



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

January 8, 2016

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

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

TRACKING ERROR - TSP Separate Accounts at BlackRock (BTC)

Monthly Tracking Error

<u>Fund</u>	<u>% BTC Returns</u>	<u>% TSP Returns</u>	<u>% Index Returns</u>	<u>BTC T.E.</u>	<u>TSP vs. BTC</u>
Fixed Income	-0.30	-0.30	-0.32	0.02	0.00
Large Cap	-1.57	-1.57	-1.58	0.01	0.00
Small Mid Cap	-3.91	-3.91	-3.91	0.00	0.00
International	-2.02	-2.03	-1.35	-0.67	-0.01

2015 Year-to-Date (YTD) Tracking Error

<u>Fund</u>	<u>% BTC Returns</u>	<u>% TSP Returns</u>	<u>% Index Returns</u>	<u>BTC T.E.</u>	<u>TSP vs. BTC</u>
Fixed Income	0.94	0.91	0.55	0.39	-0.03
Large Cap	1.48	1.46	1.38	0.10	-0.02
Small Mid Cap	-2.91	-2.92	-3.42	0.51	-0.01
International	-0.45	-0.51	-0.81	0.36	-0.06

BlackRock underperformed the International index by 67 basis points for the month due to fair value pricing adjustment on December 31, 2015, but BlackRock outperformed the International Index by 36 basis points for the year as a result of the tax effect and securities lending. BlackRock outperformed the Small Mid-Cap Index by 51 basis points and the Fixed Income Fund Index by 39 basis points for the year due to securities lending.

The TSP Funds closely tracked the BTC Accounts for the month. The TSP Funds also closely tracked the BTC Accounts for the year, except for the International Fund due to higher trading costs.

Trading Costs

<u>Trading Costs</u>			
<u>F Fund</u>	<u>Dollar Amount</u> <u>Traded</u>	<u>Dollars</u>	<u>Basis</u> <u>Points</u>
December	712,700,300	(14,156)	-0.2
Year-to-Date	9,263,354,356	417,556	0.5
 <u>C Fund</u>			
December	3,006,411,884	1,815,512	6.0
Year-to-Date	25,983,602,320	(5,970,723)	-2.3
 <u>S Fund</u>			
December	1,580,220,847	(154,212)	-1.0
Year-to-Date	17,755,155,452	(6,352,720)	-3.6
 <u>I Fund</u>			
December	959,239,105	614,397	6.4
Year-to-Date	14,162,971,290	10,460,029	7.4

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

TSP Funds (as of December 31, 2015)

	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
G Fund	2.04%	2.08%	2.03%	2.94%

F Fund	0.91%	1.93%	3.57%	4.74%
Barclays U.S. Agg Bond Index	0.55%	1.44%	3.25%	4.51%
Tracking Error	0.36%	0.48%	0.32%	0.23%

C Fund	1.46%	15.21%	12.63%	7.36%
S&P 500 Index	1.38%	15.13%	12.57%	7.31%
Tracking Error	0.08%	0.08%	0.06%	0.05%

S Fund	-2.92%	13.13%	10.65%	8.03%
DJ U.S. Completion TSM Index	-3.42%	12.79%	10.24%	7.86%
Tracking Error	0.50%	0.33%	0.41%	0.17%

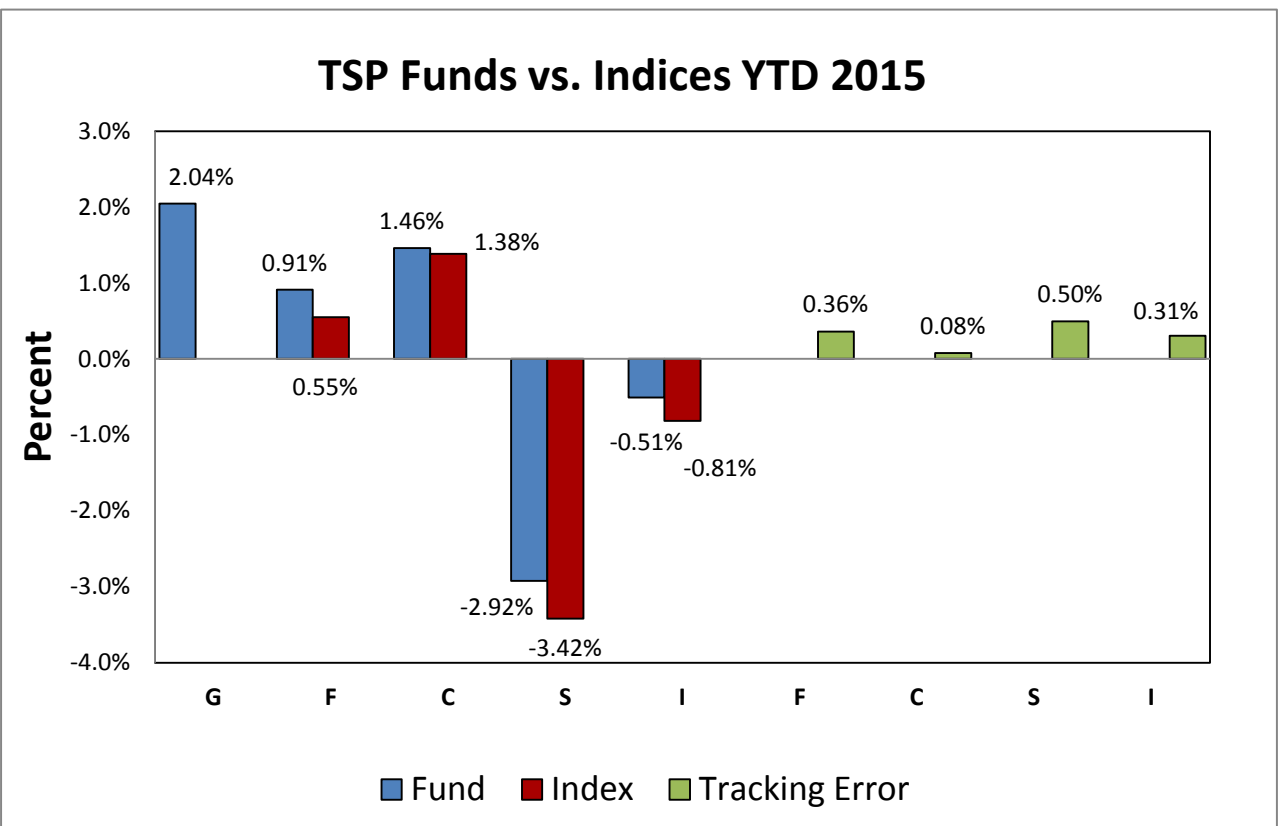
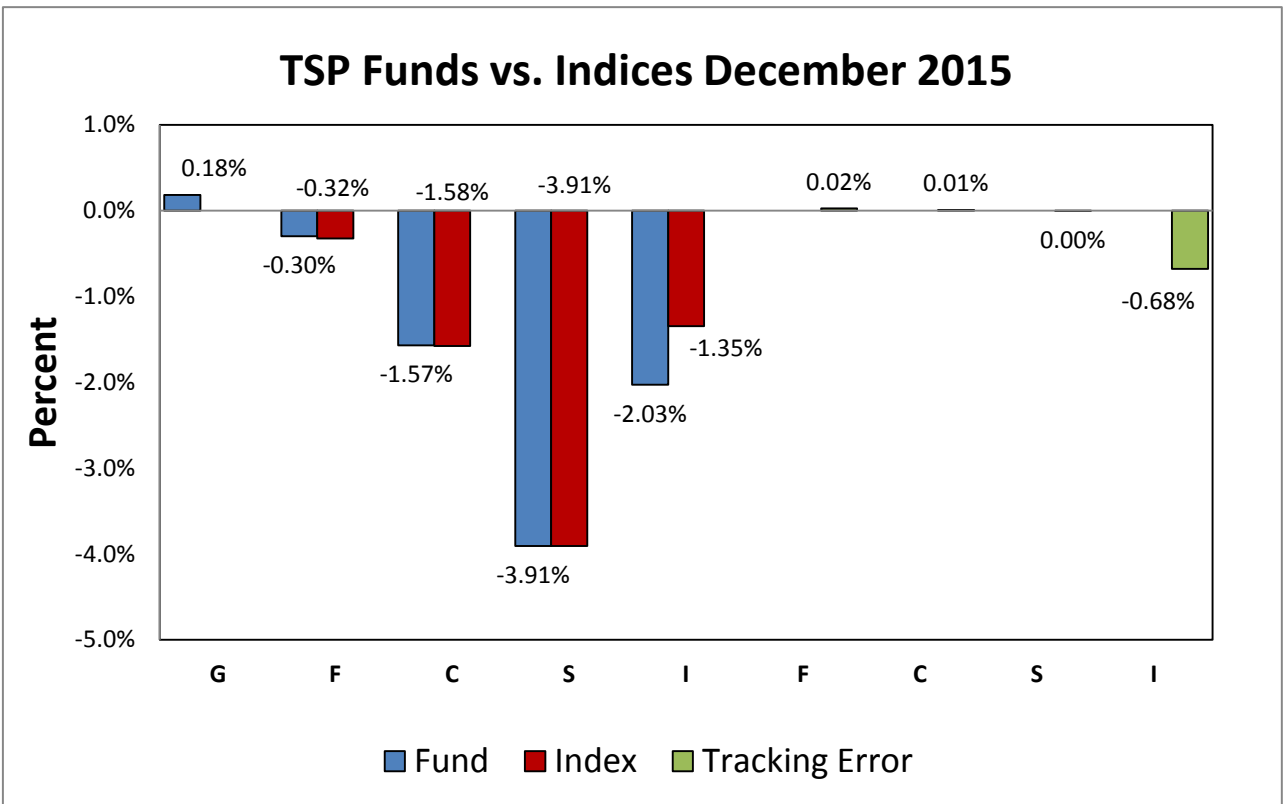
I Fund	-0.51%	4.80%	3.79%	3.20%
MSCI EAFE (Net) Index	-0.81%	5.01%	3.60%	3.03%
Tracking Error	0.31%	-0.21%	0.18%	0.17%

Lifecycle Funds

L Income	1.85%	4.18%	3.90%	4.13%
L 2020	1.35%	7.30%	6.50%	5.41%
L 2030	1.04%	8.68%	7.58%	5.90%
L 2040	0.73%	9.65%	8.33%	6.19%
L 2050	0.45%	10.48%	8.49%	NA

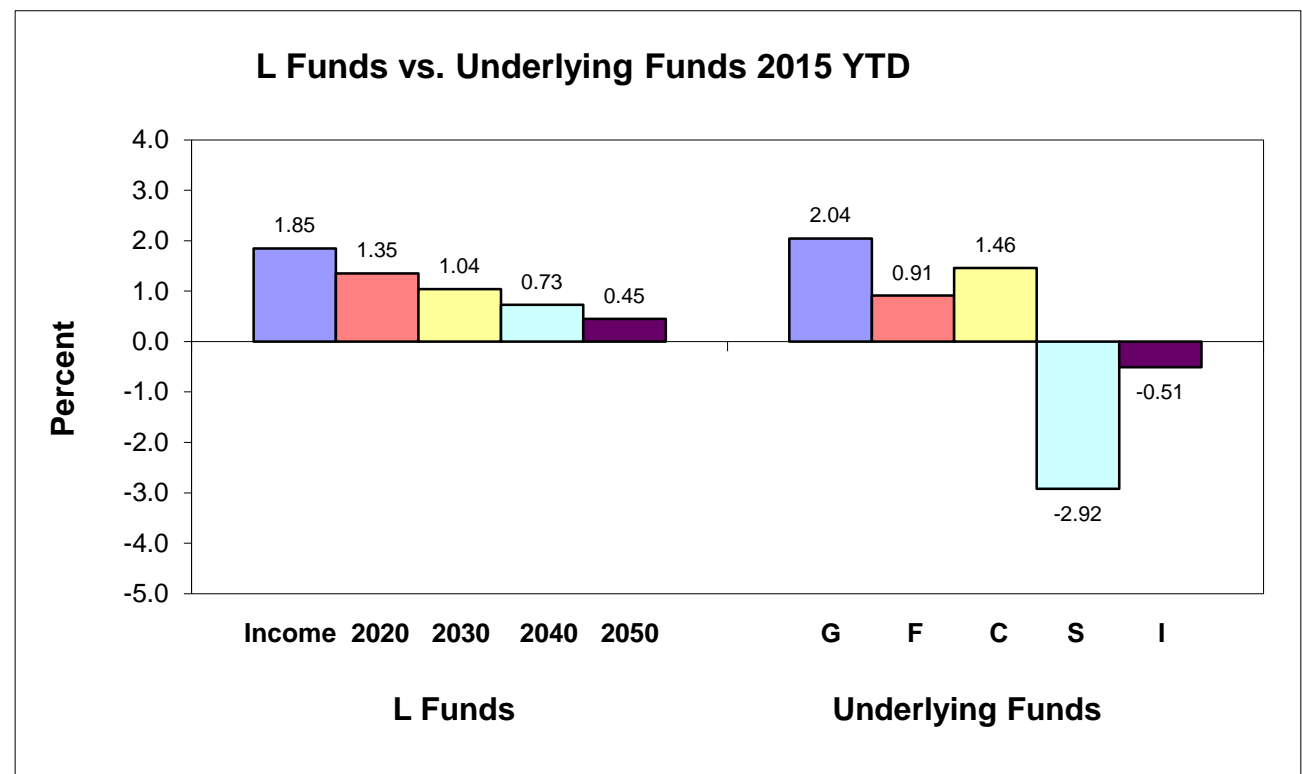
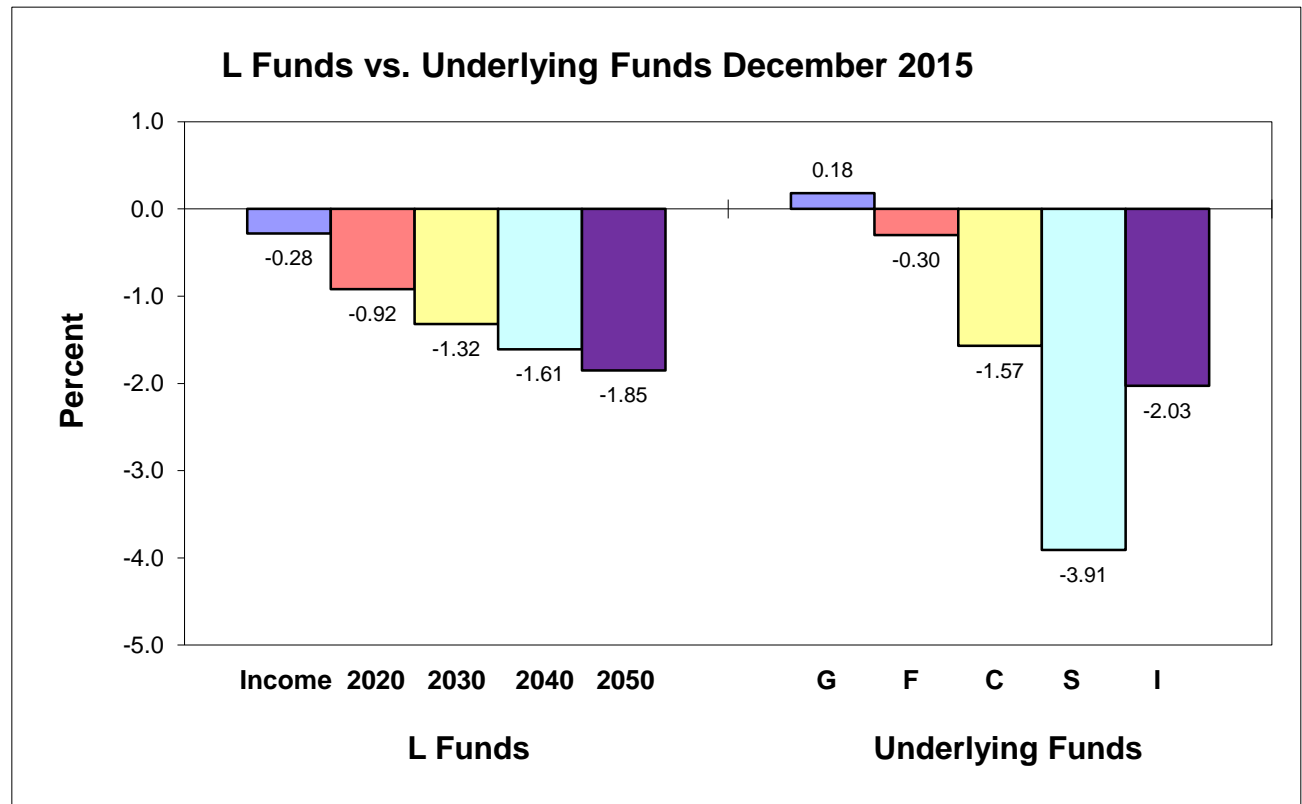
Performance of TSP Funds Total Returns

The charts below shows the G, F, C, S, and I Fund net rates of return vs. respective benchmark index.



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 -- THIRD QUARTER 2015

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

CLASS ACTION SETTLEMENTS -- THIRD QUARTER 2015

Nine claims were opened in three of the funds during the Third Quarter. Two claims remained open in the C Fund. Through the third quarter, no claims were settled in any of the the funds. The TSP has not settled on any settlement claims year to date.

	<u>Open at Start of Quarter</u>	<u>Opened during Quarter</u>	<u>Closed during Quarter</u>	<u>Open Claims Outstanding</u>	<u>Estimate of Settled Claims in 2015 (\$)</u>
F Fund	-	4	-	4	\$0
C Fund	2	4	-	6	\$0
S Fund	-	1	-	1	\$0
I Fund	-	-	-	-	\$0
Total	2	9	-	11	\$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

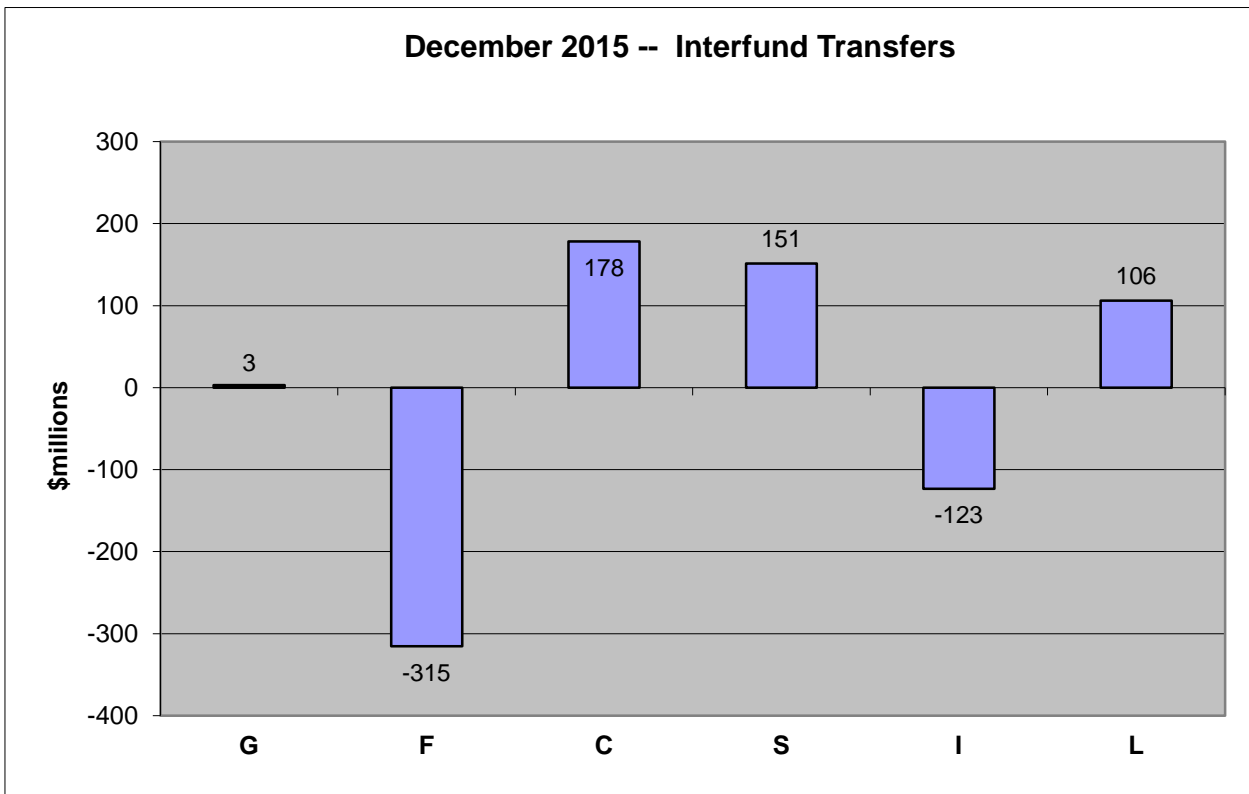
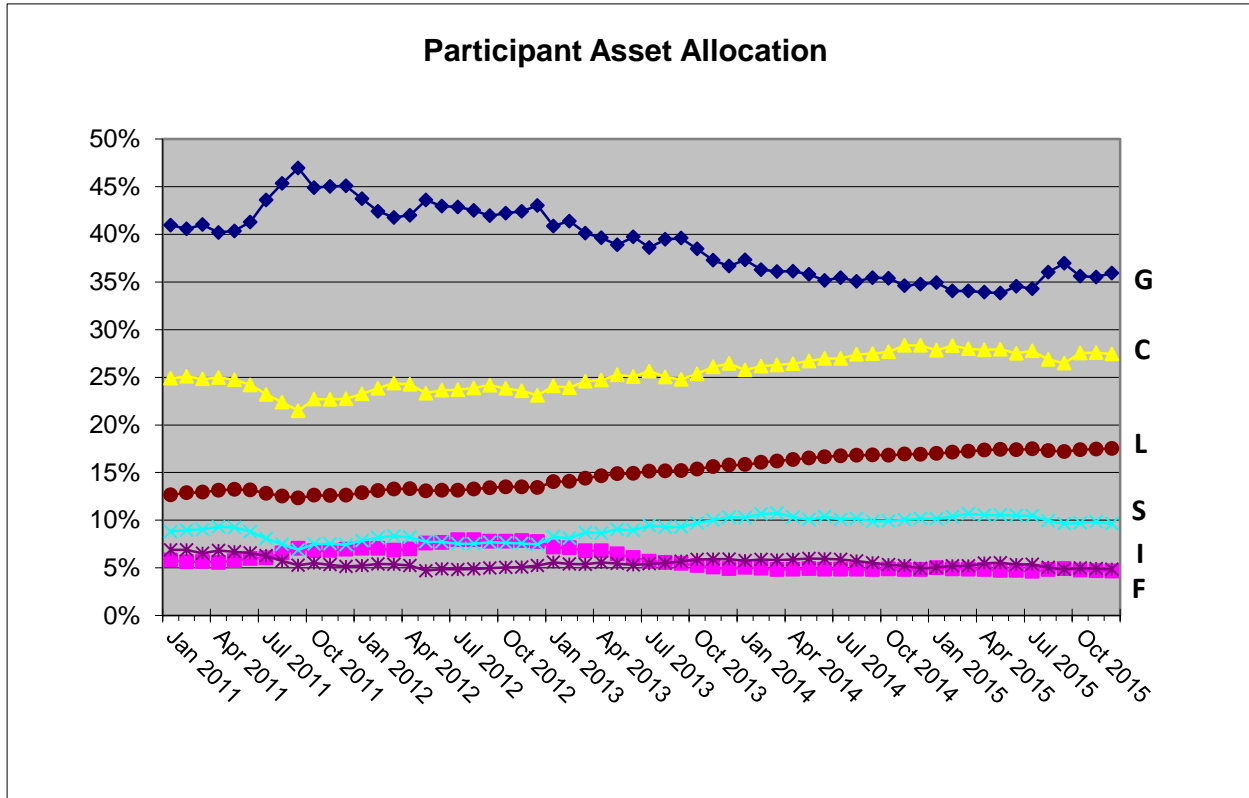
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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 December 2015

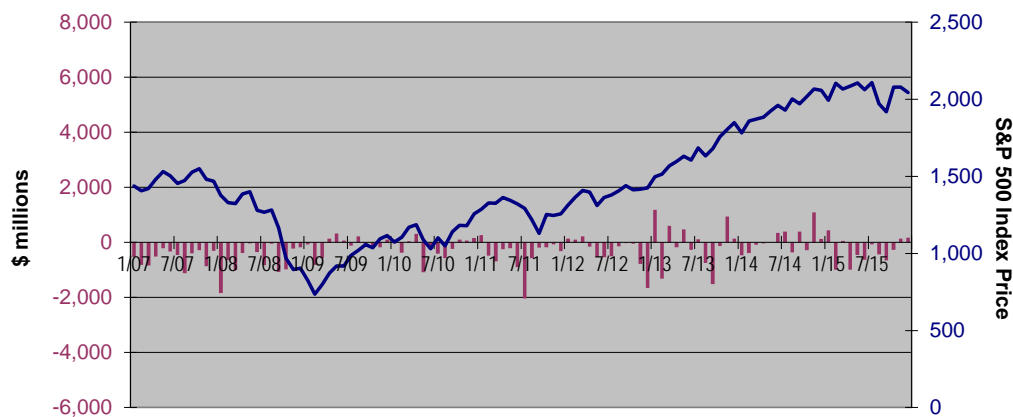
Attachment 1



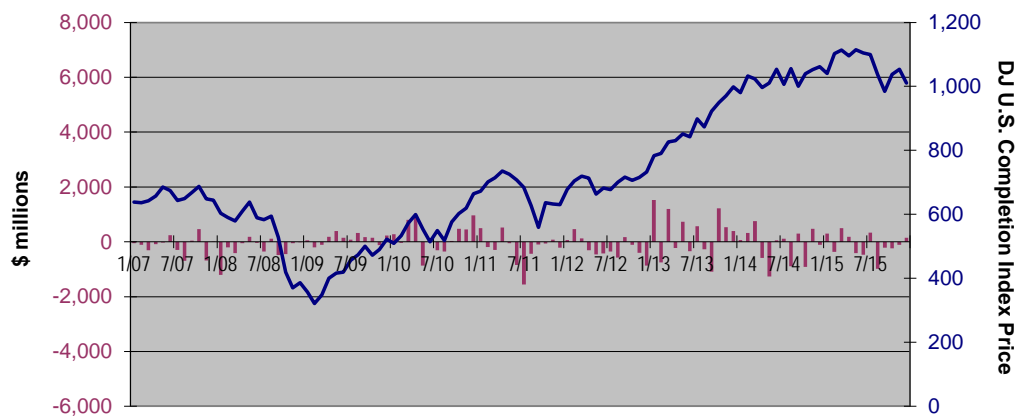
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

December 2015

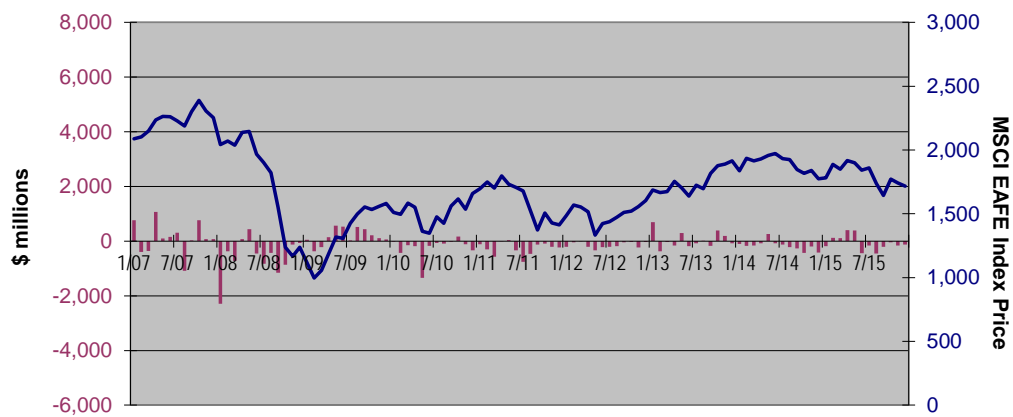
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund



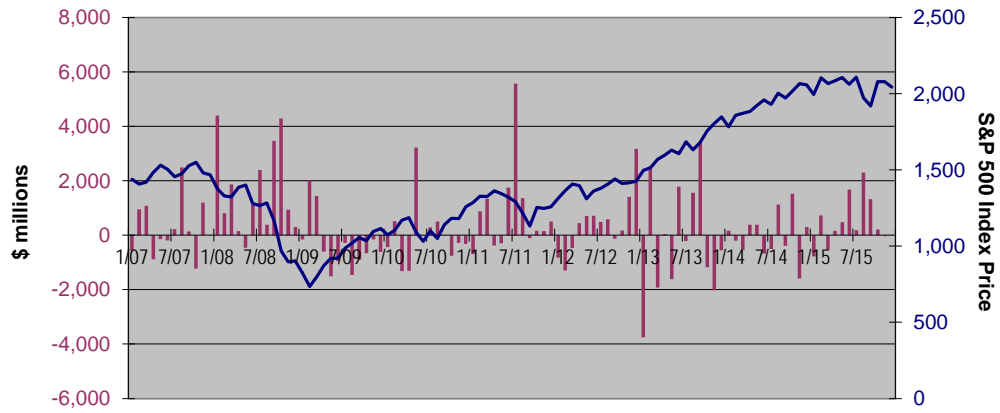
Monthly Interfund Transfers
I Fund



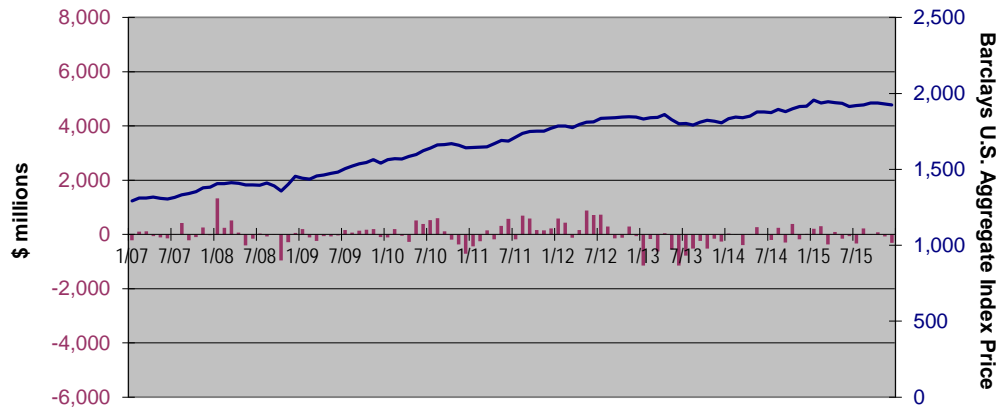
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December 2015

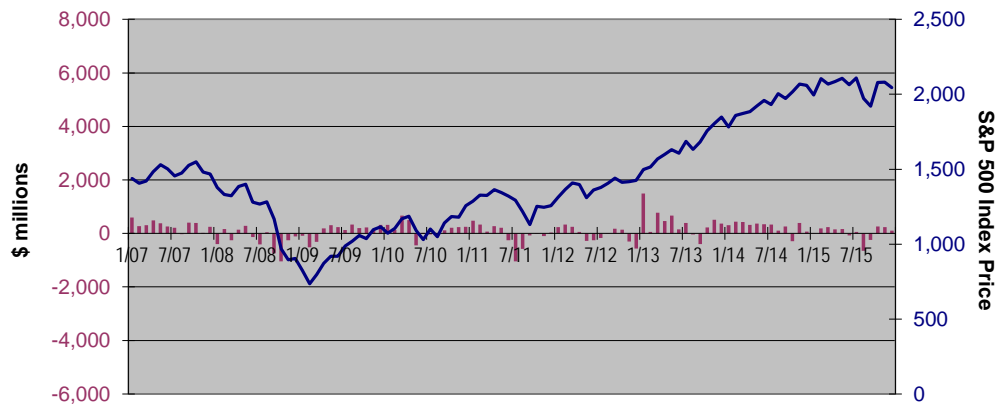
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

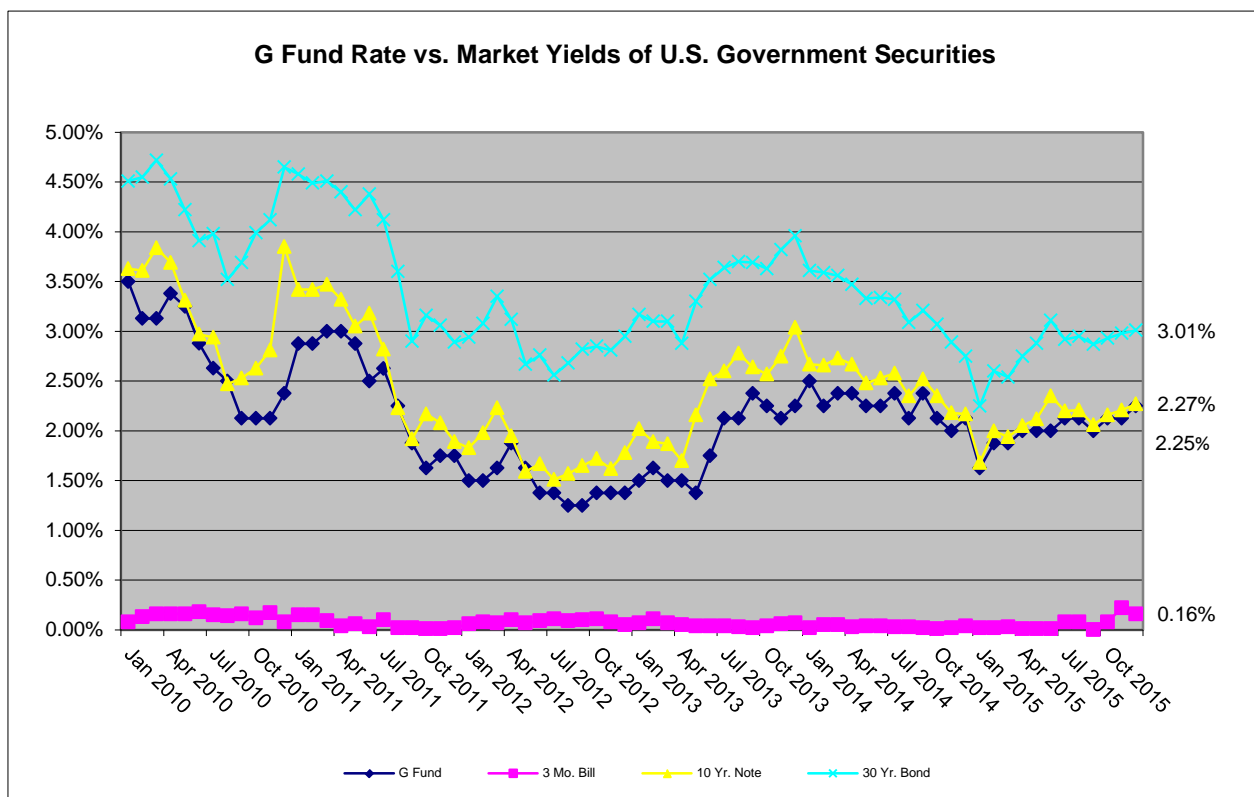
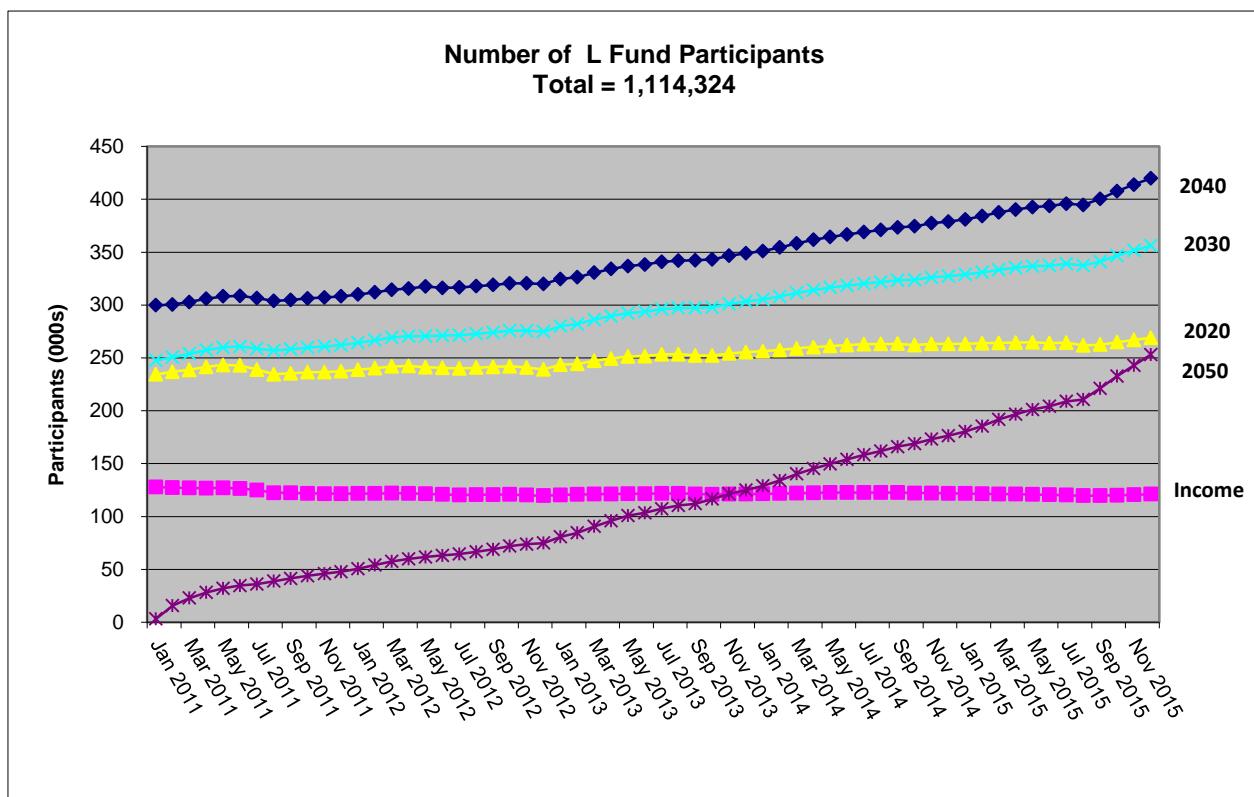


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

December 2015





October 15, 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 3rd quarter of 2015. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in black ink that reads "Fasil Michael". The signature is fluid and cursive, with the first name "Fasil" and last name "Michael" clearly distinguishable.

Fasil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 3rd quarter proxy voting for US meetings are as follows:

- Votes at 38 meetings were examined.
- Votes at 10 of the 38 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 28 remaining meetings, there were 48 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	18
Employee share purchase plan	3
Section 162(m)	1
Frequency vote on MSOP	1
Advisory vote on golden parachute compensation	3
Increase in common stock	1
Increase authorized preferred and common stock	1
Reverse stock split	1
Merger	3
Issue shares in connection with acquisition	3
Adjourn meeting	6
Adopt shareholder rights plan	1
Adopt certificate of incorporation	1
Adopt restated bylaws	1
Approve jurisdiction of incorporation as exclusive forum for certain disputes	1
Other business	2
Shareholder proposal	1
Total:	48

- There were 18 votes cast on executive stock option plans:
 - a) 17 votes were cast in favor of the plans (94.4 percent);
 - b) 1 vote was cast against the plans due to the ability to reprice options without shareholder approval (5.6 percent).
- There was 1 vote cast on an increase in authorized common stock; the vote was cast against the increase.
- There were 6 votes cast on mergers and/or major corporate transactions, including 3 issuances of shares pursuant to an acquisition; the votes were cast in favor of the transactions.
- There were 22 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 3 votes cast on management advisory votes on golden parachute compensation; the votes were cast in favor of the advisory votes.
- There was 1 vote cast on a shareholder proposal to reduce supermajority vote requirement; the vote was cast in favor of the proposal.

There were no exceptions to policy this period.