



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

July 11, 2017

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

FROM: RAVINDRA DEO
ACTING EXECUTIVE DIRECTOR

A handwritten signature in blue ink, appearing to be "R D", written over the printed name of Ravindra Deo.

SUBJECT: June 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	-0.08	-0.09	-0.10	0.02	-0.01
Large Cap	0.62	0.62	0.62	0.00	0.00
Small Mid Cap	2.33	2.33	2.31	0.02	0.00
International	-0.18	-0.18	-0.18	0.00	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	2.50	2.48	2.27	0.23	-0.02
Large Cap	9.36	9.34	9.34	0.02	-0.02
Small Mid Cap	7.42	7.41	7.34	0.08	-0.01
International	14.11	14.10	13.81	0.30	-0.01

BlackRock's performance for the F, C, S and I Funds was in-line with indices for the month of June. BlackRock outperformed the Fixed Income Index year-to-date by 23 basis points primarily due to securities lending. BlackRock outperformed the International Index year-to-date by 30 basis points primarily due to tax advantage. BlackRock outperformed the Small Mid Cap index by 8 basis points year-to-date due to securities lending.

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>
June	396,734,561	23,914	0.6
Year-to-Date	3,411,830,900	29,679	0.1
<u>C Fund</u>			
June	1,511,627,935	(167,102)	-1.1
Year-to-Date	8,571,543,051	(240,053)	-0.3
<u>S Fund</u>			
June	2,487,079,477	(893,968)	-3.6
Year-to-Date	10,561,720,861	(862,504)	-0.8
<u>I Fund</u>			
June	1,552,086,319	874,290	5.6
Year-to-Date	6,390,419,342	1,378,132	2.2

* -- 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 June 30, 2017) Returns

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	2.06%	2.06%	1.98%	2.51%

F Fund	-0.03%	2.86%	2.61%	4.73%
Barclays U.S. Agg Bond Index	-0.31%	2.48%	2.21%	4.48%
Tracking Error	0.28%	0.38%	0.40%	0.25%

C Fund	17.92%	9.67%	14.68%	7.24%
S&P 500 Index	17.90%	9.61%	14.63%	7.18%
Tracking Error	0.02%	0.06%	0.05%	0.06%

S Fund	21.67%	7.18%	14.46%	7.91%
DJ U.S. Completion TSM Index	21.37%	6.74%	14.04%	7.68%
Tracking Error	0.30%	0.44%	0.42%	0.23%

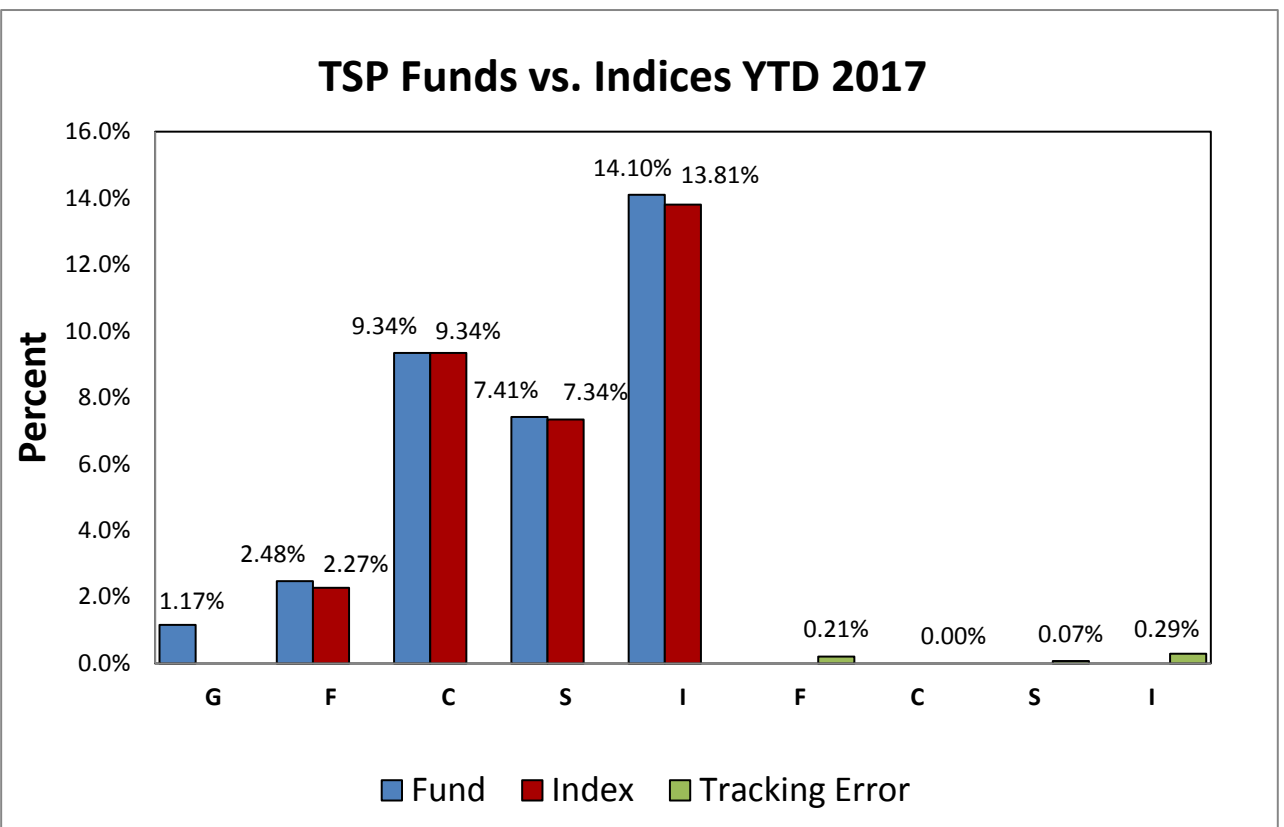
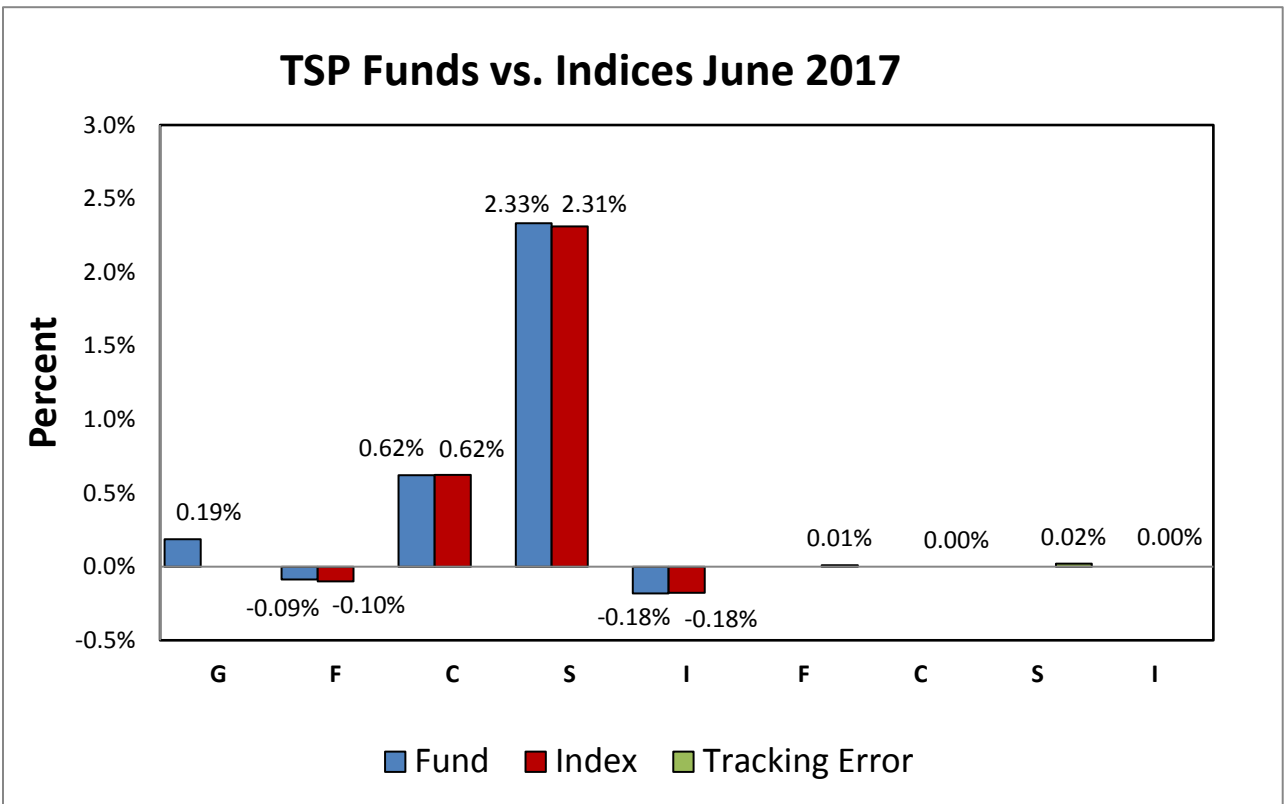
I Fund	20.65%	1.48%	9.03%	1.30%
MSCI EAFE (Net) Index	20.27%	1.15%	8.69%	1.03%
Tracking Error	0.38%	0.33%	0.34%	0.27%

Lifecycle Funds Returns

L Income	5.22%	3.27%	4.32%	3.69%
L 2020	8.92%	4.21%	7.57%	4.49%
L 2030	12.61%	5.28%	9.39%	5.16%
L 2040	14.53%	5.75%	10.52%	5.42%
L 2050	16.40%	6.09%	11.55%	NA

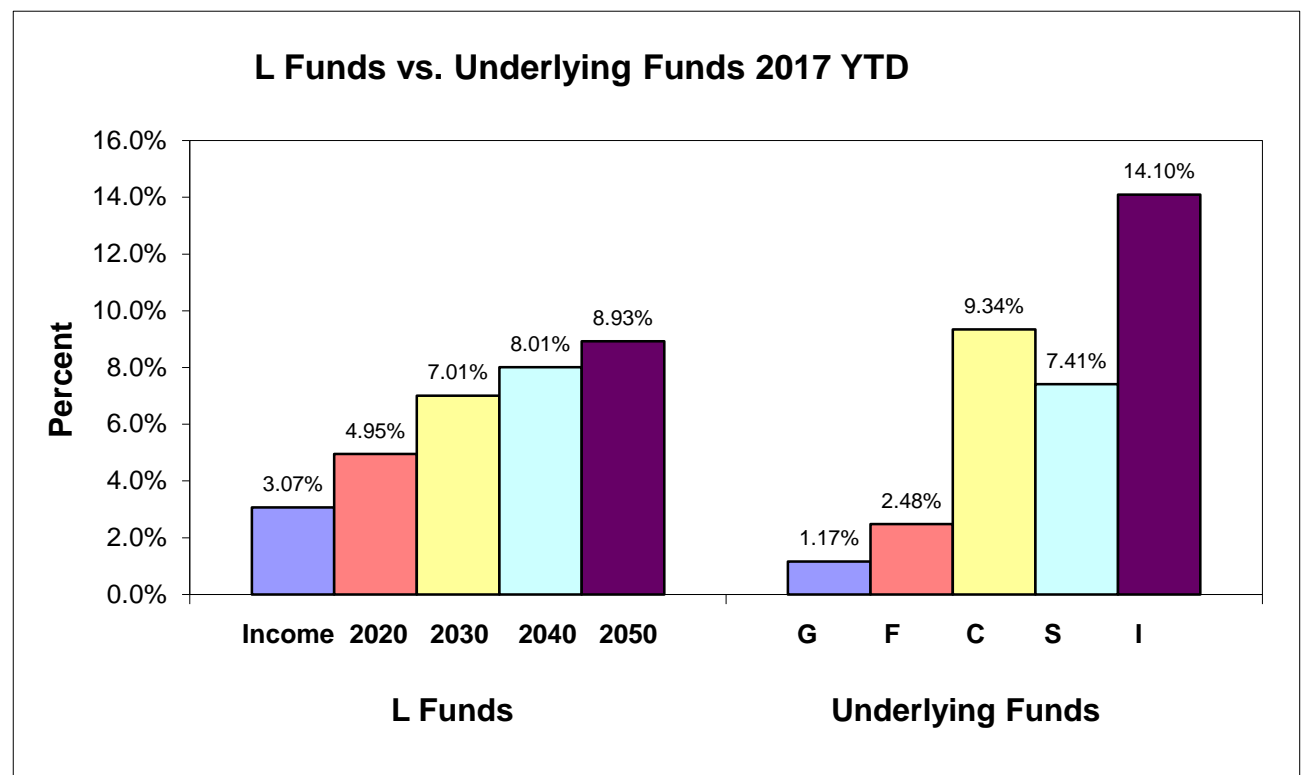
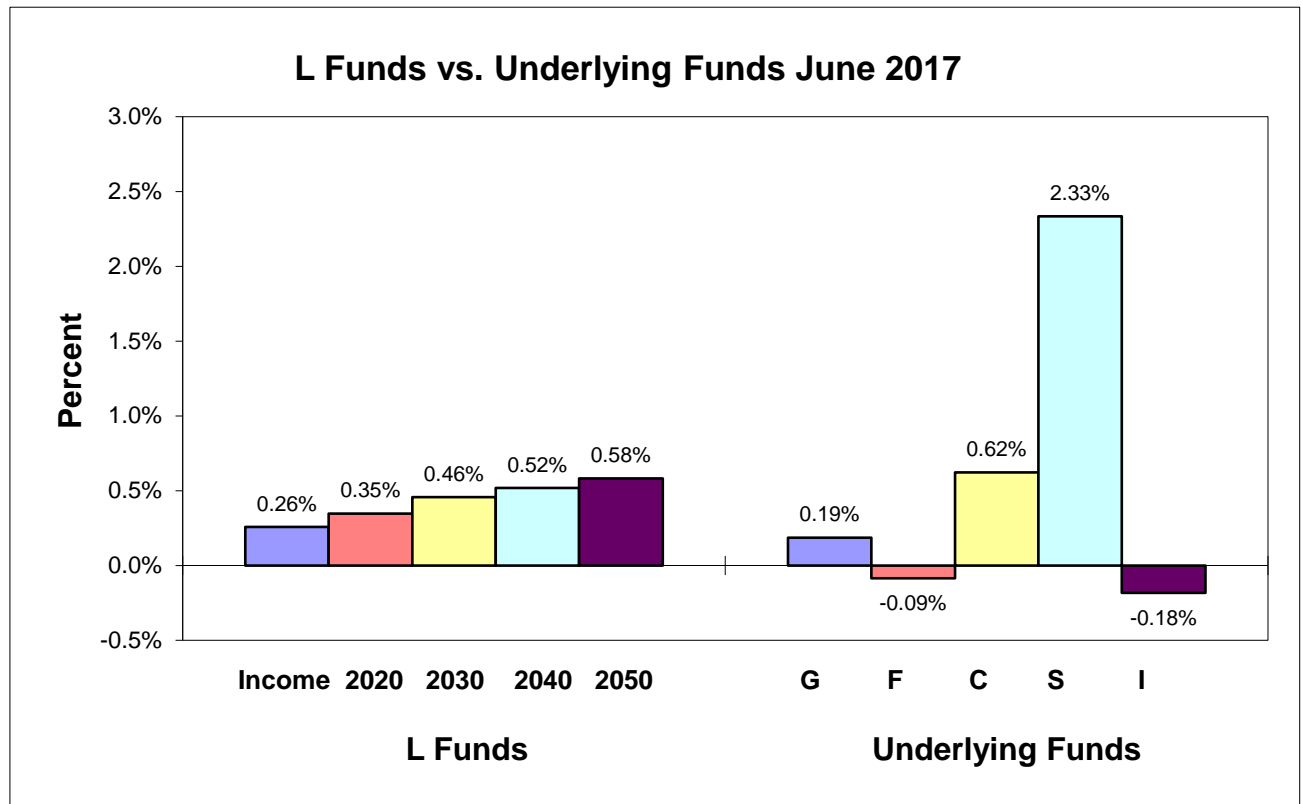
Performance of TSP Funds Total Returns

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 -- FIRST QUARTER 2017

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

CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2017

The First Quarter began with twenty-two open claims. Three claims were opened in the S Fund during the quarter. One claim in the S Fund was closed due to Administrator action. Twenty-four claims remained open across the four funds at the end of the quarter. For the year-to-date in 2017, no claims were settled in any of the funds.

	<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 2017 (\$)</u>
F Fund	4	-	-	4	\$0
C Fund	11	-	-	11	\$0
S Fund	7	3	1	9	\$0
I Fund	-	-	-	-	\$0
Total	<u>22</u>	<u>3</u>	<u>1</u>	<u>24</u>	<u>\$0</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

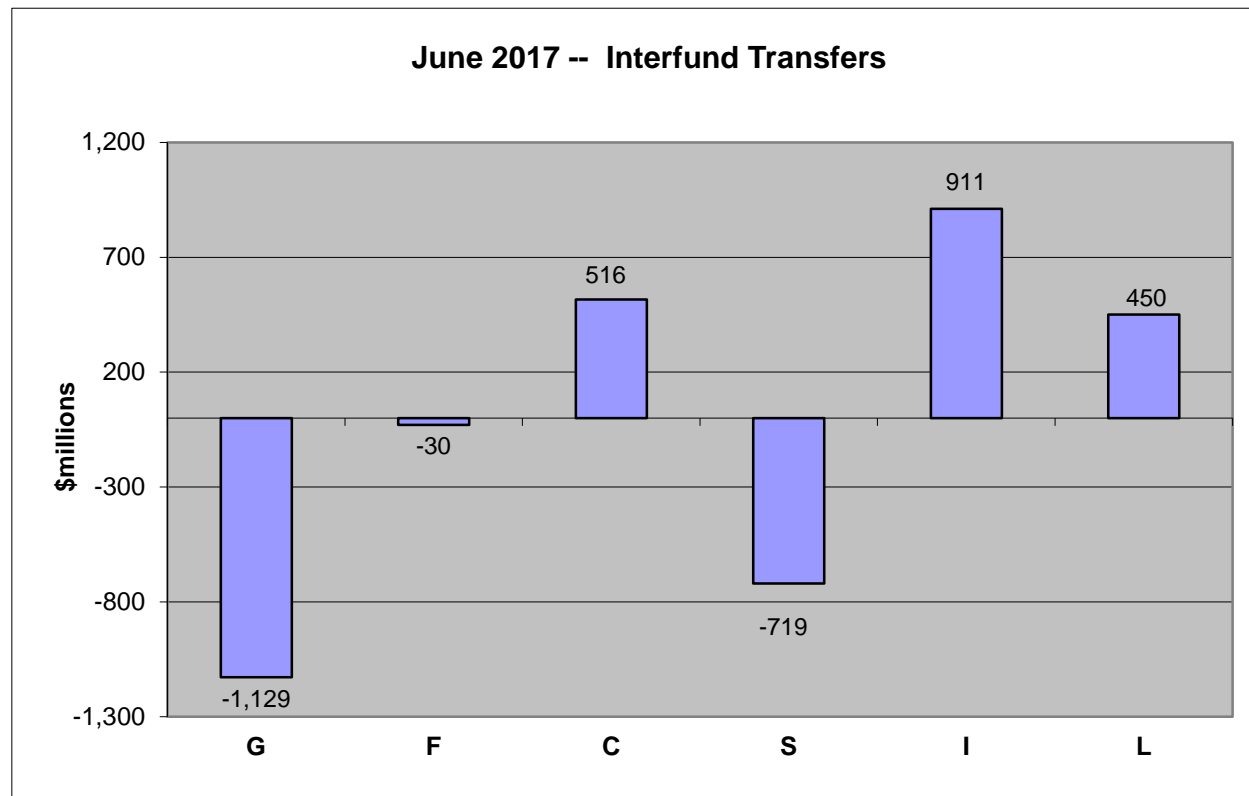
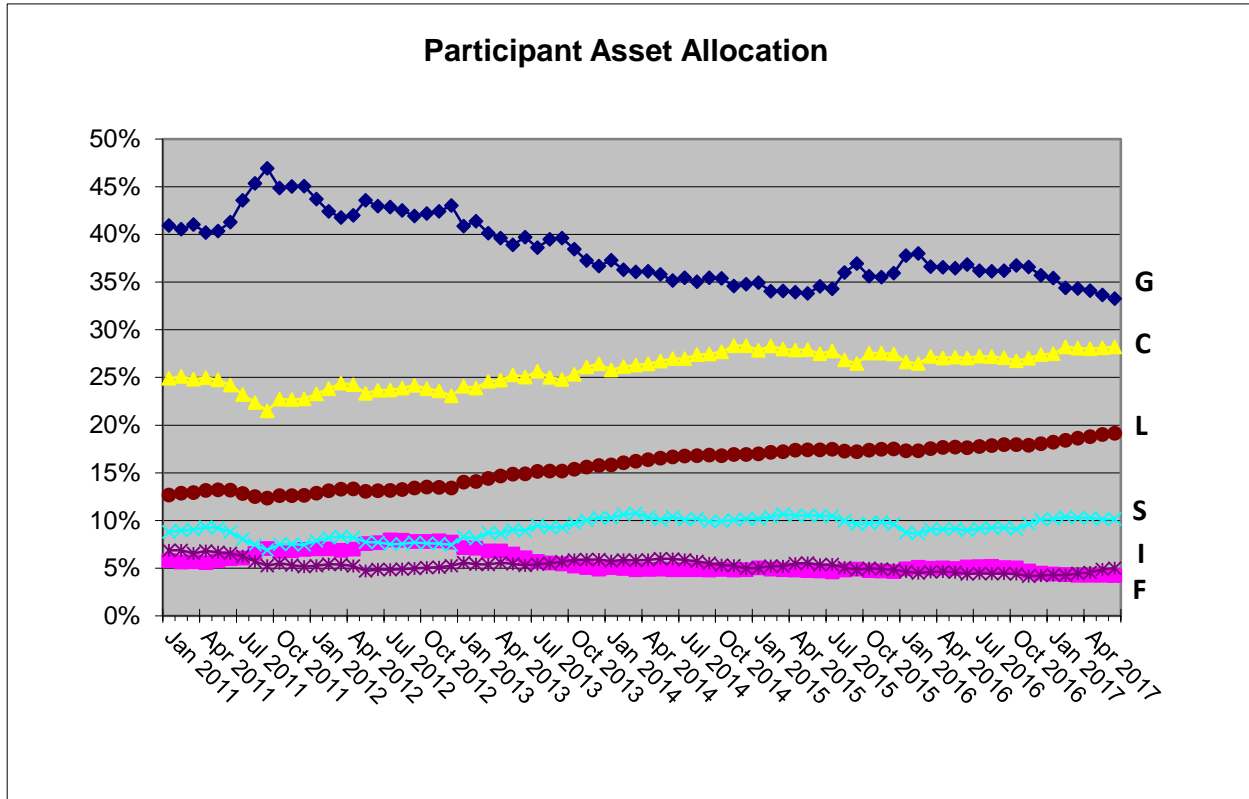
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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
June 2017

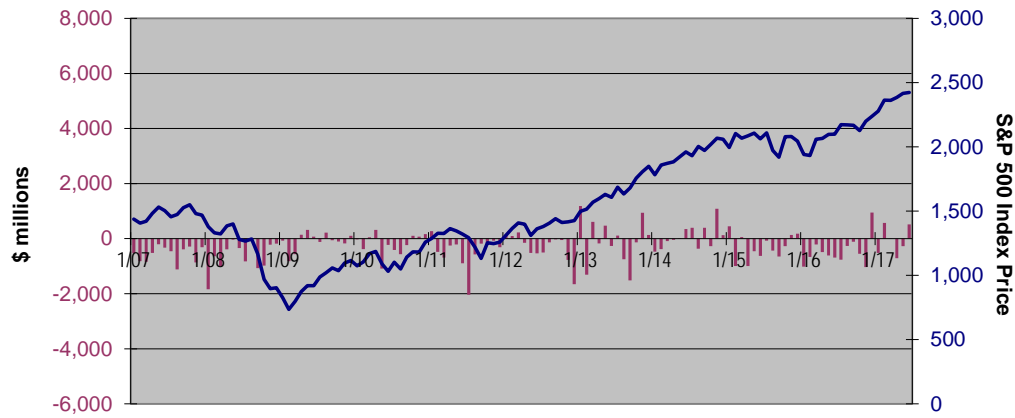
Attachment 1



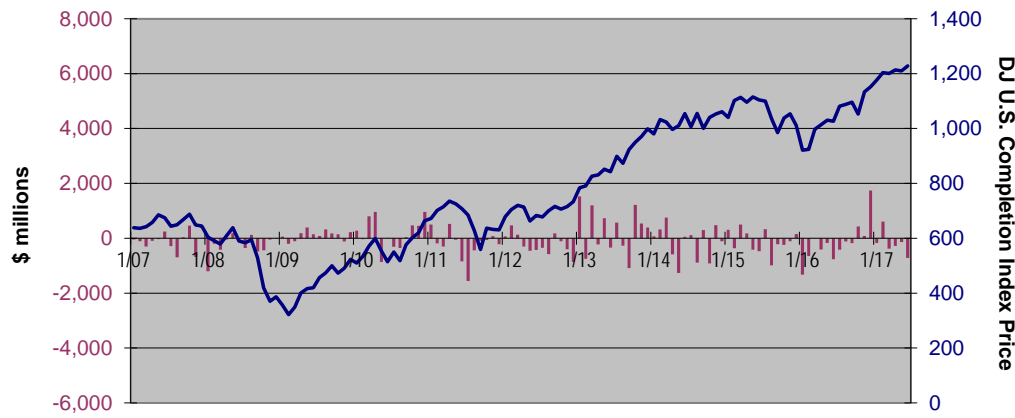
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

June 2017

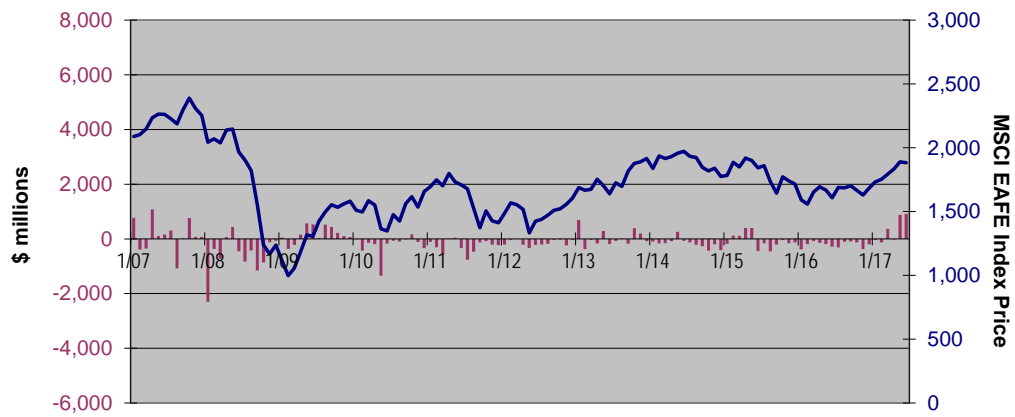
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund



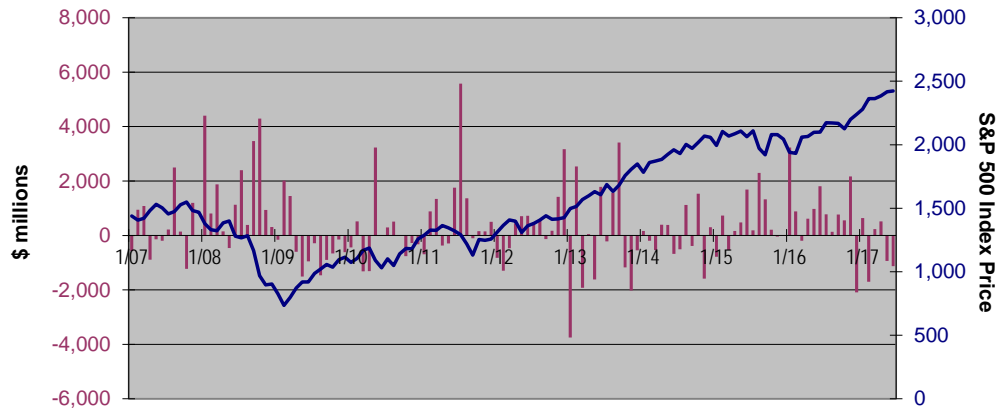
Monthly Interfund Transfers
I Fund



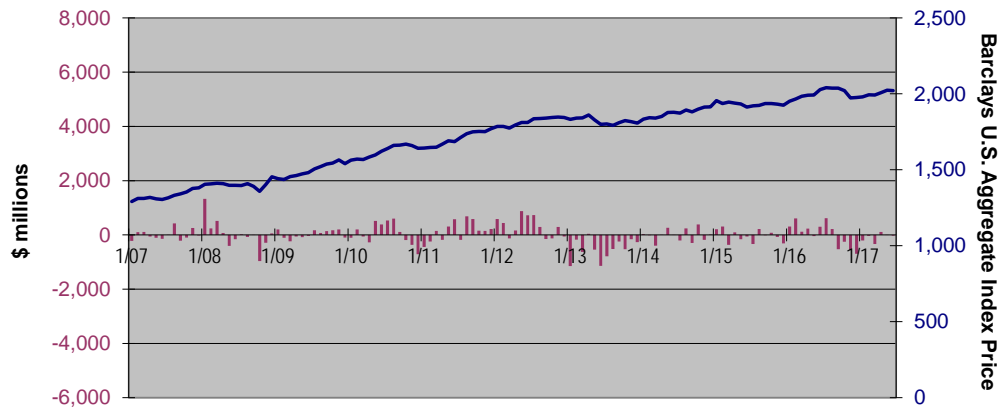
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

June 2017

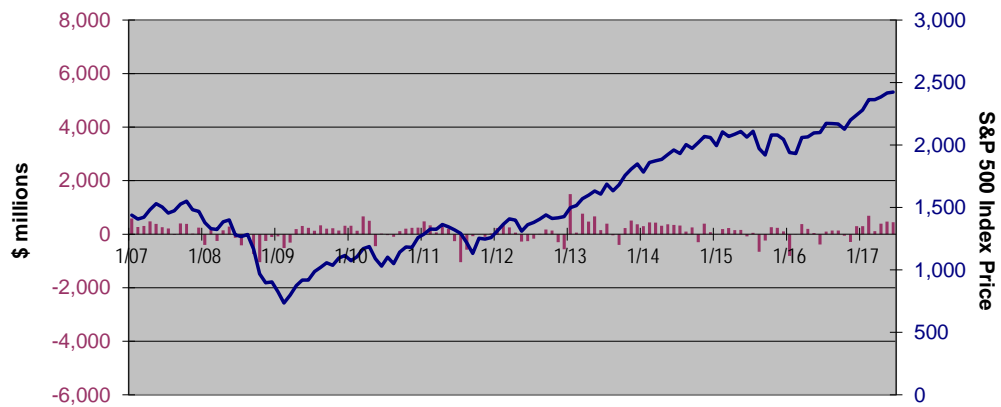
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

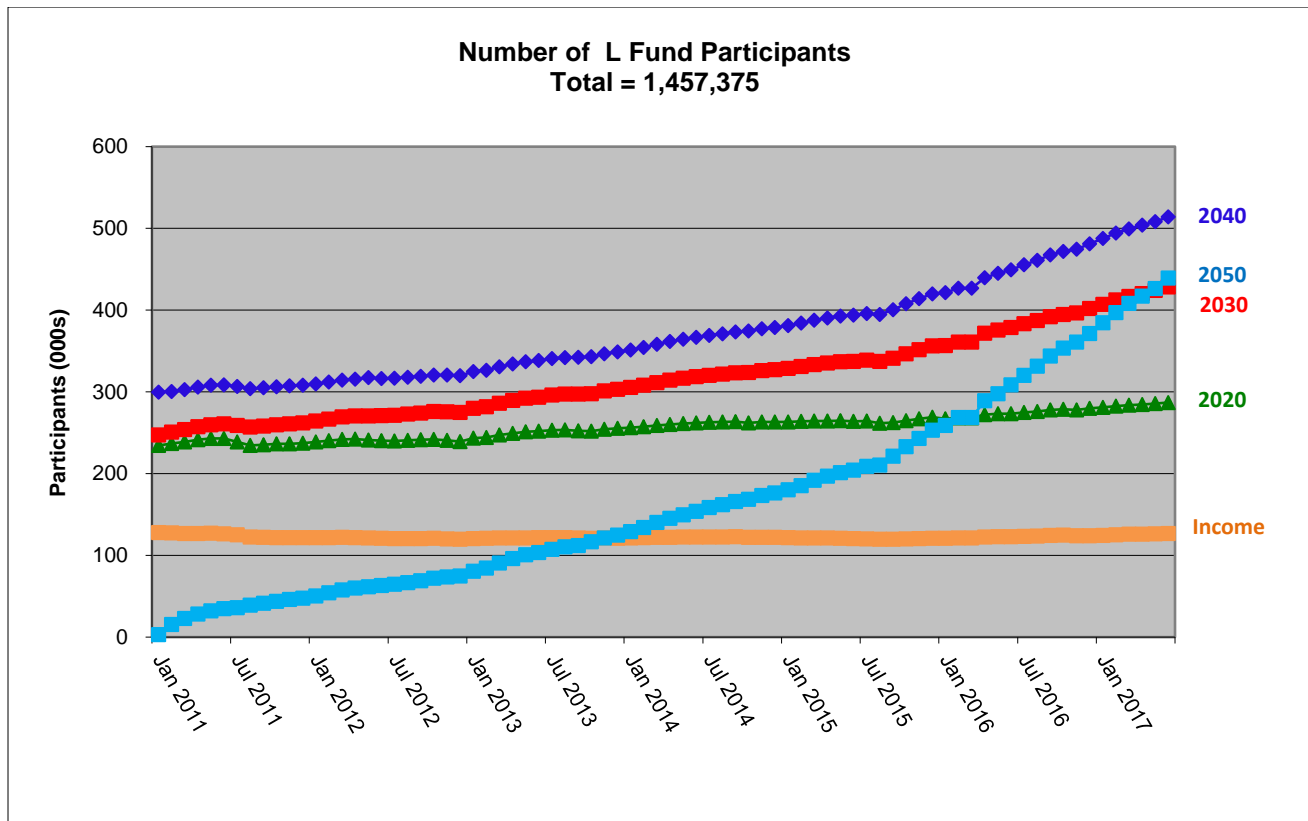


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

June 2017





April 21, 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 1st quarter of 2017. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, appearing to read "Fassil G. Michael".

Fassil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 1st quarter proxy voting for US meetings are as follows:

- Votes at 37 meetings were examined.
- Votes at 11 of the 37 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 26 remaining meetings, there were 45 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	8
Employee share purchase plan	1
Frequency vote on MSOP	15
Advisory vote on golden parachute compensation	3
Increase in common stock	1
Approve private placement	2
Reverse stock split	1
Merger	3
Issue shares in connection with merger	2
Adjourn meeting	6
Declassify board of directors	1
Shareholder proposal	2
Total:	45

- There were 8 votes cast on executive stock option plans; the votes were cast in favor of the plans.
- There was 1 vote cast on an increase in authorized common stock; the vote was cast in favor of the increase.
- There were 5 votes cast on mergers and/or major corporate transactions, including two proposals to issue shares in connection with an acquisition; the votes were cast in favor of the transactions.
- There were 23 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 were 2 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to amend proxy access bylaw; the vote was cast against the proposal.
 - b) 1 shareholder proposal to report on lobbying contributions; the vote was cast against the proposal.

There were no exceptions to policy this period.