



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

April 7, 2017

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: March 2017 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	-0.01	-0.01	-0.05	0.04	0.00
Large Cap	0.12	0.12	0.12	0.00	0.00
Small Mid Cap	-0.08	-0.08	-0.07	-0.01	0.00
International	2.85	2.85	2.75	0.10	0.00

2017 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	0.93	0.82	0.12	-0.01
Large Cap	6.08	6.07	6.07	0.01	-0.01
Small Mid Cap	4.58	4.57	4.58	0.00	-0.01
International	7.36	7.35	7.25	0.11	-0.01

BlackRock outperformed the International Index for the month by 10 basis points and 11 bps basis points for the year primarily due to tax advantage. BlackRock outperformed the Fixed Income Index for the month by 4 basis points and 12 bps basis points for the year primarily due to securities lending. BlackRock's performance for the C and S Funds was in-line with their indices for the month of March and year-to-date.

The TSP Funds closely tracked the BTC Accounts for the month and year-to-date.

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>
March	949,729,953	60,669	0.6
Year-to-Date	2,122,665,979	198	0.0
 <u>C Fund</u>			
March	1,517,330,424	(156,700)	-1.0
Year-to-Date	3,865,631,129	(30,896)	-0.1
 <u>S Fund</u>			
March	2,065,948,905	188,165	0.9
Year-to-Date	4,985,942,851	183,946	0.4
 <u>I Fund</u>			
March	973,116,072	(396,980)	-4.1
Year-to-Date	2,908,542,571	(476,167)	-1.6

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

TSP Funds (as of March 31, 2017) Returns

	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
G Fund	1.92%	2.06%	1.95%	2.57%

F Fund	0.71%	3.11%	2.72%	4.53%
Barclays U.S. Agg Bond Index	0.44%	2.68%	2.34%	4.27%
Tracking Error	0.27%	0.43%	0.38%	0.26%

C Fund	17.20%	10.44%	13.36%	7.57%
S&P 500 Index	17.17%	10.37%	13.30%	7.51%
Tracking Error	0.03%	0.07%	0.06%	0.06%

S Fund	22.53%	7.42%	12.78%	8.19%
DJ U.S. Completion TSM Index	22.19%	6.96%	12.34%	7.96%
Tracking Error	0.34%	0.46%	0.44%	0.23%

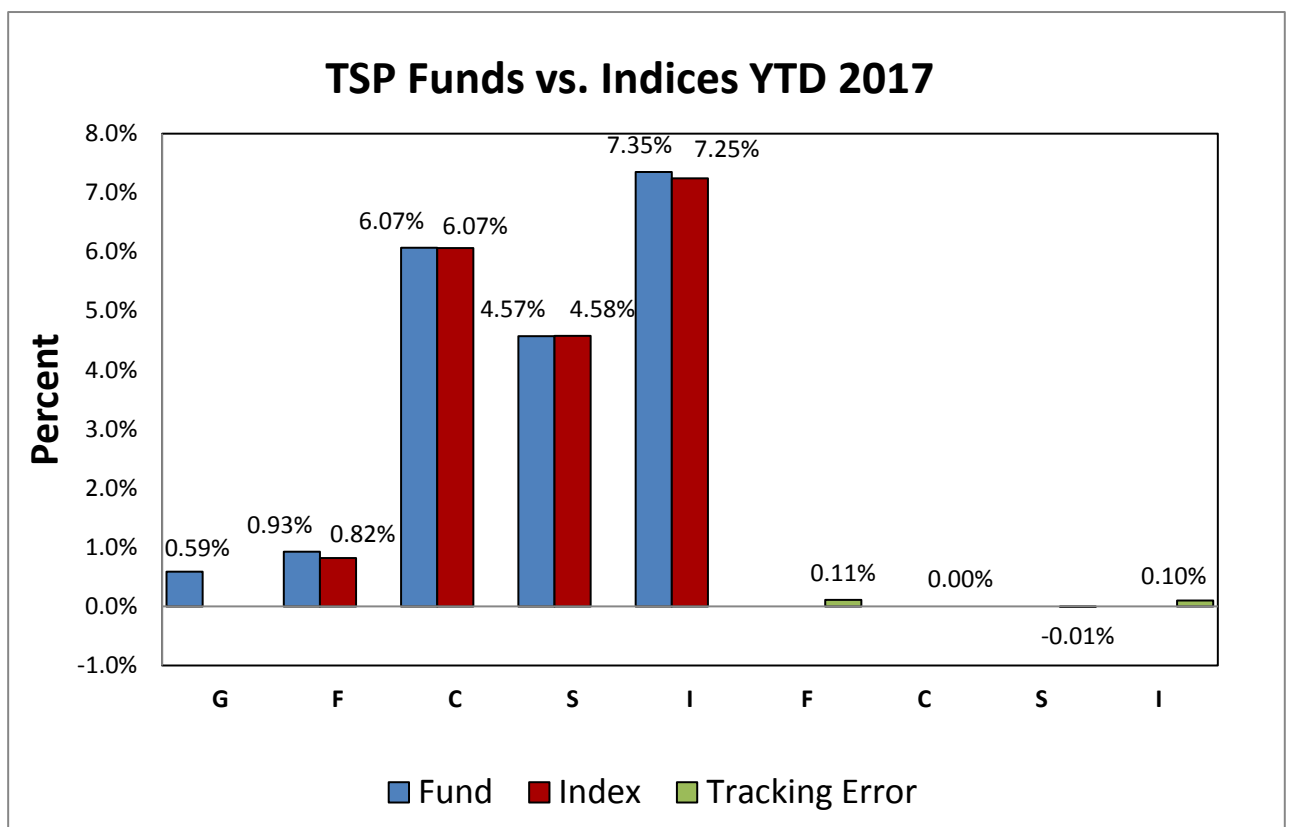
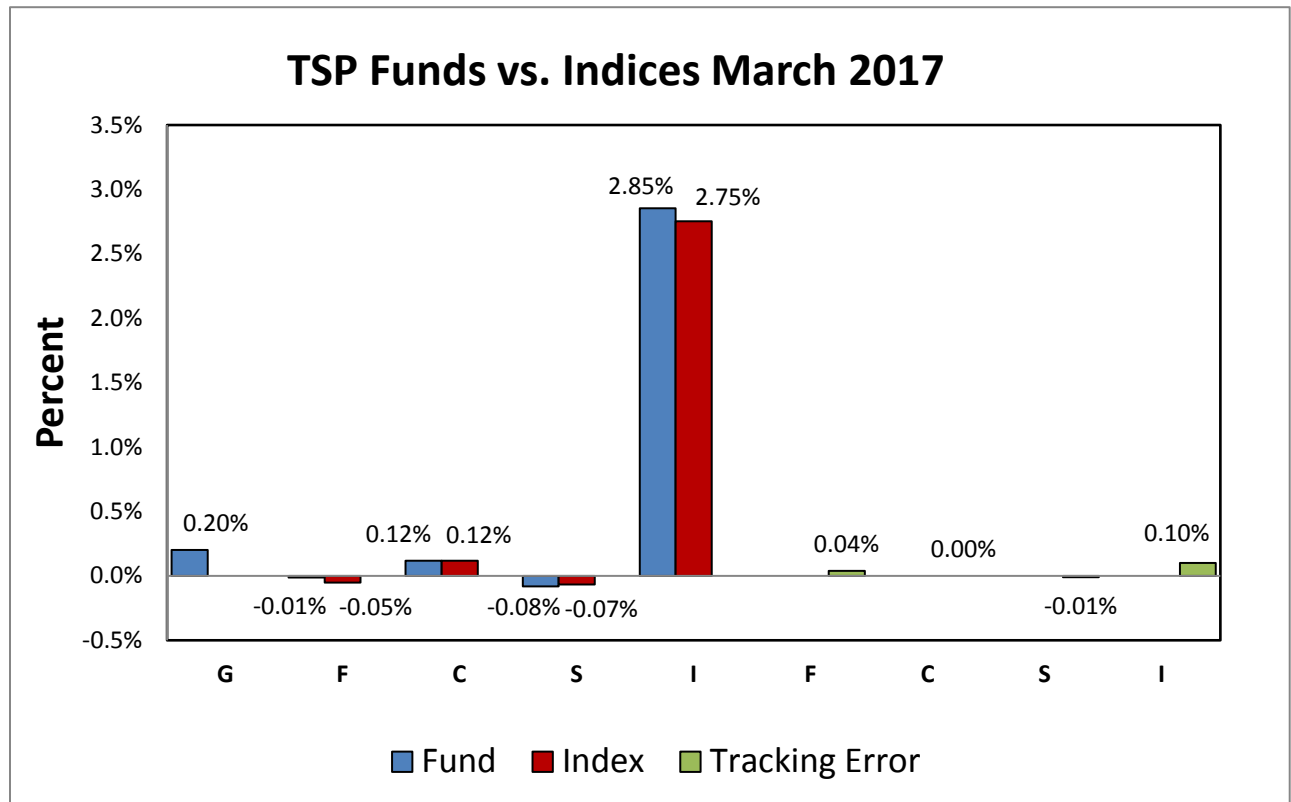
I Fund	12.12%	0.84%	6.18%	1.34%
MSCI EAFE (Net) Index	11.67%	0.50%	5.83%	1.05%
Tracking Error	0.45%	0.34%	0.35%	0.29%

Lifecycle Funds Returns

L Income	4.72%	3.34%	3.97%	3.77%
L 2020	8.03%	4.50%	6.73%	4.72%
L 2030	11.06%	5.49%	8.22%	5.35%
L 2040	12.67%	5.97%	9.16%	5.63%
L 2050	14.21%	6.32%	9.97%	NA

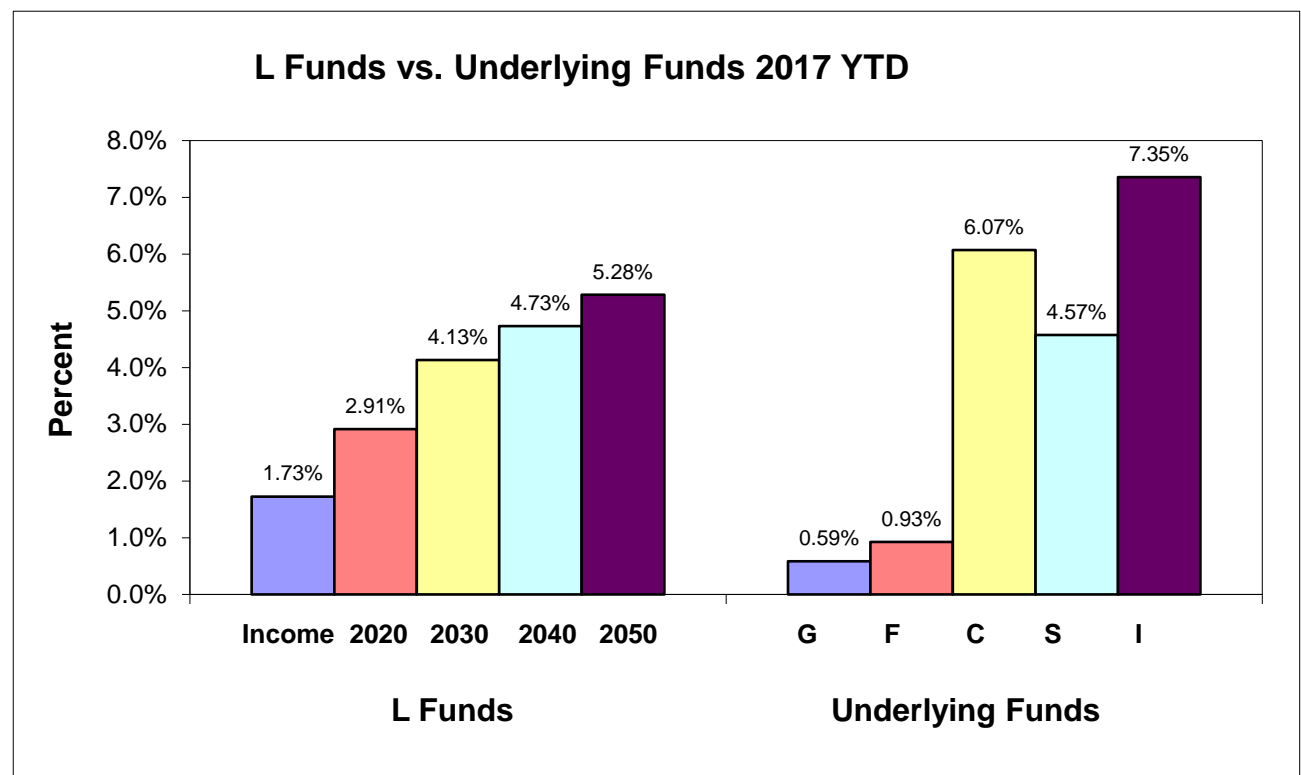
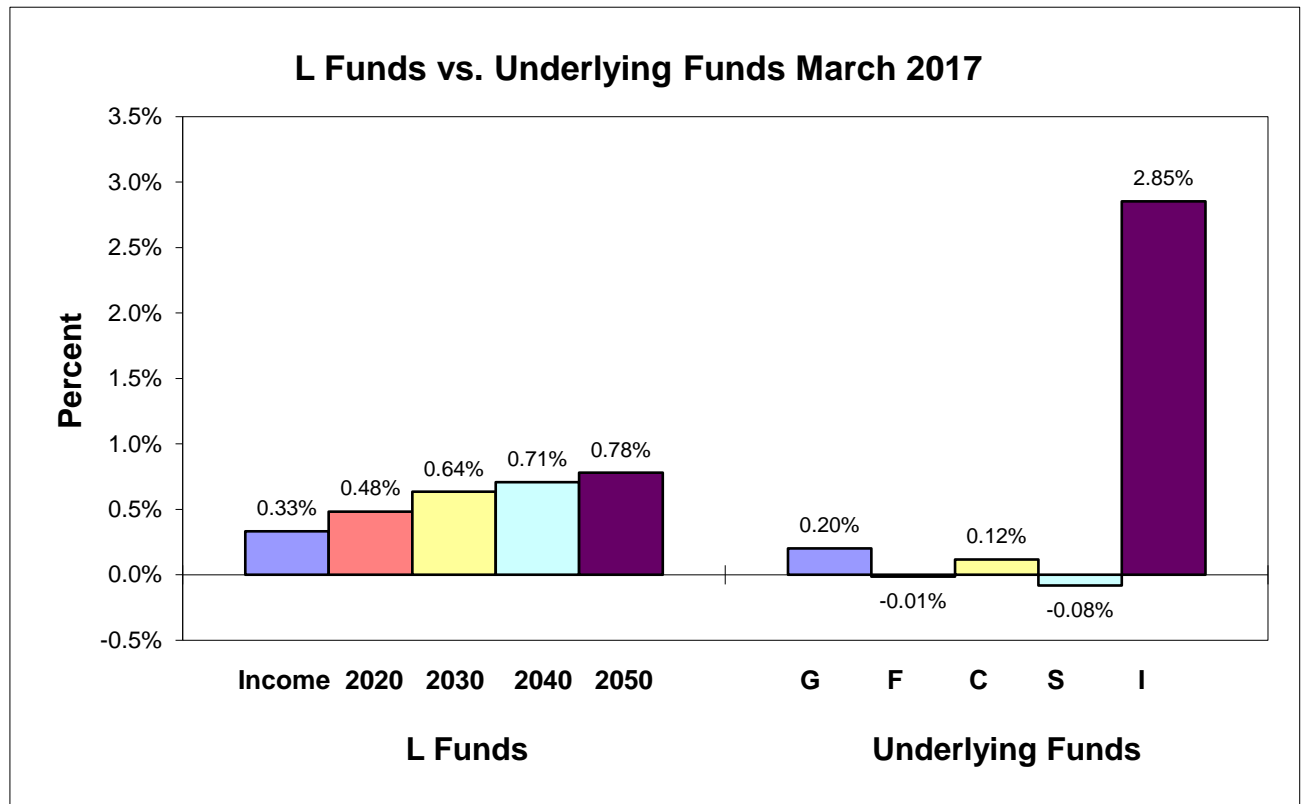
Performance of TSP Funds Total Returns

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 -- FOURTH QUARTER 2016

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the fourth quarter of 2016. A copy of the audit report is provided as Attachment 2. The ISS audit report for the first quarter of 2017 is not yet available.

CLASS ACTION SETTLEMENTS -- FOURTH QUARTER 2016

Eight claims were opened in two funds during the Fourth Quarter. One claim was settled and 15 claims were closed by the Claims Administrator for lack of eligibility reasons. Twenty-two claims remained open across the four funds. For the year of 2016, two claims in the C Fund were settled for \$1.302 million.

	<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	11	-	7	4	\$0
C Fund	12	4	5	11	\$1,302,605
S Fund	7	4	4	7	\$0
I Fund	-	-	-	-	\$0
Total	<u>30</u>	<u>8</u>	<u>16</u>	<u>22</u>	<u>\$1,302,605</u>

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

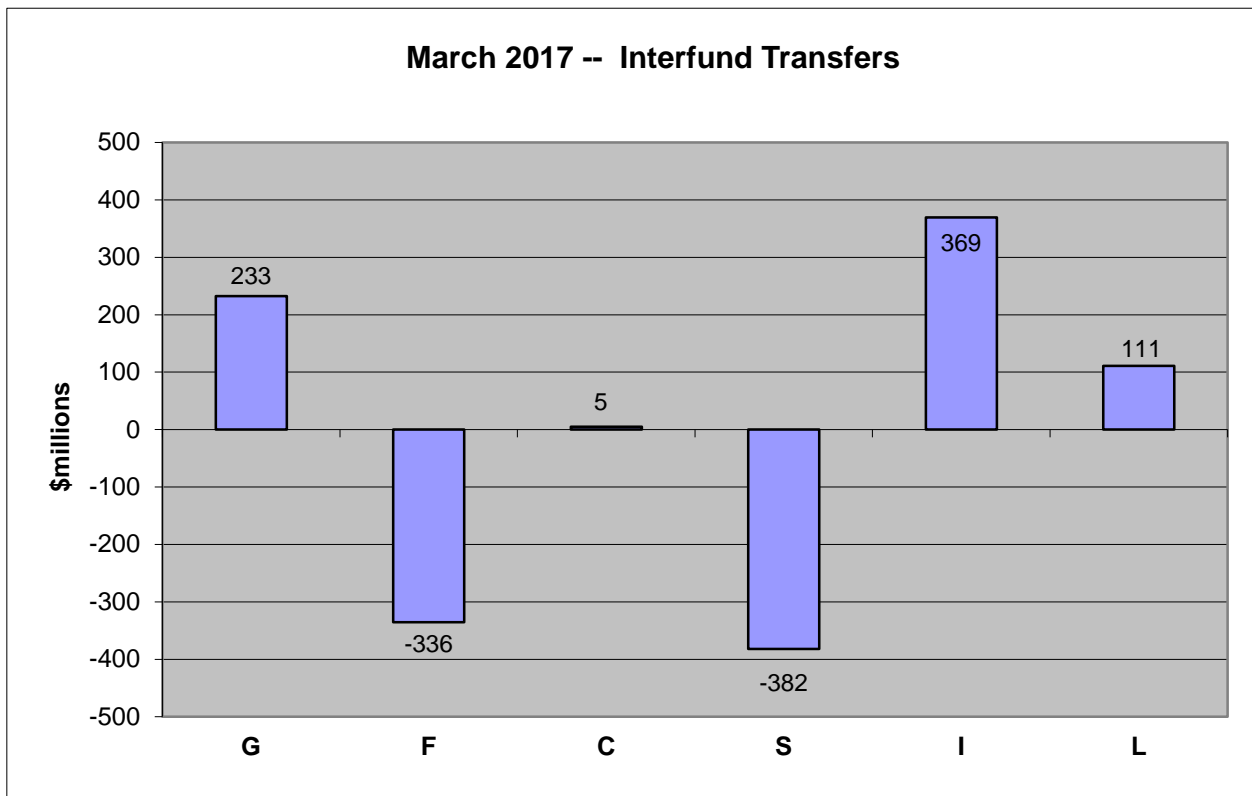
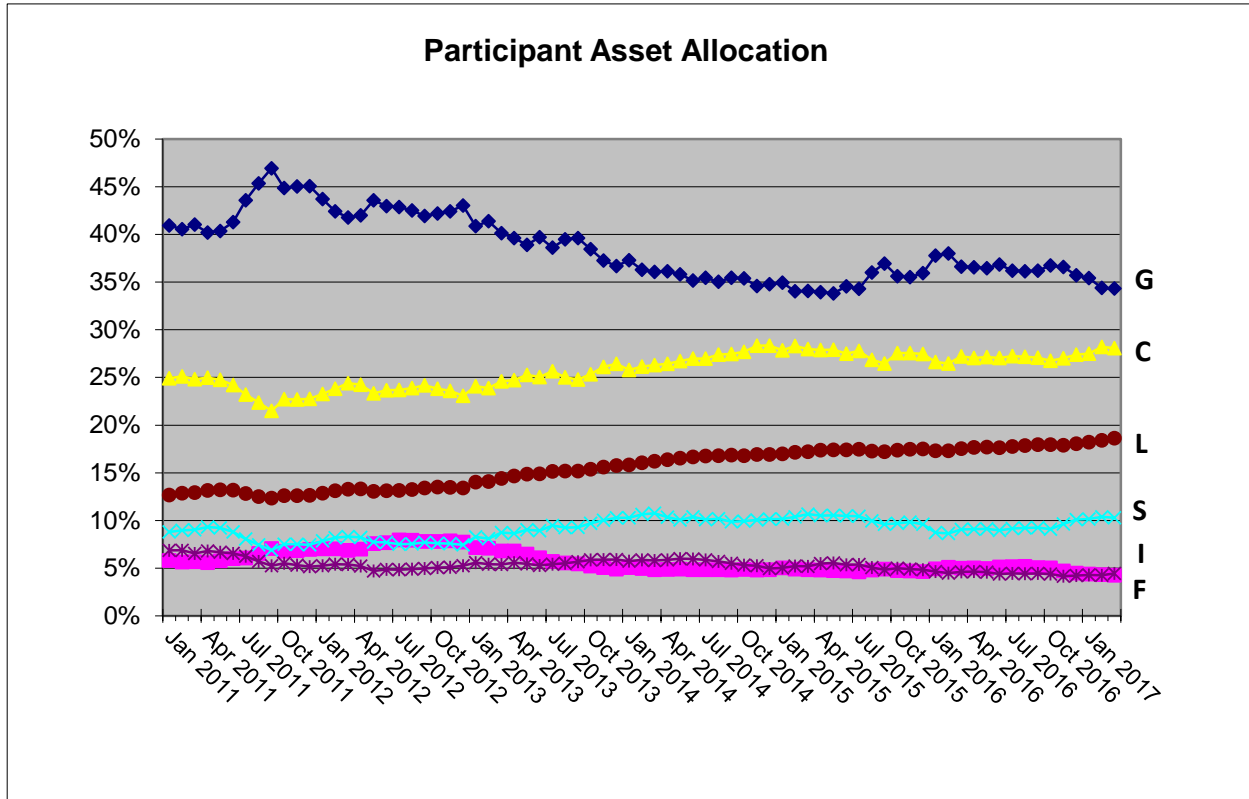
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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
March 2017

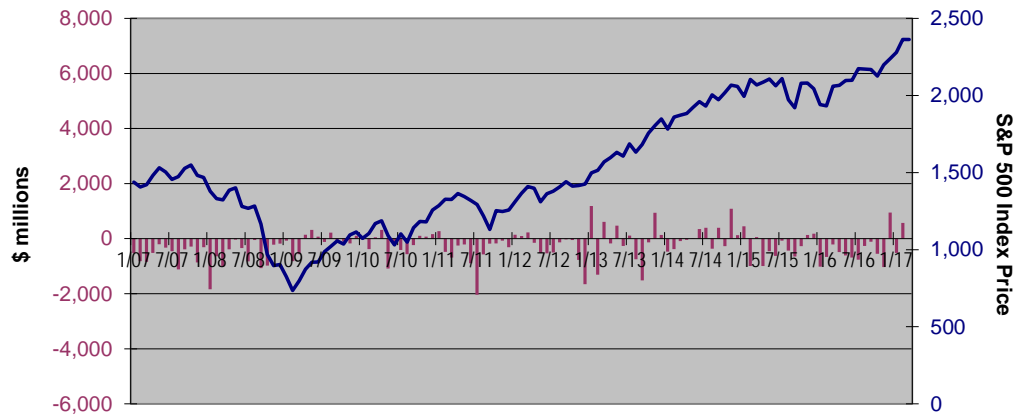
Attachment 1



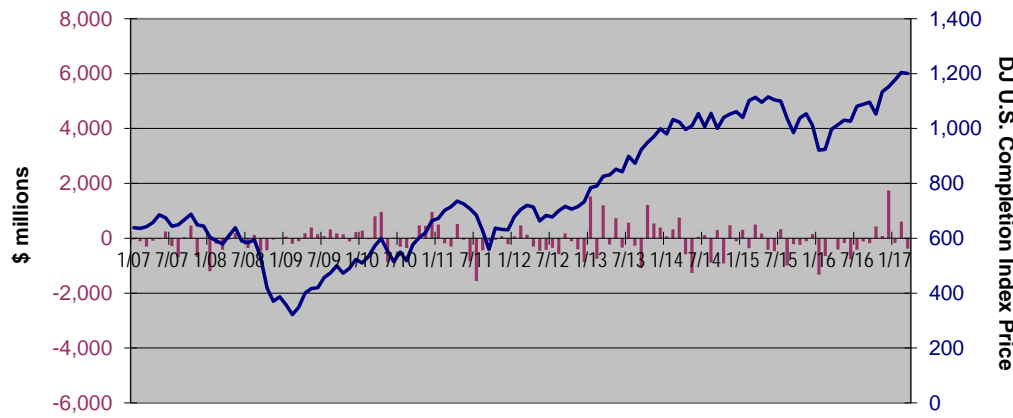
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

March 2017

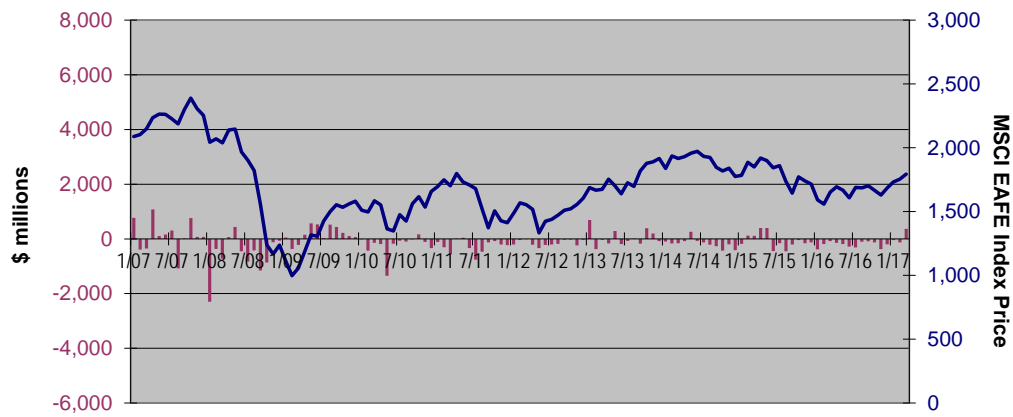
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund



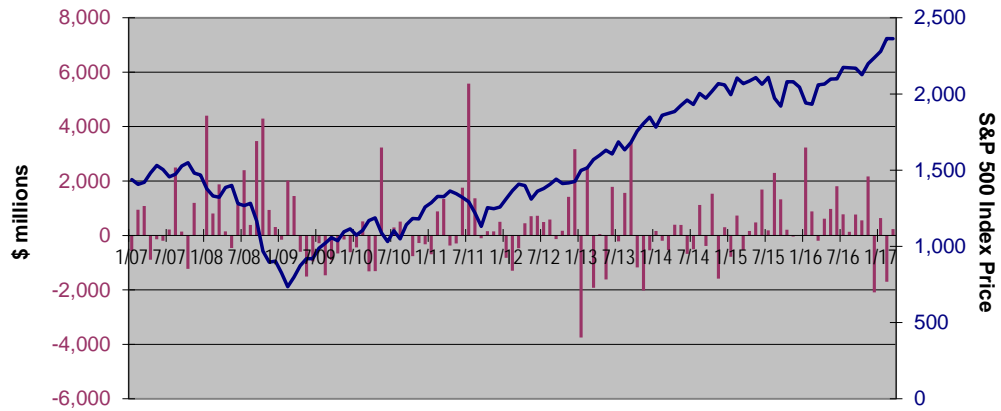
Monthly Interfund Transfers
I Fund



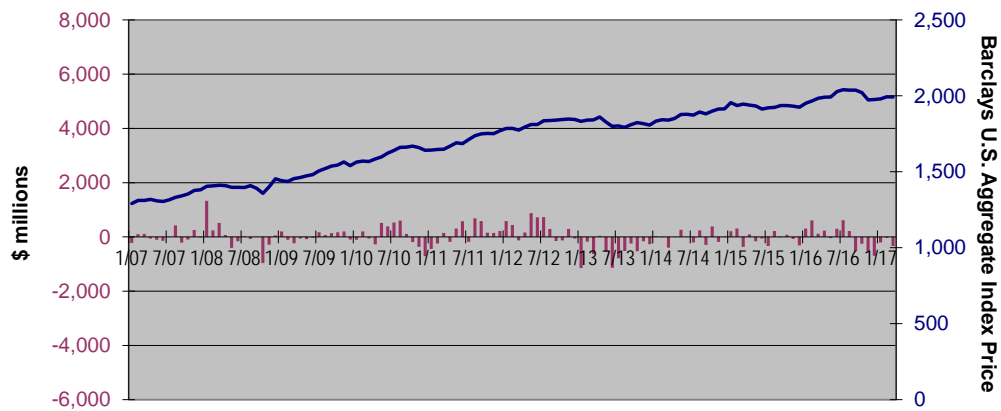
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

March 2017

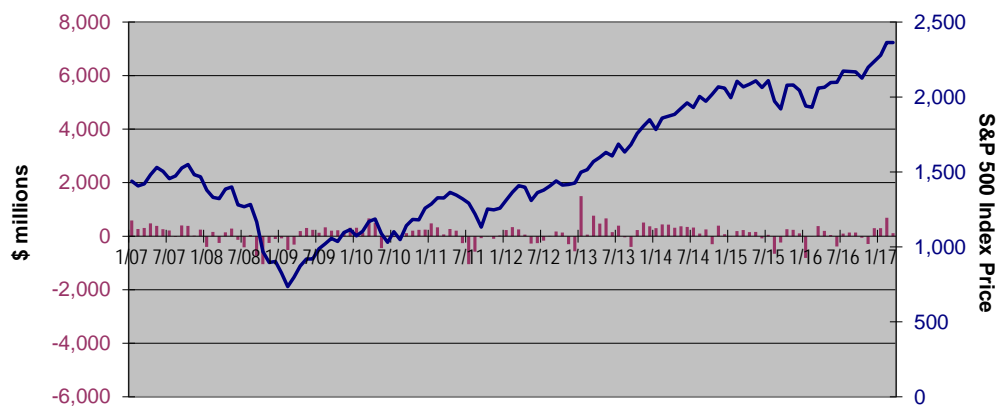
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

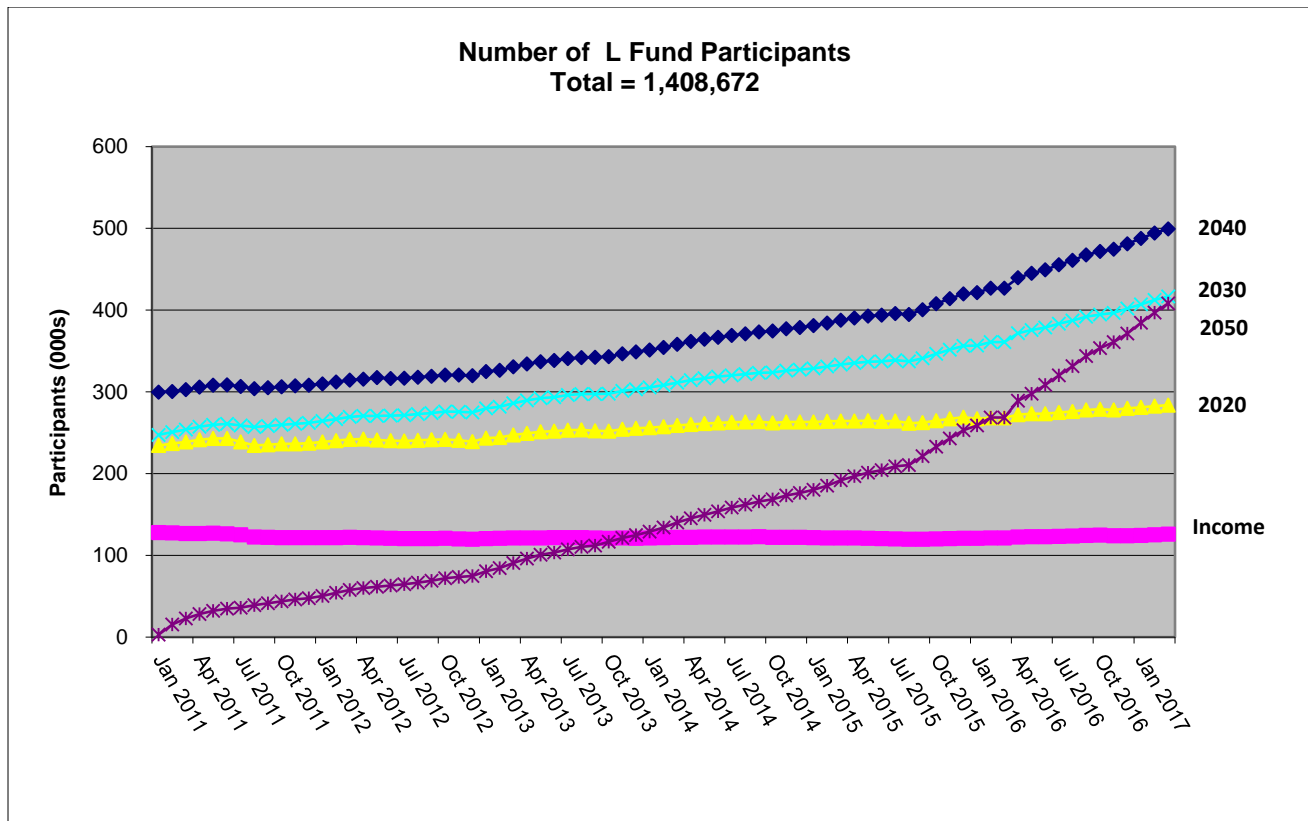


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

March 2017





January 16, 2017

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 4th quarter of 2016. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink that reads "Fasil G. Michael". The signature is fluid and cursive, with the first name "Fasil" being more prominent.

Fasil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 4th quarter proxy voting for US meetings are as follows:

- Votes at 42 meetings were examined.
- Votes at 15 of the 42 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 27 remaining meetings, there were 64 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	13
Section 162(m)	2
Employee share purchase plan	2
Approve stock option grant	6
Advisory vote on golden parachute compensation	7
Increase in common stock	5
Reverse stock split	2
Approve conversion of securities	1
Merger	7
Issue shares in connection with acquisition	1
Issue shares in connection with reverse merger	1
Ratify acquisition of company stock	1
Adjourn meeting	7
Approve NOL rights plan	1
Declassify board of directors	1
Provide directors may be removed with or without cause	1
Amend certificate of incorporation	2
Change company name	1
Shareholder proposal	3
Total:	64

- There were 13 votes cast on executive stock option plans:
 - a) 11 votes were cast in favor of the plans (84.6 percent);
 - b) 1 vote was cast against the plans because the plan provides for repricing of options without shareholder approval (7.7 percent);
 - c) 1 vote was cast against the plans because the plan includes contains an evergreen provision (7.7 percent).

- 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 as the increase was out of line with current capital structure without clearly defined reason for substantial changes (20 percent).

- There were 9 votes cast on mergers and/or major corporate transactions, including a proposal to issue shares in connection with an acquisition, and a proposal to issue shares in connection with a reverse merger:
 - a) 8 votes were cast in favor of the transactions (88.9 percent);
 - b) 1 vote was cast against the transactions as the proposal was not in shareholders' best interest (11.1 percent).

- There were 22 votes cast on management advisory votes on executive compensation:
 - a) 19 votes were cast in favor of the advisory votes (86.4 percent);
 - b) 3 votes were cast against the advisory votes, as pay did not appear to be properly aligned with performance and peers (13.6 percent).

- There were 7 votes cast on management advisory votes on golden parachute compensation; the votes were cast in favor of the advisory votes.

- There were 3 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to report on lobbying contributions; the vote was cast against the proposal.
 - b) 1 shareholder proposal to report on Arab and non-Arab employees using EEO-1 Categories; the vote was cast against the proposal.
 - c) 1 shareholder proposal to establish board committee on operations in Israeli settlements; the vote was cast against the proposal.

There were no exceptions to policy this period.