



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

October 5, 2015

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

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

SUBJECT: September 2015 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 2015, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - TSP Separate Accounts at BlackRock (BTC)

September Tracking Error

<u>Fund</u>	<u>% BTC Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.75	0.68	0.07
Large Cap	-2.47	-2.47	0.00
Small Mid Cap	-4.79	-4.84	0.05
International	-5.02	-5.08	0.06

2015 Tracking Error

<u>Fund</u>	<u>% BTC Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	1.46	1.13	0.33
Large Cap	-5.23	-5.29	0.06
Small Mid Cap	-5.97	-6.29	0.32
International	-4.29	-5.28	0.99

BlackRock outperformed the index by 7 basis points for the month and 33 basis points in the Fixed Income Fund for the year due to pricing differences and securities lending. BlackRock outperformed the index by 5 basis points for the month and 99 basis points in the International Fund for the year as a result of the tax effect and a fair value pricing adjustment on December 31, 2014. BlackRock outperformed the Small Mid-Cap Index by 6 basis points for the month and 32 basis points for the year due to securities sampling and securities lending.

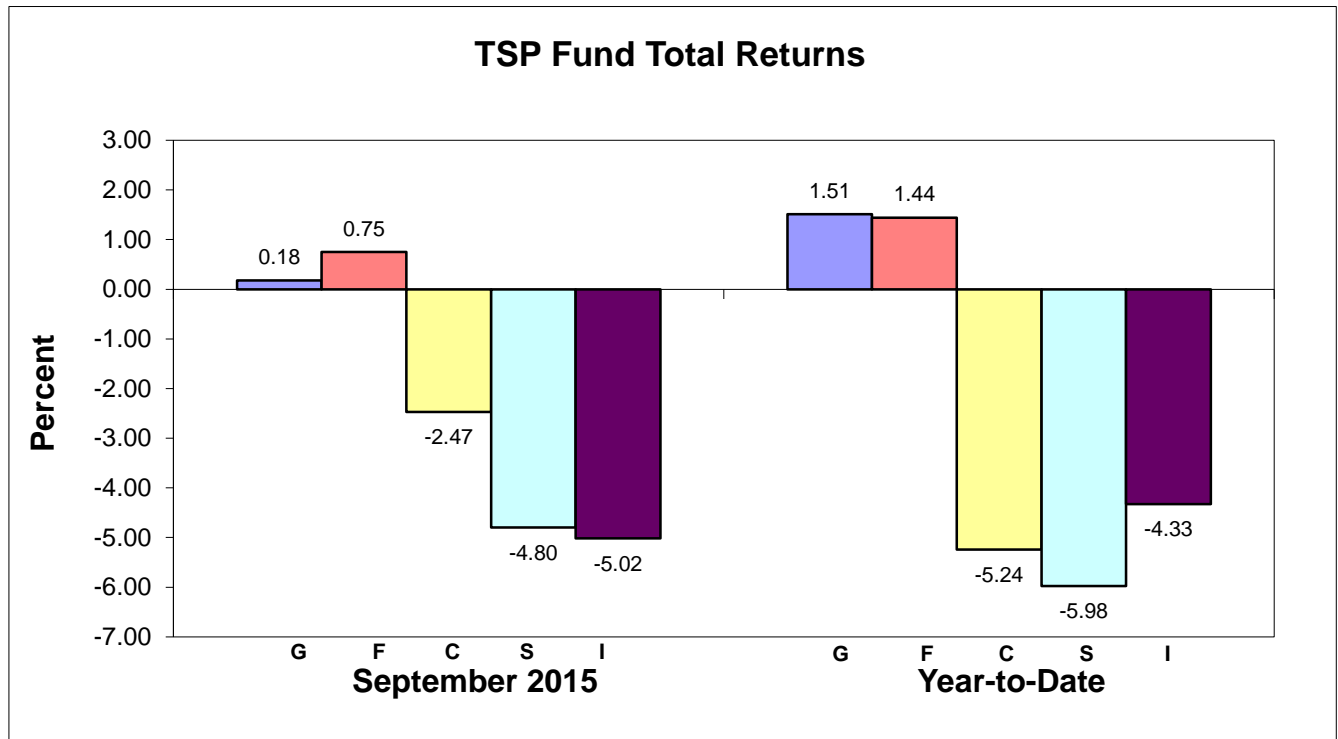
Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
September	896,601,116	9,542	0.1
Year-to-Date	6,545,950,872	367,061	0.6
<u>C Fund</u>			
September	2,252,671,551	(72,619)	-0.3
Year-to-Date	19,340,330,704	(8,439,544)	-4.4
<u>S Fund</u>			
September	1,024,089,452	693,496	6.8
Year-to-Date	13,341,067,827	(6,295,363)	-4.7
<u>I Fund</u>			
September	1,616,981,772	(893,081)	-5.5
Year-to-Date	10,964,817,338	6,691,148	6.1

* -- Trading Costs are comprised of commissions, fees, and the difference between where a security is traded and the closing index price.

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 TSP Separate Accounts at BlackRock.

September Total Return % Fund

	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.75	0.75	0.00	0.68
Large Cap	-2.47	-2.47	0.00	-2.47
Small Cap	-4.80	-4.79	-0.01	-4.84
International	-5.02	-5.02	0.00	-5.08

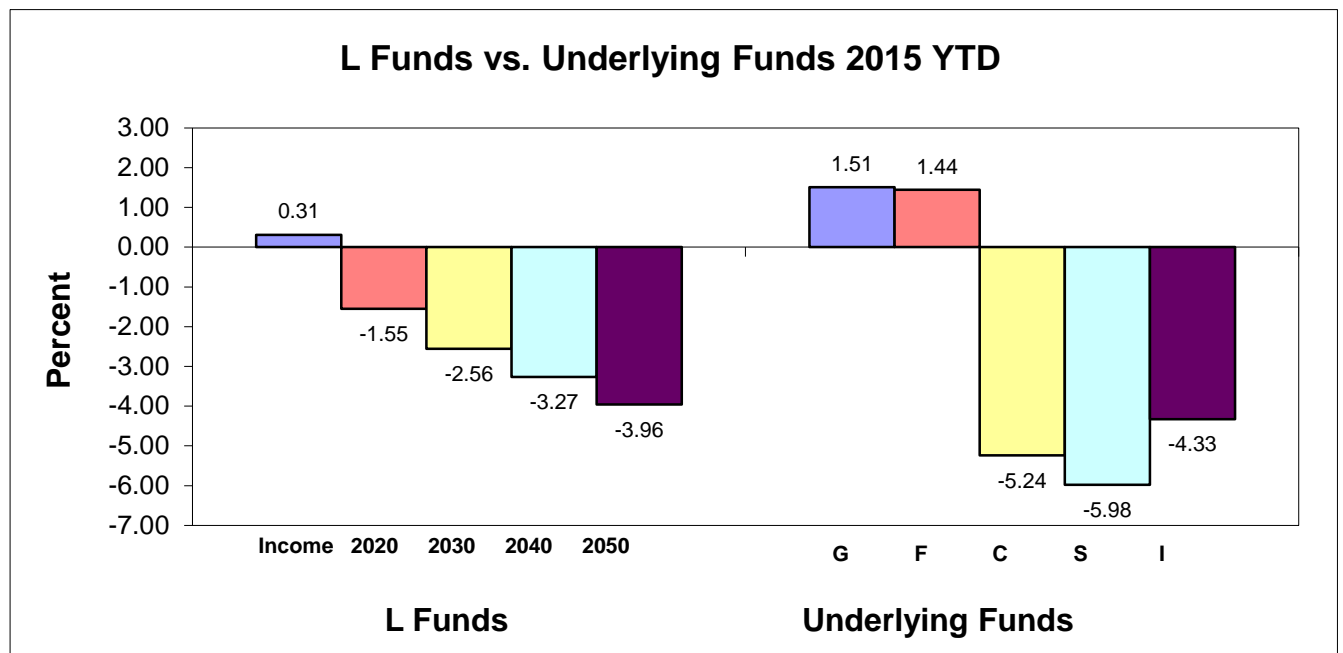
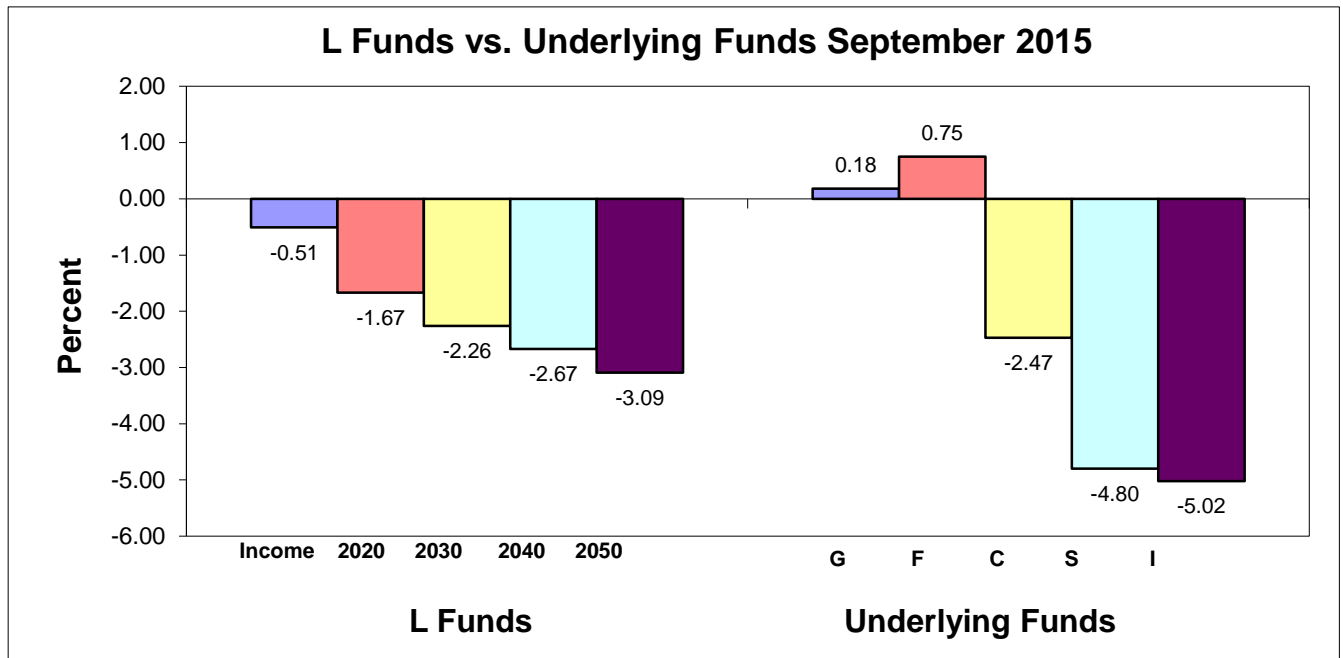
2015 Total Return % Fund

	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	1.44	1.46	-0.02	1.13
Large Cap	-5.24	-5.23	-0.01	-5.29
Small Cap	-5.98	-5.97	-0.01	-6.29
International	-4.33	-4.29	-0.04	-5.28

The TSP Funds closely tracked the BTC Accounts 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 -- SECOND QUARTER 2015

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the second quarter of 2015. A copy of the audit report is provided as Attachment 2. The ISS audit report for the third quarter of 2015 is not yet available.

CLASS ACTION SETTLEMENTS -- SECOND QUARTER 2015

Eight claims were opened for all of the funds during the first quarter. Two claims remained open in the C Fund. Through the second quarter, no claims were settled in the C Fund. The TSP has not settled on any settlement claims year to date.

	<u>Claims Opened during Quarter</u>	<u>Open Claims Outstanding</u>	<u>No. of Claims Settled (YTD)</u>	<u>Estimate of Settled Claims in 2015 (USD)</u>
F Fund	4	-	-	-
C Fund	3	2	-	-
S Fund	1	-	-	-
I Fund	-	-	-	-
Total	8	2	0	\$0

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

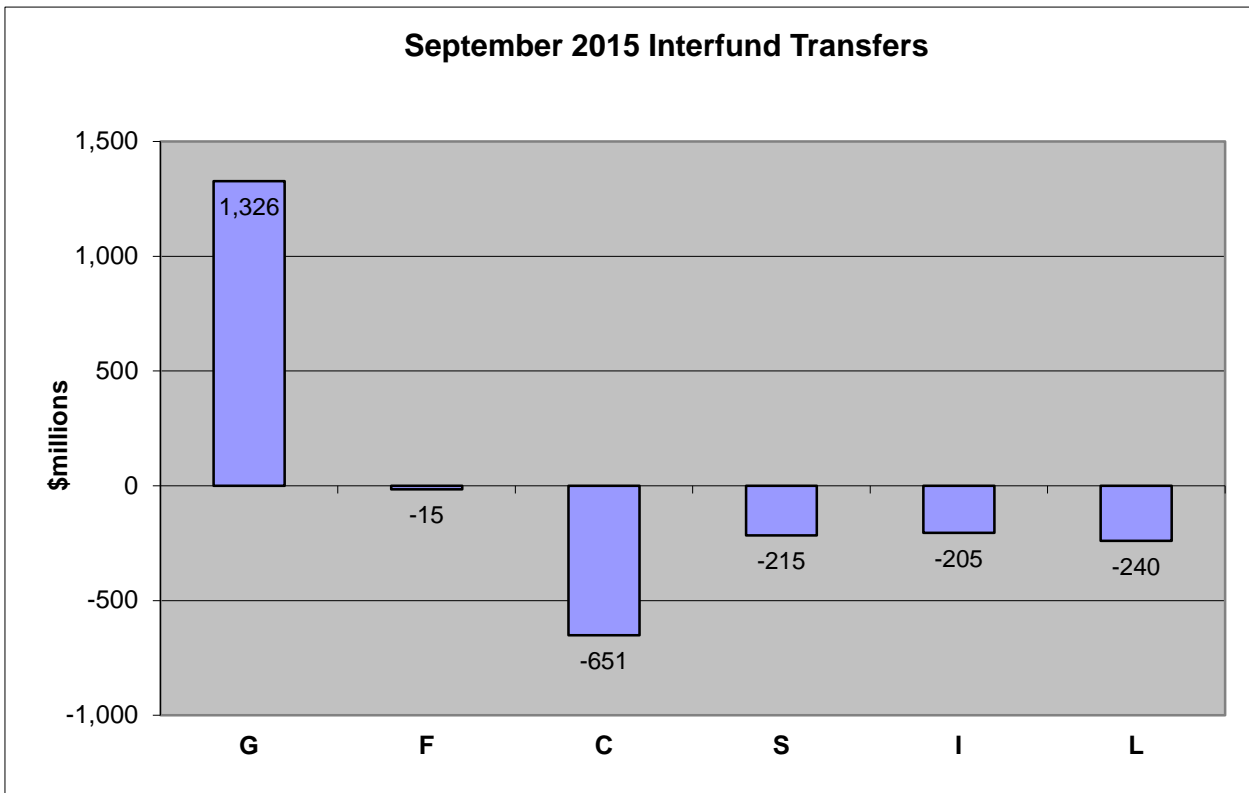
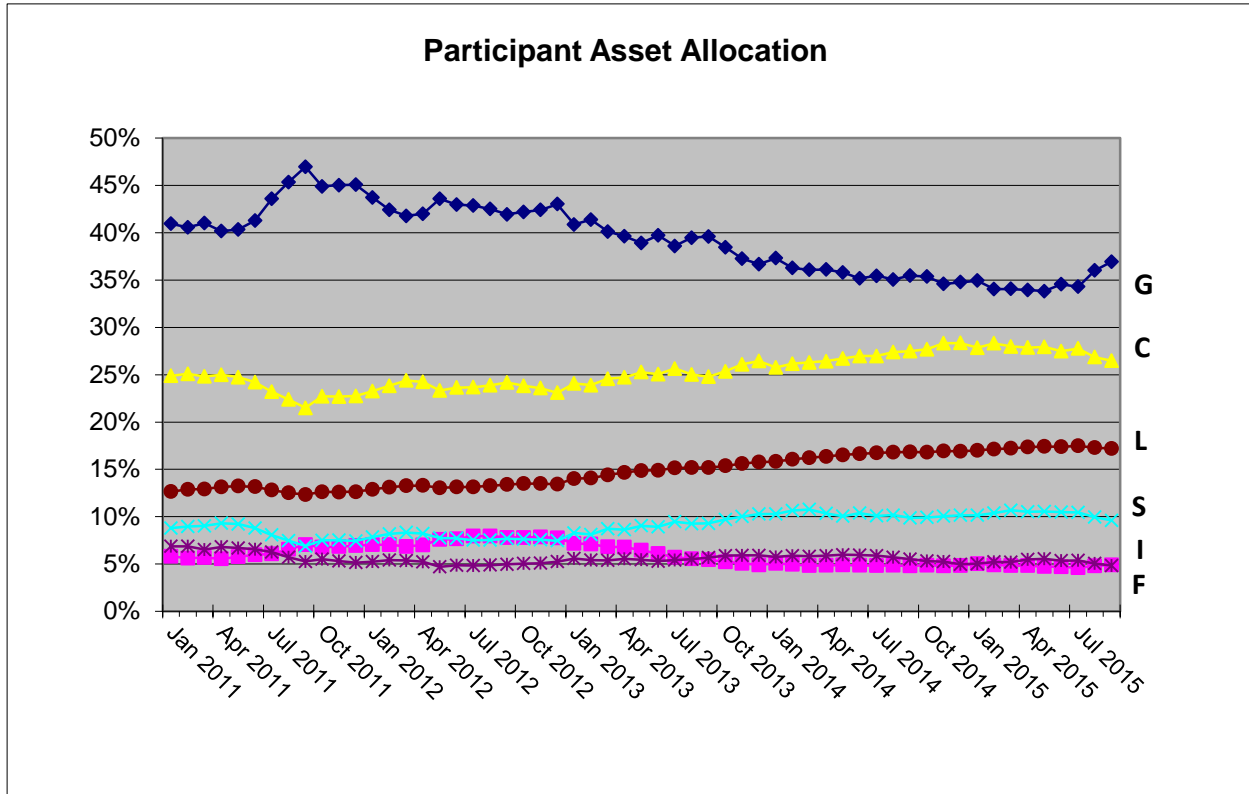
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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
September 2015

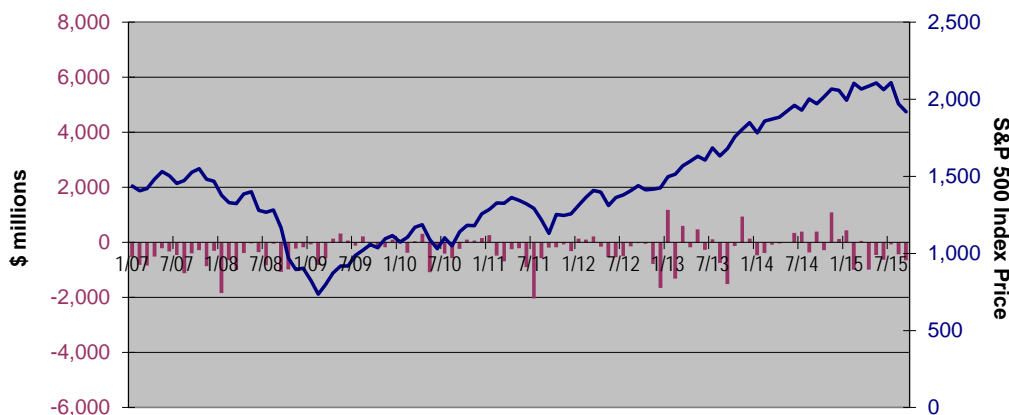
Attachment 1



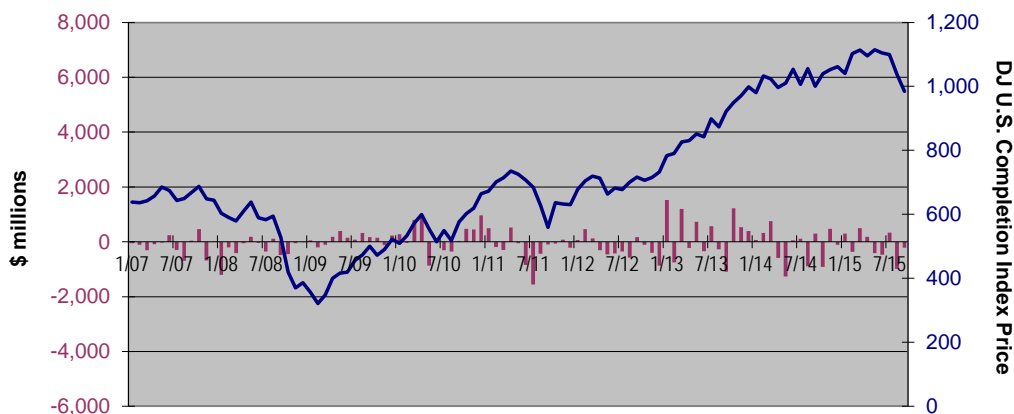
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

September 2015

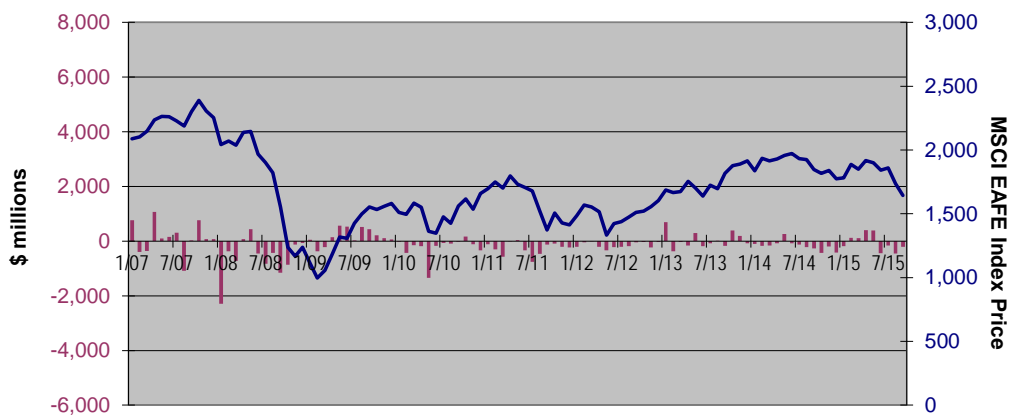
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund



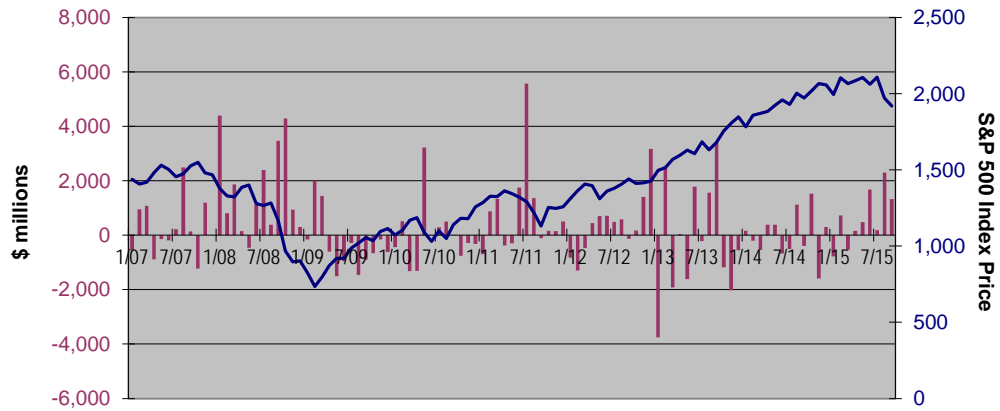
Monthly Interfund Transfers
I Fund



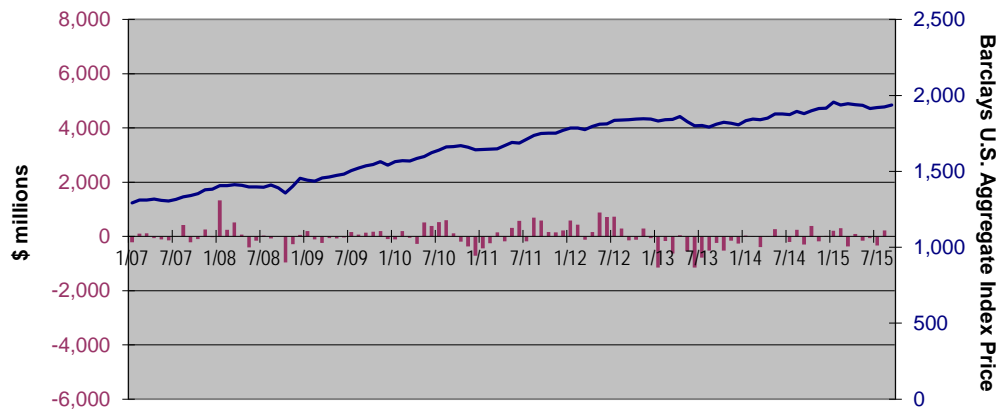
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

September 2015

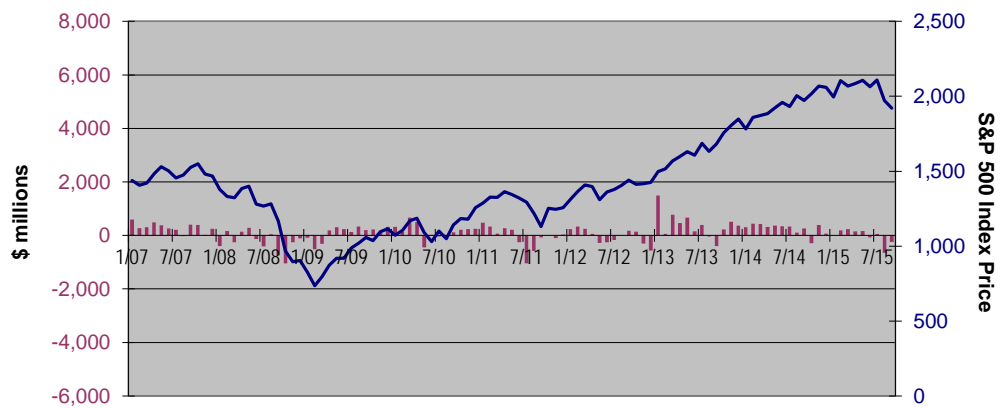
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

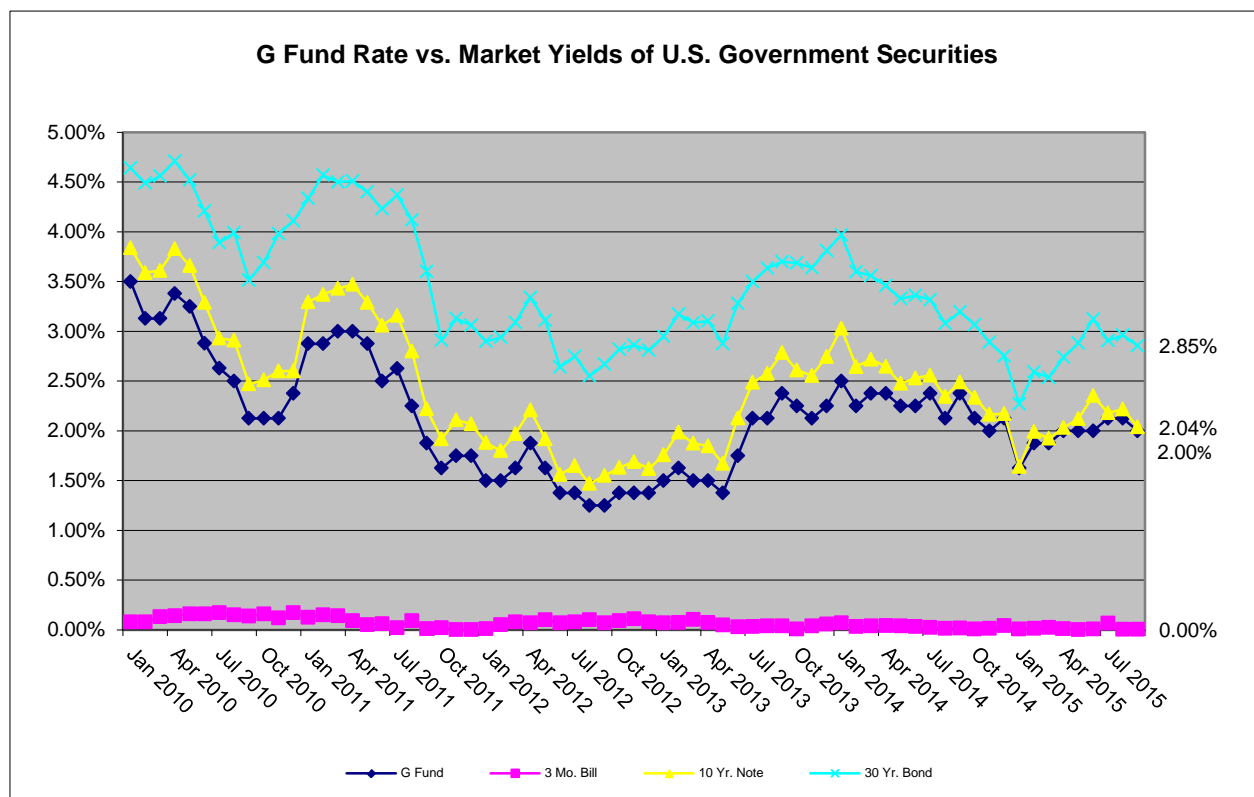
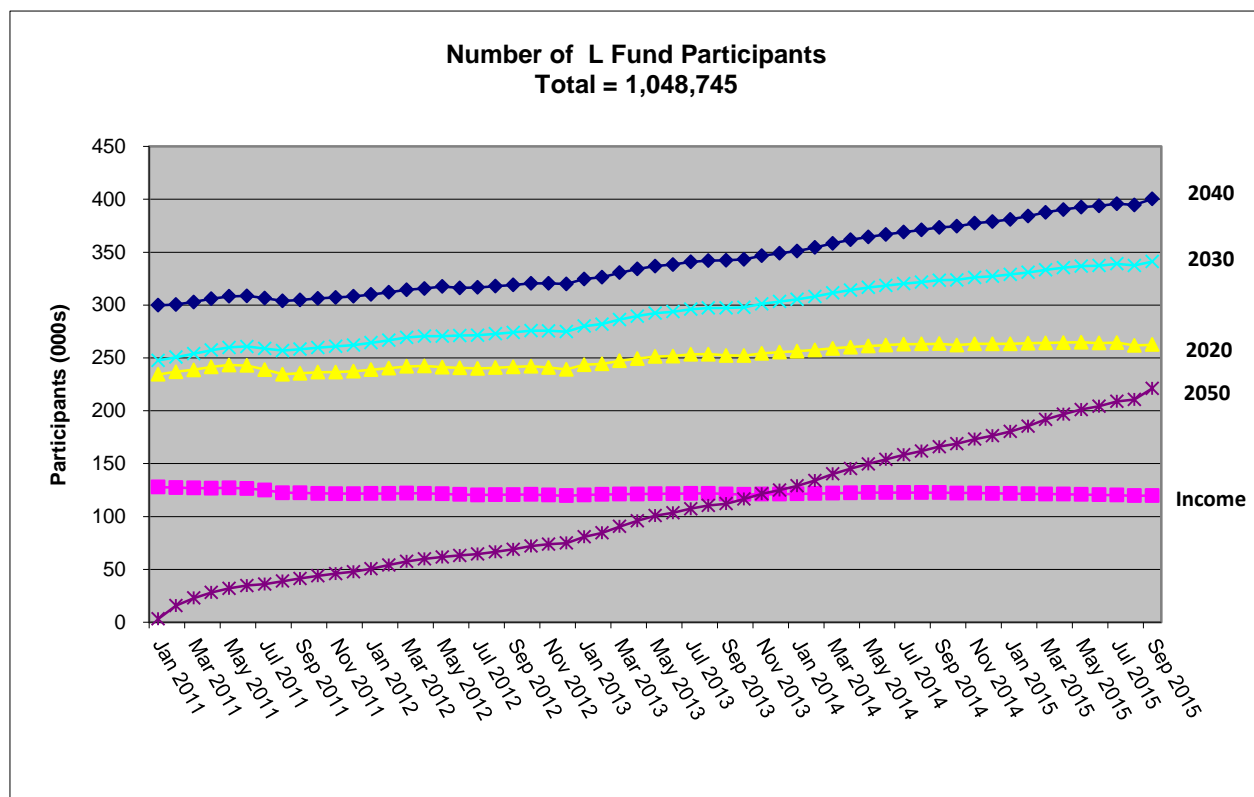


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

September 2015





July 13, 2015

Mr. Zach Oleksiuk, CFA
Director
Corporate Governance & Responsible Investment
BlackRock
55 East 52nd St
New York, NY 10055

Dear Zach,

Enclosed are the results of our review of US proxy votes by BlackRock for the 2nd quarter of 2015. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in black ink, appearing to read "Fasil G. Michael", written in a cursive style.

Fasil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

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

- Votes at 286 meetings were examined.
- Votes at 141 of the 286 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 145 remaining meetings, there were 228 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	74
Non-executive stock option plan	3
Employee share purchase plan	11
Section 162(m)	10
Stock option exchange program	1
Frequency vote on MSOP	10
Advisory vote on golden parachute compensation	2
Increase in common stock	9
Reduce common stock	2
Stock split	1
Reverse stock split	3
Approve conversion of securities	1
Merger and/or reorganization	3
Issue shares in connection with acquisition	3
Issue common stock/warrants	1
Private placement	2
Issue shares below net asset value	1
Approve share repurchase program	1
Change state of incorporation	1
Adjourn meeting	7
Decrease board size	1
Declassify board of directors	5
Adopt majority voting for uncontested election of directors	1
Provide right to call special meeting	3
Provide proxy access right	2
Change company name	3
Amend bylaws/articles	1
Amend stock ownership limitations	3
Amend declaration of trust	1
Approve jurisdiction of incorporation as exclusive forum for certain disputes	4
Amend tax benefits preservation plan (NOL pill)	1
Other business	7
Shareholder proposal	50
Total:	228

- There were 74 votes cast on executive stock option plans:
 - a) 67 votes were cast in favor of the plans (90.5 percent);
 - b) 7 votes were cast against the plans (9.5 percent);
 - i.) 1 plan was opposed solely due to the ability to reprice options without prior shareholder approval;
 - ii.) 1 plan was opposed solely due to the presence of an evergreen provision;
 - iii.) 3 plans were opposed due to the ability to reprice options without prior shareholder approval and the presence of an evergreen provision;
 - iv.) 2 plans were opposed as the plans do not align employee interests with those of shareholders.

- There were 3 votes cast on non-executive stock option plans; the votes were cast in favor of the plans.

- There were 5 votes cast on increases in authorized common stock:
 - a) 4 votes were cast in favor of the increases (80 percent);
 - b) 1 vote was cast against the increases due to imprudent use of past share authorization (20 percent).

- There were 6 votes cast on mergers and/or major corporate transactions, including 3 issuances of shares pursuant to acquisitions; the votes were cast in favor of the transactions.

- There were 50 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) 6 shareholder proposals to require independent board chairman; the votes were cast against the proposals.
 - c) 2 shareholder proposals to provide right to call special meeting; the votes were cast against the proposals.
 - d) 3 shareholder proposals to provide right to act by written consent; the votes were cast against the proposals.
 - e) 1 shareholder proposal to require majority voting for the election of directors; the vote was cast against the proposal.
 - f) 11 shareholder proposals to provide proxy access; the votes were cast in favor of the proposals.
 - g) 1 shareholder proposal to establish board committee on human rights; the vote was cast against the proposal.
 - h) 1 shareholder proposal to amend vote requirements to amend bylaws; the vote was cast against the proposal.
 - i) 2 shareholder proposals to adopt policy on clawback of payments under restatements:
 - i.) 1 vote was cast against the proposals (50 percent);
 - ii.) 1 vote was cast in favor of the proposals (50 percent).
 - j) 2 shareholder proposals to approve pro-rata vesting of equity plans; the votes were cast against the proposals.

- k) 1 shareholder proposal to remove or adjust metrics used for executive compensation; the vote was cast against the proposal.
 - l) 3 shareholder proposals to report on political contributions; the votes were cast against the proposals.
 - m) 2 shareholder proposals to prepare sustainability report; the votes were cast against the proposals.
 - n) 3 shareholder proposals to adopt quantitative GHG goals for products; the votes were cast against the proposals.
 - o) 2 shareholder proposals to report on lobbying contributions; the votes were cast against the proposals.
 - p) 1 shareholder proposal to report on methane gas emissions; the vote was cast against the proposal.
 - q) 1 shareholder proposal to report on risk of genetic engineering; the vote was cast against the proposal.
 - r) 1 shareholder proposal to commit to a 75 percent cage-free egg supply; the vote was cast against the proposal.
 - s) 1 shareholder proposal to institute procedures to prevent investment in companies that contribute to genocide; the vote was cast against the proposal.
- There were 176 votes cast on management advisory votes on executive compensation:
 - a) 174 votes were cast in favor of the advisory votes (98.9 percent);
 - b) 2 votes were cast against the advisory votes, as pay did not appear to be properly aligned with performance and peers (1.1 percent).
 - There were 4 votes cast on management advisory vote on golden parachute compensation; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.