



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

October 7, 2016

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: September 2016 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	-0.04	-0.04	-0.06	0.02	0.00
Large Cap	0.02	0.02	0.02	0.00	0.00
Small Mid Cap	0.90	0.90	0.89	0.01	0.00
International	1.24	1.24	1.23	0.01	0.00

2016 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	6.04	6.01	5.80	0.24	-0.03
Large Cap	7.90	7.87	7.84	0.06	-0.03
Small Mid Cap	10.13	10.11	9.67	0.46	-0.02
International	2.85	2.80	1.73	1.12	-0.05

BlackRock's performance for the F, C, S and I Funds was in-line with the Funds' respective indices for the month of September. BlackRock outperformed the Fixed Income Index by 24 basis points for the year primarily due to securities lending. BlackRock outperformed the Large Cap Index and the Small Mid Cap Index for the year by 6 basis points and 46 basis points respectively, primarily due to securities lending. BlackRock outperformed the International Index by 112 basis points for the year primarily due to the reversal of a fair value pricing adjustment on December 31, 2015 and also due to tax effect.

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>
September	732,803,329	4,496	0.1
Year-to-Date	6,932,867,182	642,723	0.9
 <u>C Fund</u>			
September	1,545,627,516	1,009,478	6.5
Year-to-Date	17,437,641,232	(2,372,042)	-1.4
 <u>S Fund</u>			
September	1,876,767,474	(109,895)	-0.6
Year-to-Date	14,413,752,325	(3,366,210)	-2.3
 <u>I Fund</u>			
September	1,221,123,696	731,342	6.0
Year-to-Date	13,960,780,934	8,518,845	6.1

* -- 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 September 30, 2016)

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	1.85%	2.08%	1.89%	2.71%

F Fund	5.46%	4.51%	3.44%	5.03%
Barclays U.S. Agg Bond Index	5.19%	4.03%	3.08%	4.79%
Tracking Error	0.27%	0.48%	0.36%	0.24%

C Fund	15.50%	11.24%	16.45%	7.30%
S&P 500 Index	15.43%	11.16%	16.37%	7.24%
Tracking Error	0.07%	0.08%	0.08%	0.06%

S Fund	13.69%	7.76%	16.49%	8.45%
DJ U.S. Completion TSM Index	13.03%	7.36%	16.02%	8.26%
Tracking Error	0.66%	0.40%	0.47%	0.19%

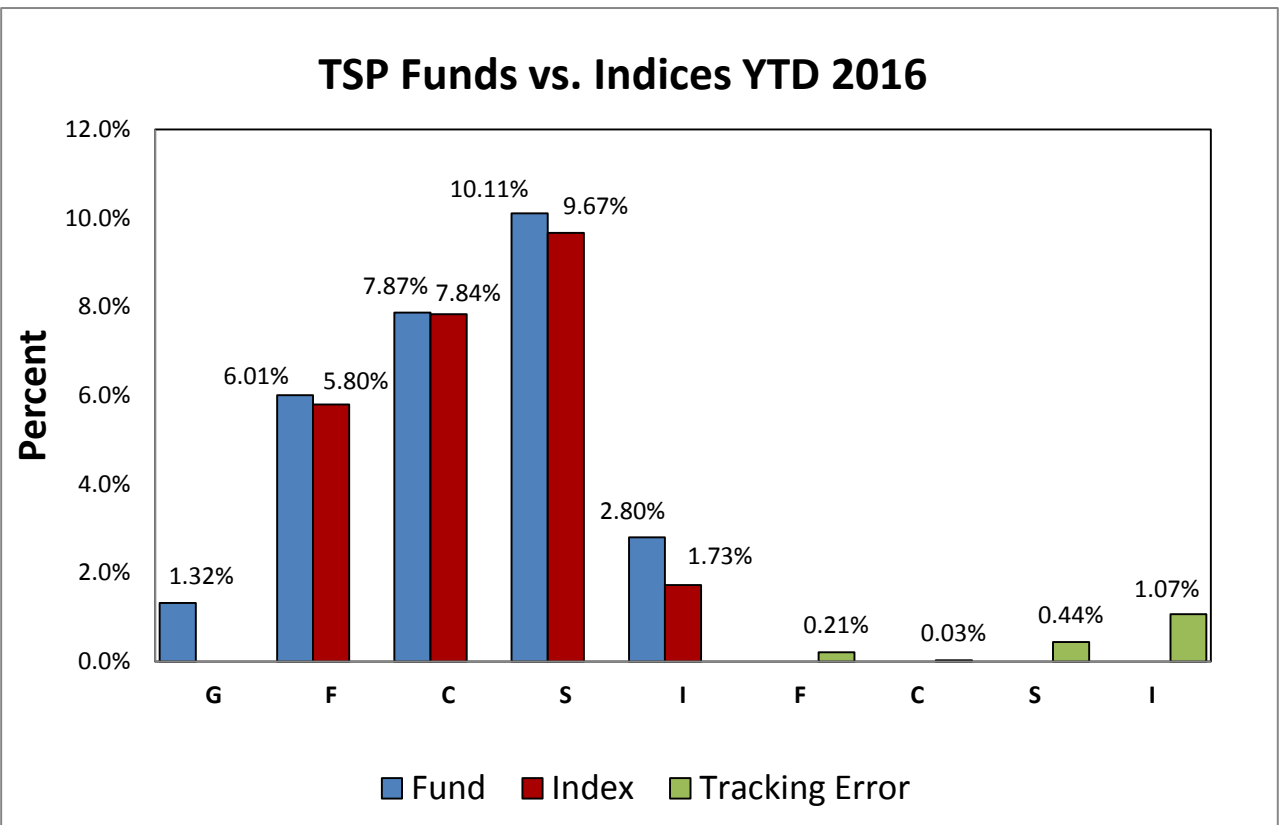
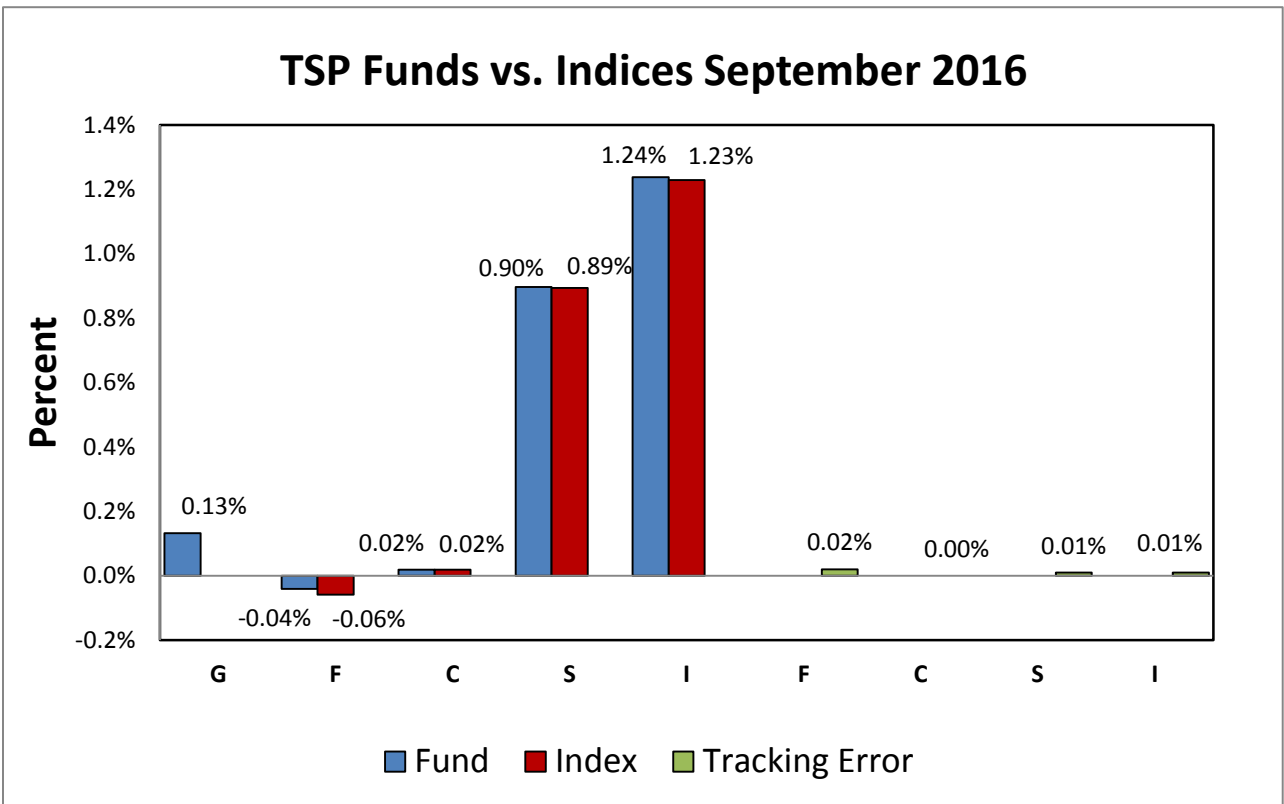
I Fund	6.90%	0.80%	7.99%	2.09%
MSCI EAFE (Net) Index	6.52%	0.48%	7.39%	1.82%
Tracking Error	0.38%	0.32%	0.60%	0.27%

Lifecycle Funds

L Income	4.39%	3.55%	4.54%	3.91%
L 2020	7.22%	5.14%	8.52%	5.06%
L 2030	9.12%	6.01%	10.29%	5.60%
L 2040	10.16%	6.52%	11.52%	5.88%
L 2050	11.08%	6.87%	12.59%	NA

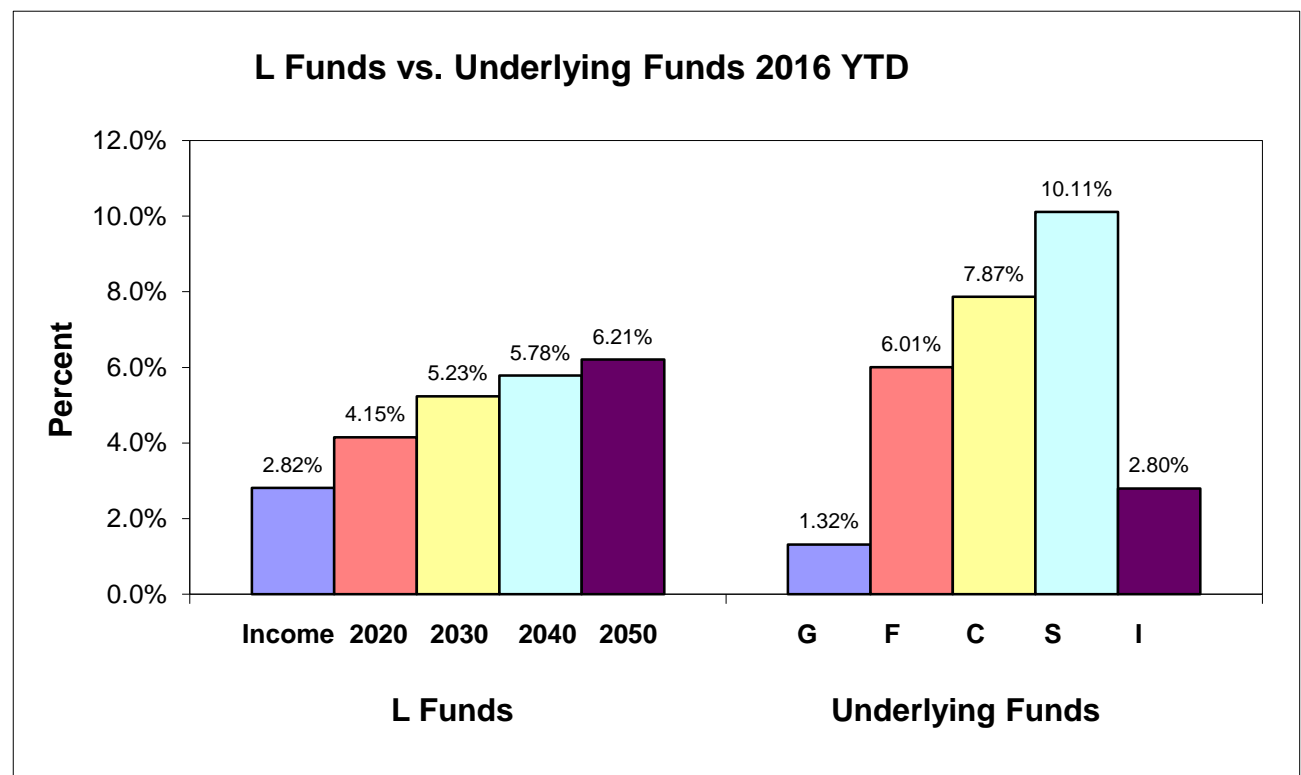
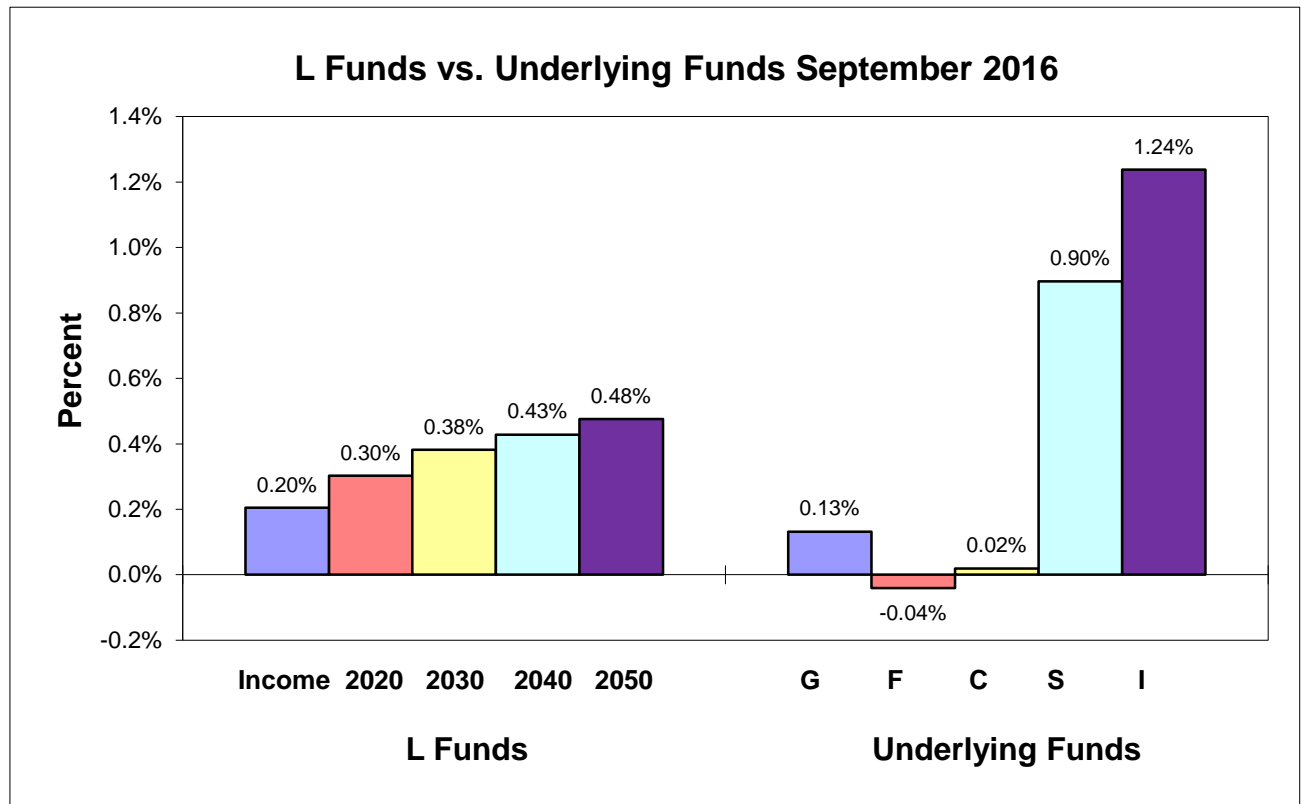
Performance of TSP Funds Total Returns

The charts below show 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 -- SECOND QUARTER 2016

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the second quarter of 2016. A copy of the audit report is provided as Attachment 2. The ISS audit report for the third quarter of 2016 is not yet available.

CLASS ACTION SETTLEMENTS -- SECOND QUARTER 2016

Eight claims were opened in three funds during the Second Quarter. Two claims were closed by the Claims Administrator for lack of eligibility reasons. Twenty claims remained open across the four funds. Through the Second Quarter, one claim in the C Fund was settled worth \$45.

	<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 2016 (\$)</u>
F Fund	4	-	-	4	\$0
C Fund	7	4	1	10	\$45
S Fund	3	3	1	5	\$0
I Fund	-	1	-	1	\$0
Total	14	8	2	20	\$45

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

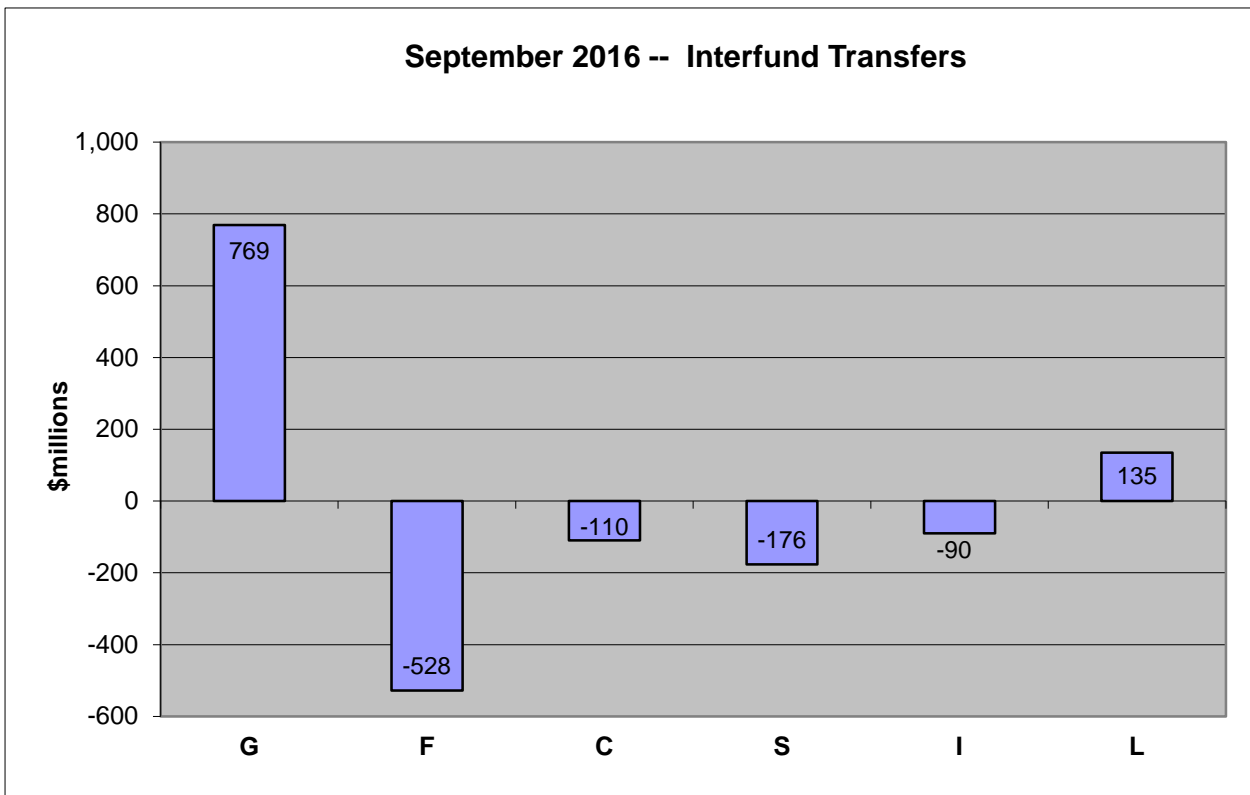
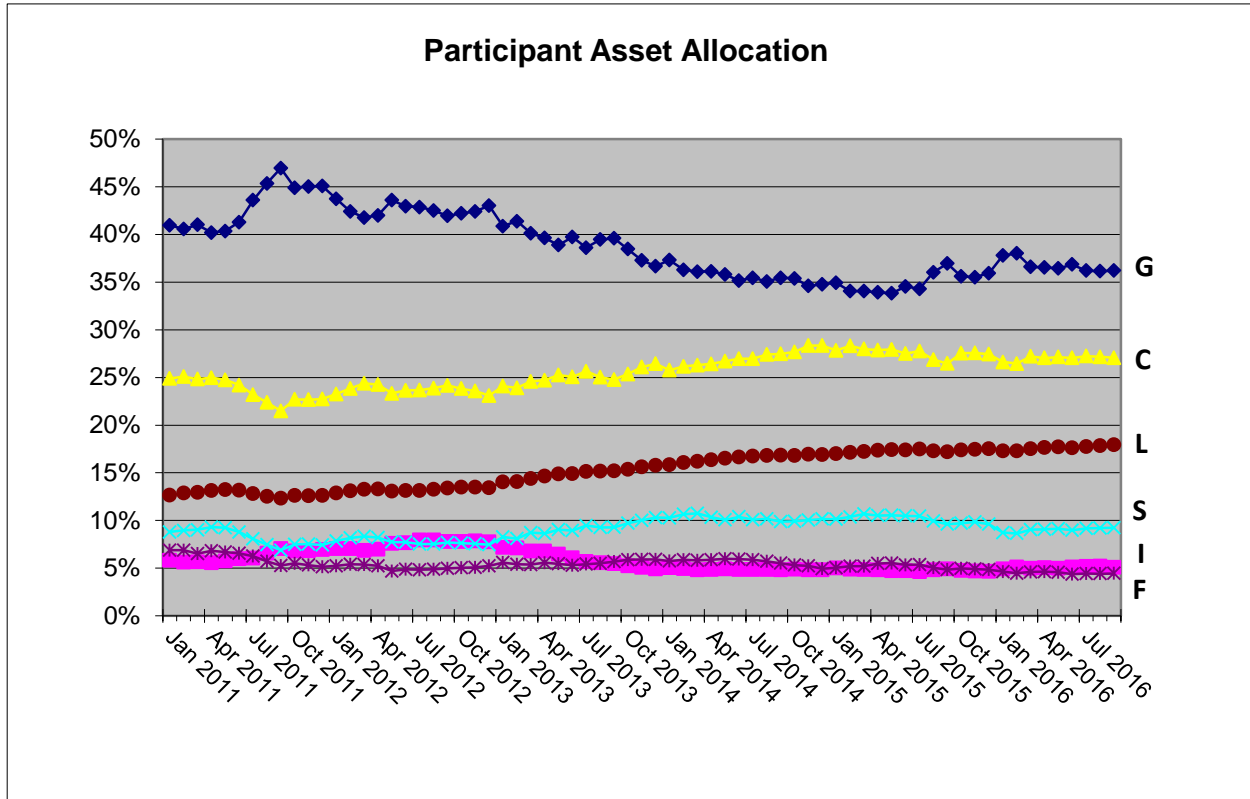
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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 2016

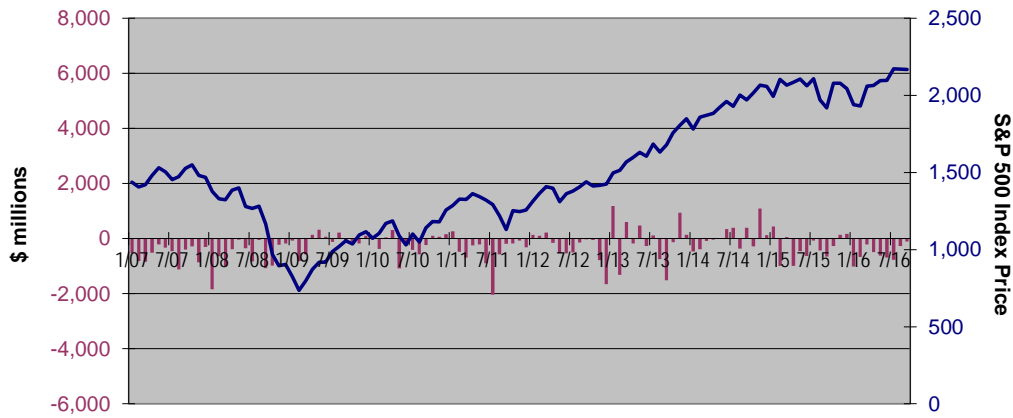
Attachment 1



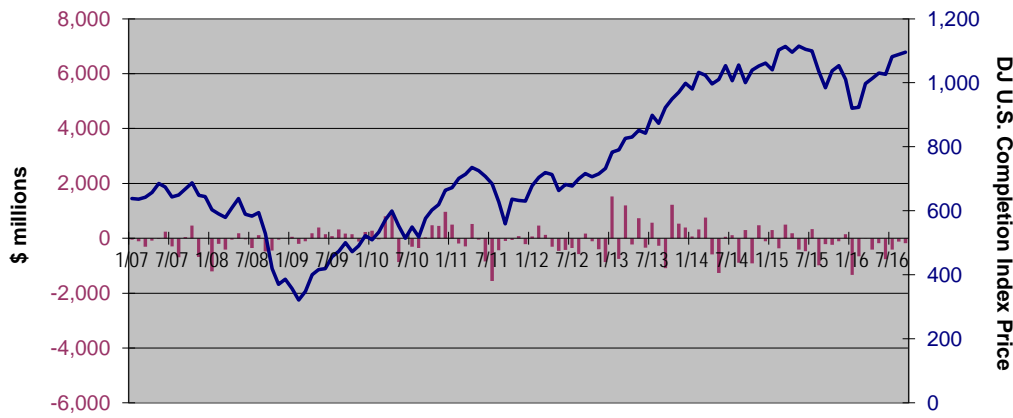
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

September 2016

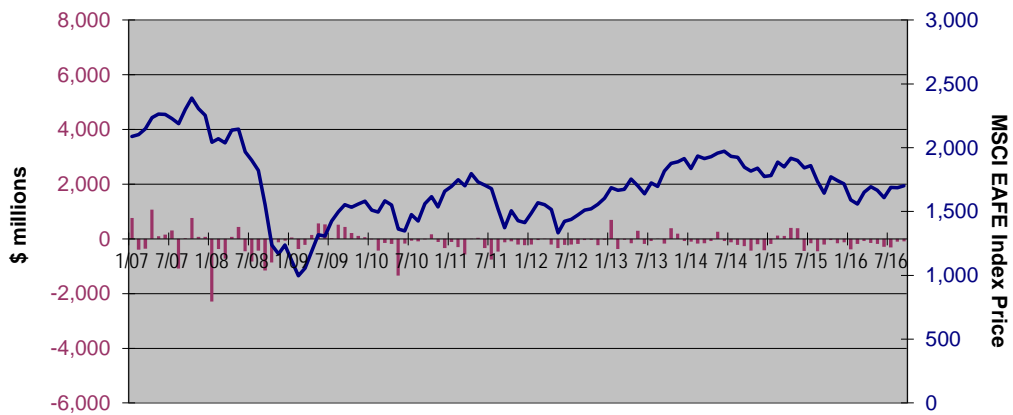
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund



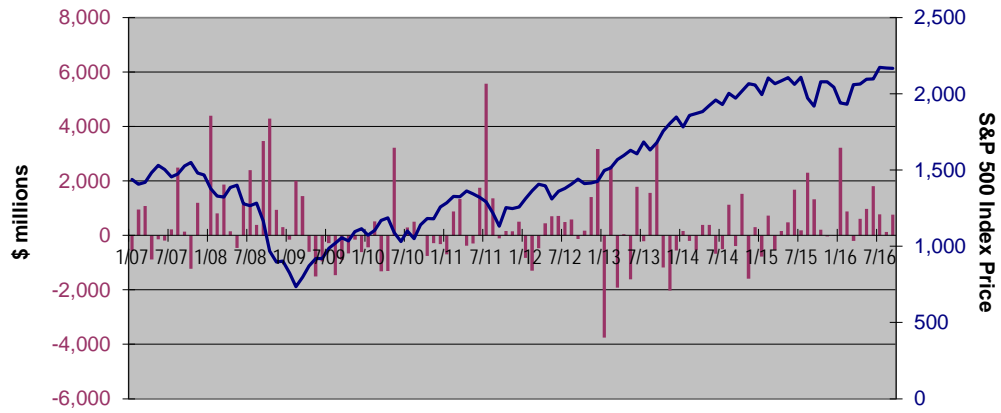
Monthly Interfund Transfers
I Fund



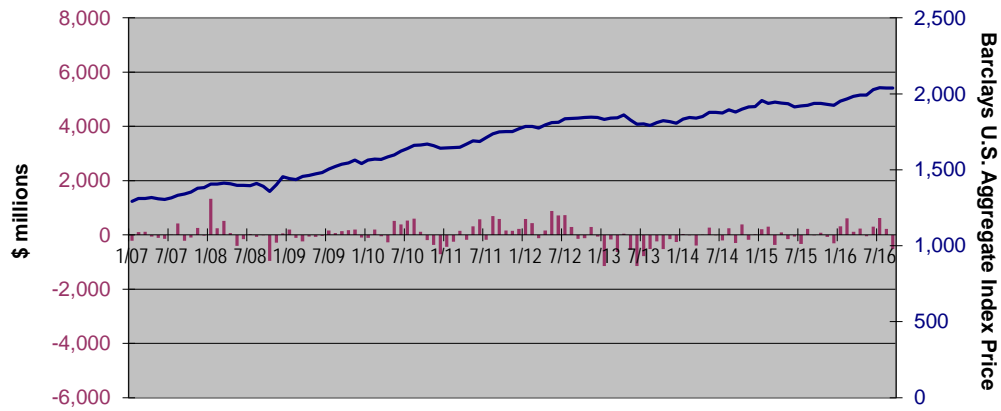
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

September 2016

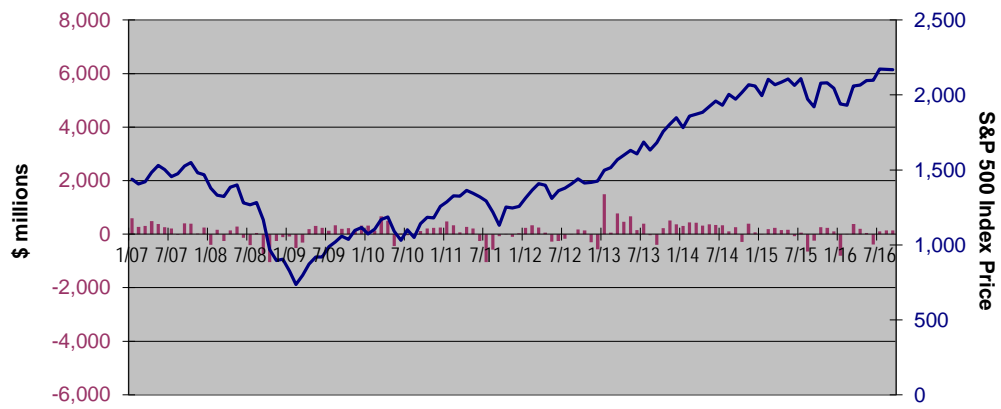
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

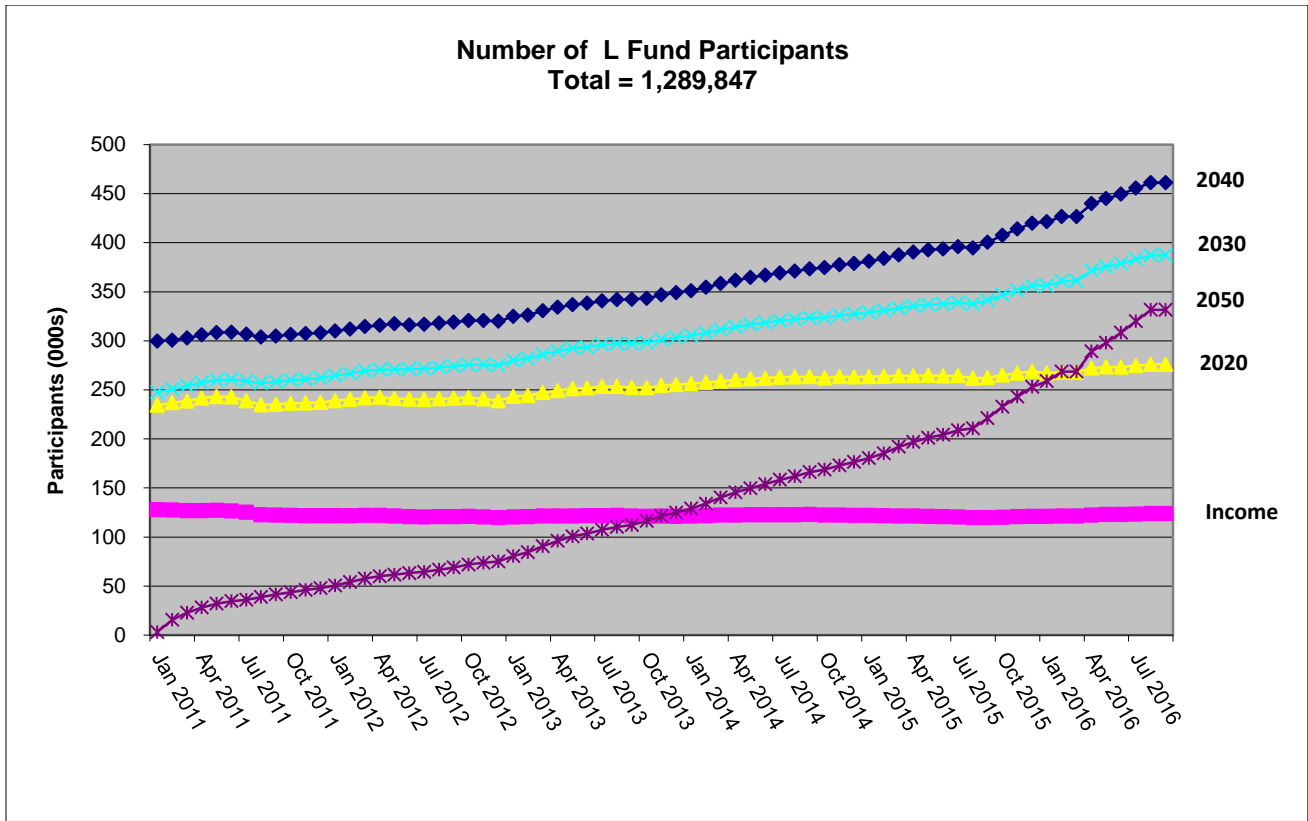


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

September 2016



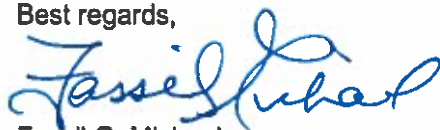
August 1, 2016

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 2016. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, reading "Fassil Michael", written in a cursive style.

Fassil 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 292 meetings were examined.
- Votes at 163 of the 292 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 129 remaining meetings, there were 210 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	60
Non-executive stock option plan	2
Employee share purchase plan	5
Section 162(m)	15
Advisory vote on golden parachute compensation	8
Frequency vote on MSOP	11
Increase in common stock	6
Reduce authorized common stock	2
Reduce par value of common stock	1
Issuance of share below net asset value	1
Issuance of shares for private placement	3
Issuance of convertible debentures	1
Issuance of warrants	1
Reverse stock split	4
Approve merger agreement	7
Issue shares in connection with acquisition	3
Adjourn meeting	11
Adopt shareholder rights plan	1
Adopt NOL rights plan	1
Approve jurisdiction of incorporation as exclusive forum for certain disputes	3
Fix number of directors	1
Establish range for board size	3
Declassify board of directors	3
Classify board of directors	1
Retain classified board structure	1
Adopt majority voting for uncontested election of directors	3
Provide directors may be removed with or without written consent	1
Provide proxy access right	1
Eliminate cumulative voting	1
Eliminate written consent	2
Eliminate fair price provision	1
Eliminate supermajority vote requirement	2
Change company name	2
Permit board to amend bylaws without shareholder consent	2
Amend certificate of incorporation	4
Other business	1
Shareholder proposal	35
Total:	210

- There were 60 votes cast on executive stock option plans:
 - a) 51 votes were cast in favor of the plans (85 percent);
 - b) 9 votes were cast against the plans (15 percent);
 - i.) 4 plans were opposed due to the ability to reprice options without prior shareholder approval and the presence of an evergreen provision;
 - ii.) 2 plans were opposed solely due to the ability to reprice options without prior shareholder approval;
 - iii.) 1 plan was opposed solely due to the presence of an evergreen provision;
 - iv.) 1 plan was opposed due to aggressive accounting for equity compensation;
 - v.) 1 plan was opposed as the plan permits cash buyouts without prior shareholder approval.

- There were 2 votes cast on non-executive stock option plans:
 - a) 1 vote was cast in favor of the plans (50 percent);
 - b) 1 vote was cast against the plans (50 percent) due to aggressive accounting for equity compensation.

- There were 5 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.

- There were 3 votes cast on issuances of shares for a private placement:
 - a) 2 votes were cast in favor of the issuances (66.7 percent);
 - b) 1 vote was cast against the issuance (33.3 percent).

- There were 10 votes cast on mergers, acquisitions 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 35 votes cast on shareholder proposals which included:
 - a) 4 shareholder proposals to require independent board chairman; the votes were cast against the proposals.
 - b) 1 shareholder proposal to declassify the board; the vote was cast in favor of the proposal.
 - c) 2 shareholder proposals to require majority vote for the election of directors; the votes were cast in favor of the proposals.
 - d) 5 shareholder proposals to provide proxy access:
 - i.) 3 votes were cast in favor of the proposals (60 percent);
 - ii.) 2 votes were cast against the proposals (40 percent).
 - e) 2 shareholder proposals to reduce ownership threshold to call special meeting:
 - i.) 1 vote was cast in favor of the proposals (50 percent);
 - ii.) 1 vote was cast against the proposals (50 percent).
 - f) 1 shareholder proposal to approve recapitalization plan for all stock to have one vote per share; the vote was cast in favor of the proposal.
 - g) 1 shareholder proposal to provide right to act by written consent; the vote was cast against the proposal.
 - h) 1 shareholder proposal to adopt payout policy giving preference to share buybacks over dividends; the vote was cast against the proposal.
 - i) 2 shareholder proposals to approve pro-rata vesting of equity plans; the votes were cast against the proposals.
 - j) 2 shareholder proposals to adopt policy on stock retention/holding period; the votes were cast against the proposals.

- k) 1 shareholder proposal to assess feasibility of including sustainability for performance measure for senior executive compensation; the vote was cast against the proposal.
 - l) 1 shareholder proposal to report on lobbying contributions; the vote was cast against the proposal.
 - m) 1 shareholder proposal to adopt quantitative GHG goals; the vote was cast against the proposal.
 - n) 2 shareholder proposals to report on financial risks of stranded carbon assets; the votes were cast against the proposals.
 - o) 1 shareholder proposal to report on Zika virus controls for primates and employees; the vote was cast against the proposal.
 - p) 1 shareholder proposal to establish board committee on sustainability; the vote was cast against the proposal.
 - q) 1 shareholder proposal to report on plans to minimize pesticides' impact on pollinators; the vote was cast against the proposal.
 - r) 1 shareholder proposal to adopt Holy Land Principles; the vote was cast against the proposal.
 - s) 1 shareholder proposal to adopt quantitative renewable energy goals; the vote was cast against the proposal.
 - t) 1 shareholder proposal to report on aligning with 2 Degree scenario; the vote was cast against the proposal.
 - u) 1 shareholder proposal to adopt and issue general payout policy; the vote was cast against the proposal.
 - v) 1 shareholder proposal to add GMO labels on products; the vote was cast against the proposal.
 - w) 1 shareholder proposal to report on plan to address supply chain impact on deforestation; the vote was cast against the proposal.
- There were 180 votes cast on management advisory votes on executive compensation:
 - a) 178 votes were cast in favor of the advisory votes (98.9 percent);
 - b) 2 vote was cast against the advisory votes (1.1 percent)
 - There were 8 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.