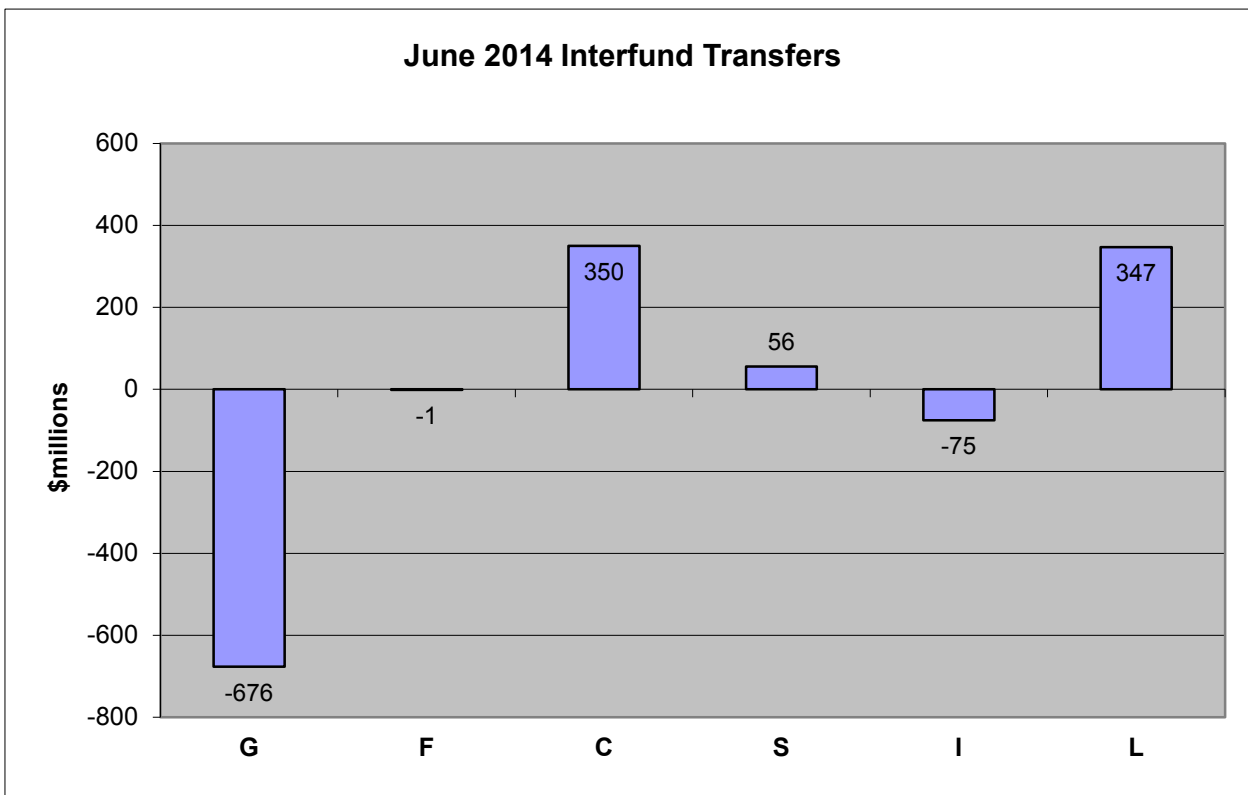
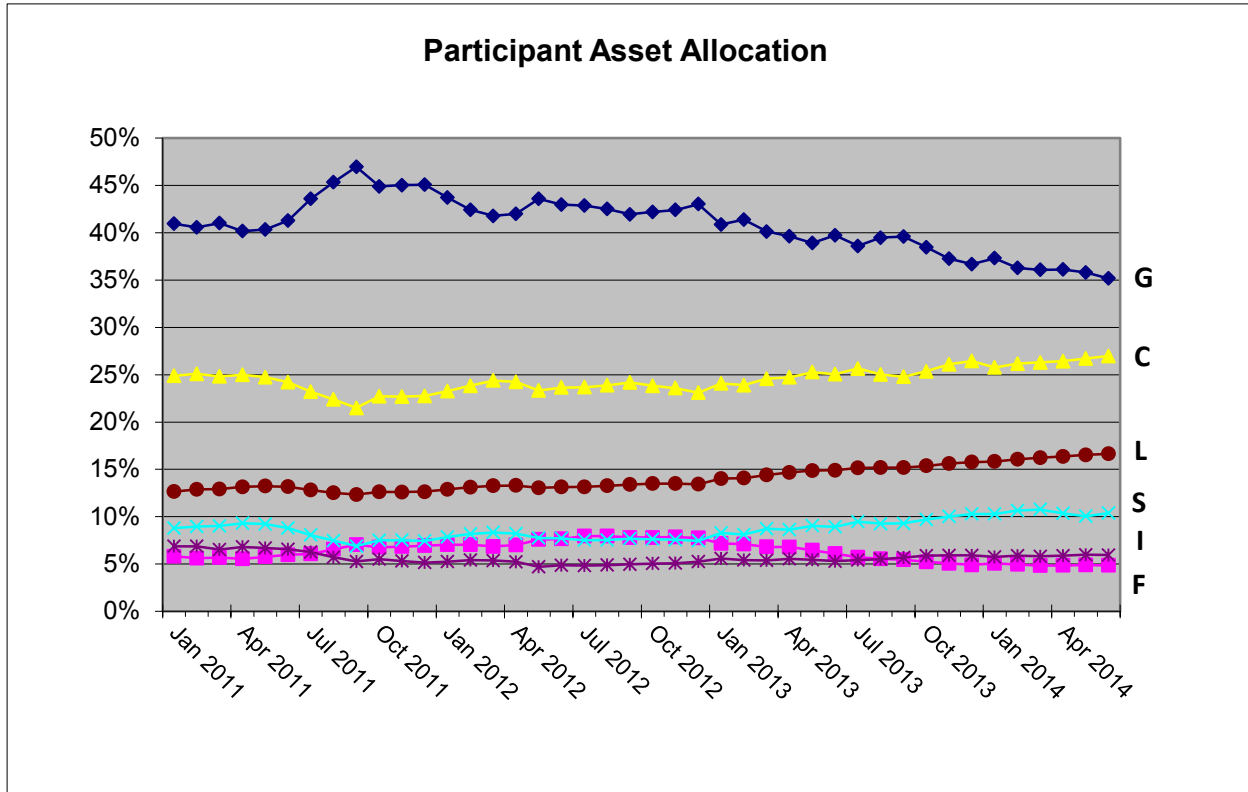
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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 June 2014

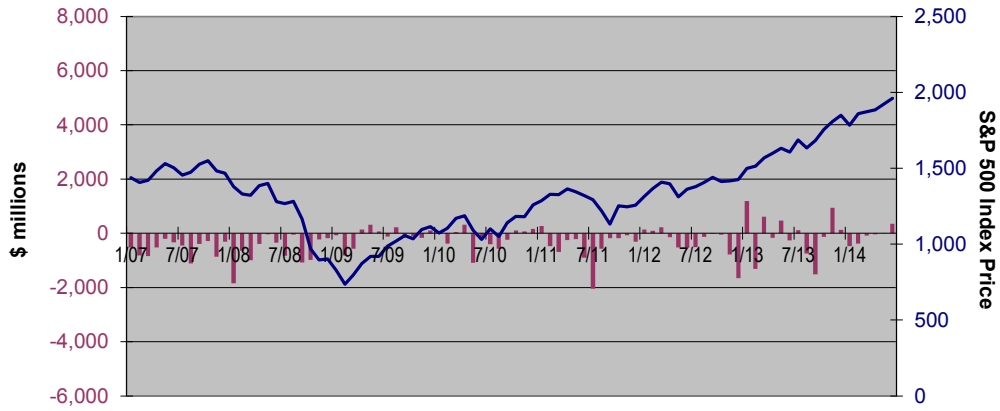
Attachment 1



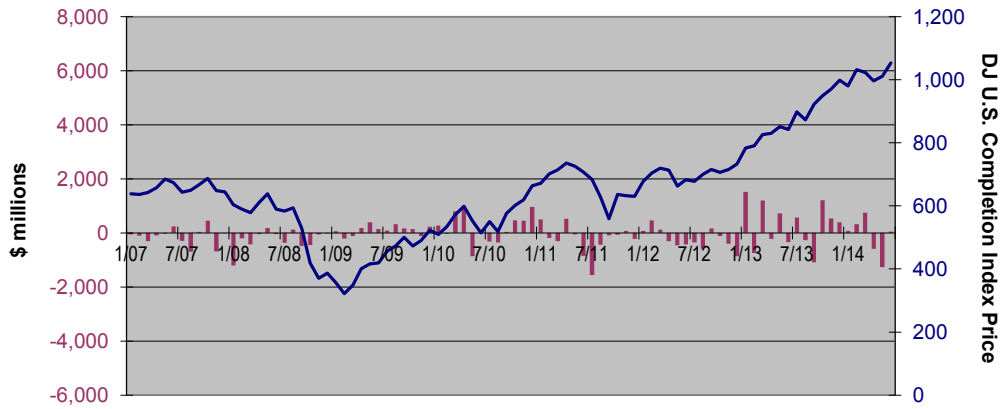
# THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

## June 2014

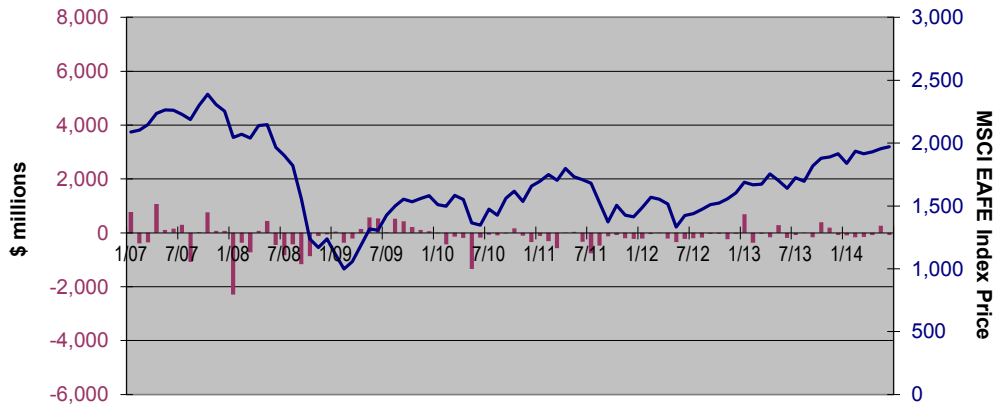
Monthly Interfund Transfers  
C Fund



Monthly Interfund Transfers  
S Fund



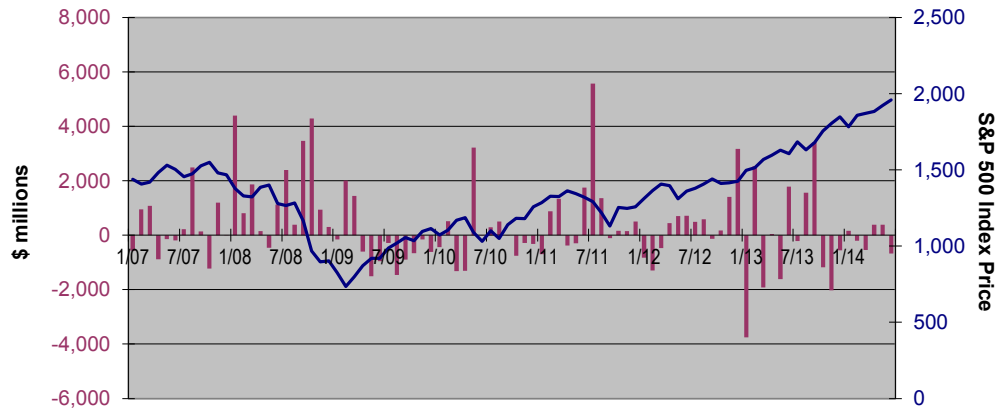
Monthly Interfund Transfers  
I Fund



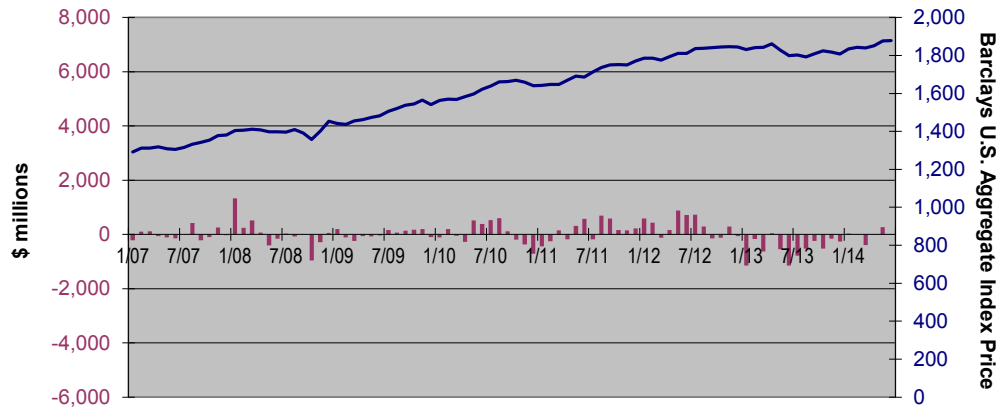
# THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

## June 2014

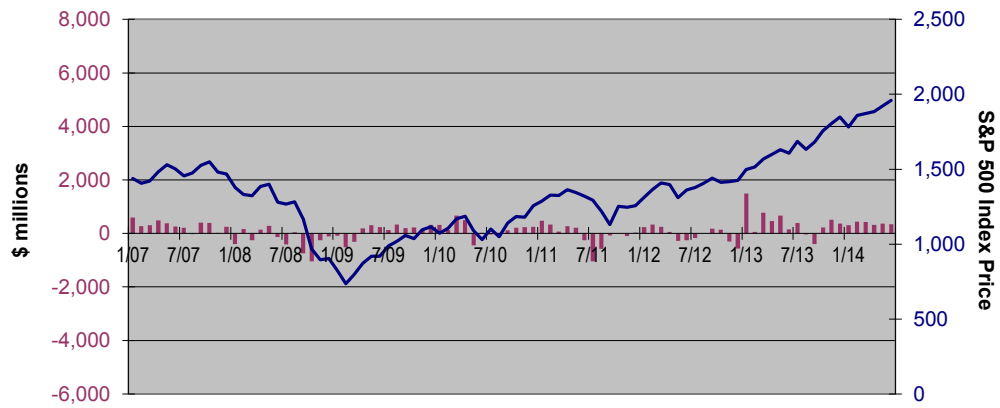
Monthly Interfund Transfers  
G Fund



Monthly Interfund Transfers  
F Fund

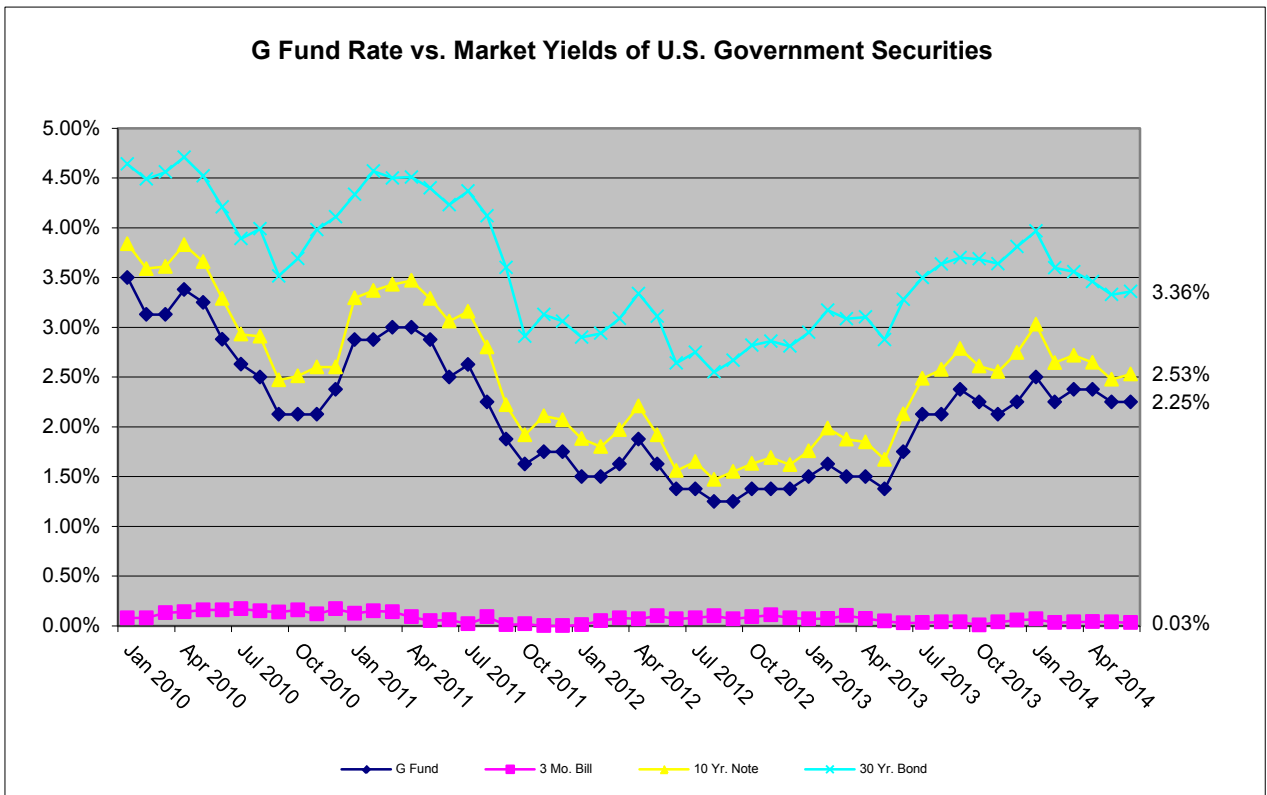
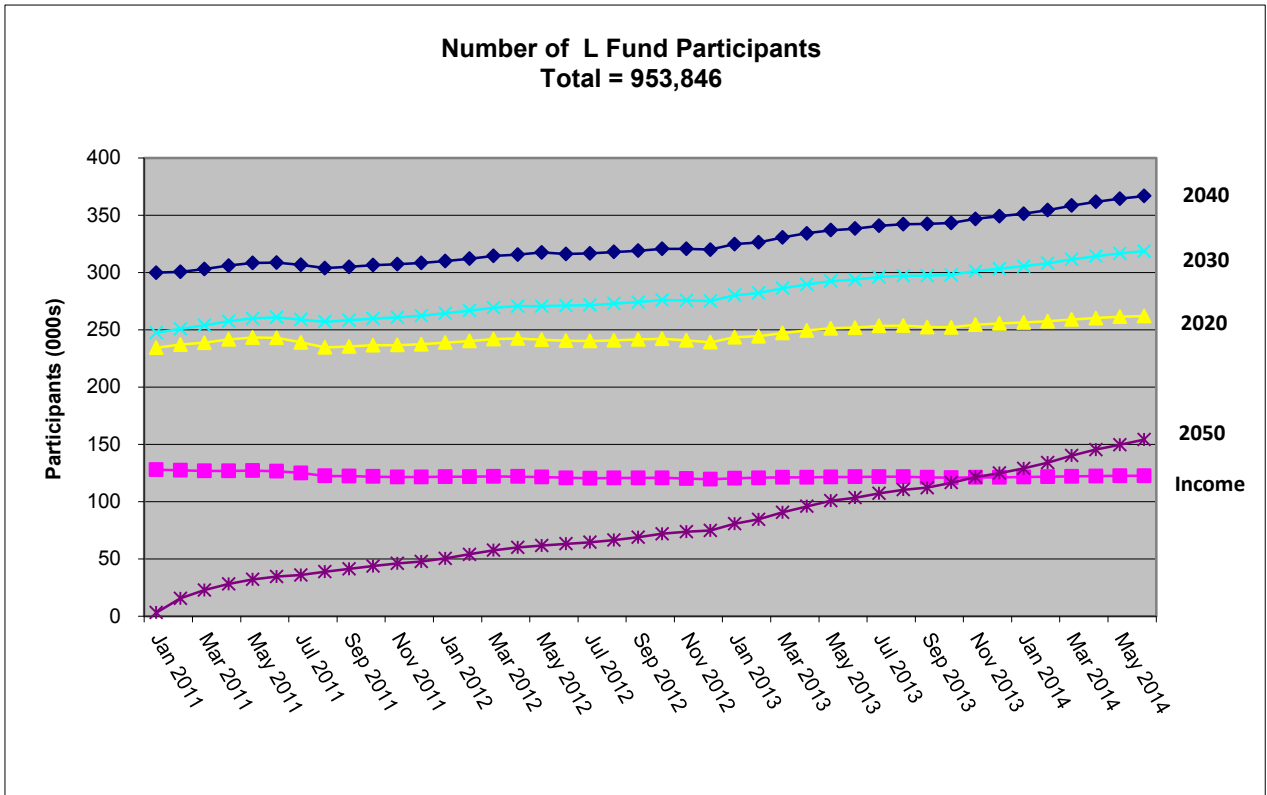


Monthly Interfund Transfers  
L Funds



# THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

## June 2014



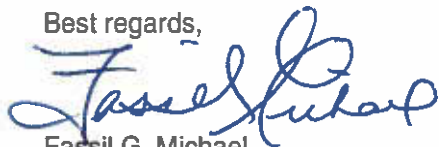
April 14, 2014

Mr. Zach Oleksiuk  
Vice President, Americas Head  
Corporate Governance & Responsible Investment  
BlackRock  
55 East 52<sup>nd</sup> St  
New York, NY 10055

Dear Zach,

Enclosed are the results of our review of proxy votes by BlackRock for the 1<sup>st</sup> quarter of 2014. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, appearing to read 'Fasil G. Michael', is written over the typed name.

Fasil G. Michael  
Executive Director, Head of Custom Research

## MEMORANDUM

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

- Votes at 32 meetings were examined.
- Votes at 11 of the 32 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 21 remaining meetings, there were 33 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	7
Employee stock purchase plan	2
Section 162(m)	2
Frequency vote on MSOP	1
Increase in common stock	1
Issue shares below net asset value	1
Issue shares in connection with acquisition	2
Merger/acquisition	2
Reorganization plan	1
Adjourn meeting	5
Declassify board	1
Limit voting rights	1
Adopt supermajority vote requirements	1
Amend certificate of incorporation	1
Approve new management contract agreement	1
Change company name	1
Other business	2
Shareholder proposal	1
<b>Total:</b>	<b>33</b>

- There were 7 votes cast on executive stock option plans:
  - a) 6 votes were cast in favor of the plans (85.7 percent);
  - b) 1 vote was cast against the plans (14.3 percent); the plan was opposed due to the ability to reprice options without prior shareholder approval.
  
- There were 4 votes cast on mergers and/or major corporate transactions, including the issuance of shares pursuant to an acquisition; the votes were cast in favor of the transactions.
  
- There was 1 vote cast on a proposal to increase common stock; the vote was cast in favor of the authorization.
  
- There were 19 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 shareholder proposal to approve pro-rata vesting of equity plans; the vote was cast against the shareholder proposal.

There were no exceptions to policy this period.