



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

April 6, 2018

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

FROM: RAVINDRA DEO  
EXECUTIVE DIRECTOR

A handwritten signature in blue ink, appearing to be "RA", is placed over the name "RAVINDRA DEO".

SUBJECT: March 2018 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***

<b><u>Fund</u></b>	<b><u>% BTC Returns</u></b>	<b><u>% TSP Returns</u></b>	<b><u>% Index Returns</u></b>	<b><u>BTC T.E.</u></b>	<b><u>TSP vs. BTC</u></b>
Fixed Income	0.65	0.65	0.64	0.01	0.00
Large Cap	-2.54	-2.55	-2.54	0.00	-0.01
Small Mid Cap	0.69	0.69	0.70	-0.01	0.00
<b>International</b>	<b>-0.76</b>	<b>-0.76</b>	<b>-1.80</b>	<b>1.04</b>	<b>0.00</b>

***2018 Year-to-Date (YTD) Tracking Error***

<b><u>Fund</u></b>	<b><u>% BTC Returns</u></b>	<b><u>% TSP Returns</u></b>	<b><u>% Index Returns</u></b>	<b><u>BTC T.E.</u></b>	<b><u>TSP vs. BTC</u></b>
Fixed Income	-1.44	-1.45	-1.46	0.02	-0.01
Large Cap	-0.77	-0.77	-0.76	-0.01	0.00
Small Mid Cap	0.11	0.11	0.12	-0.01	0.00
<b>International</b>	<b>-1.07</b>	<b>-1.08</b>	<b>-1.53</b>	<b>0.46</b>	<b>-0.01</b>

BlackRock's performance for the F, C and S Funds was in-line with indices for the month and for the year-to-date. BlackRock outperformed the International index by 104 basis points for the month and by 46 basis points for the year-to-date, primarily due to a fair value pricing adjustment on March 29, 2018.

The TSP Funds closely tracked the BTC Accounts for the month and for the 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	935,569,425	43,601	0.5
Year-to-Date	3,178,655,336	71,477	0.2
<u>C Fund</u>			
March	2,566,552,931	(590,434)	-2.3
Year-to-Date	9,890,052,697	(6,678,077)	-6.8
<u>S Fund</u>			
March	1,360,000,866	(250,144)	-1.8
Year-to-Date	5,798,585,572	(5,711,645)	-9.9
<u>I Fund</u>			
March	1,115,700,211	(2,312,930)	-20.7
Year-to-Date	5,169,377,865	1,573,021	3.0

\* -- 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, 2018) Returns

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	2.40%	2.13%	2.13%	2.36%

F Fund	1.37%	1.48%	2.20%	3.88%
Bloomberg Barclays U.S. Agg Bond Index	1.20%	1.20%	1.82%	3.63%
Tracking Error	0.17%	0.28%	0.38%	0.25%

C Fund	13.96%	10.81%	13.36%	9.55%
S&P 500 Index	13.99%	10.78%	13.31%	9.49%
Tracking Error	-0.03%	0.03%	0.05%	0.06%

S Fund	13.18%	8.25%	12.01%	10.48%
DJ U.S. Completion TSM Index	13.08%	7.88%	11.68%	10.29%
Tracking Error	0.10%	0.37%	0.33%	0.19%

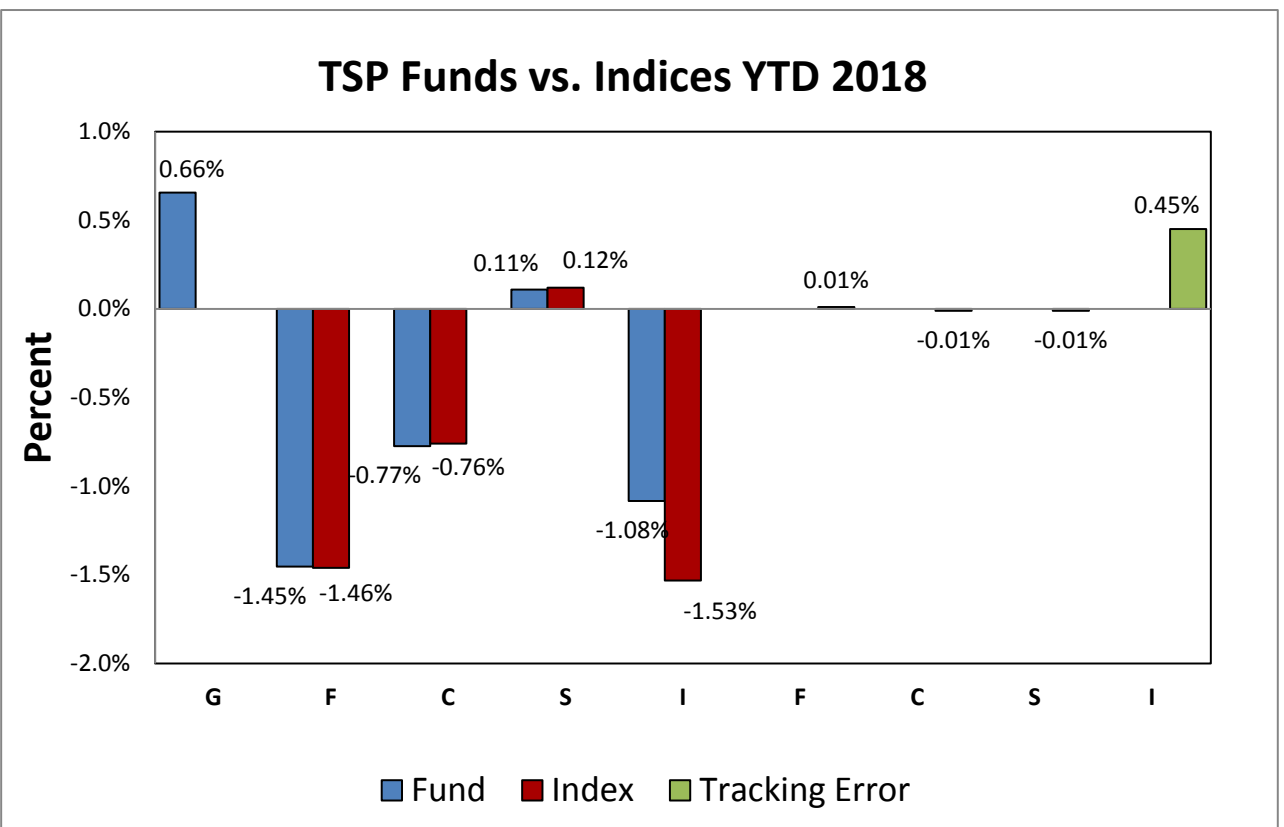
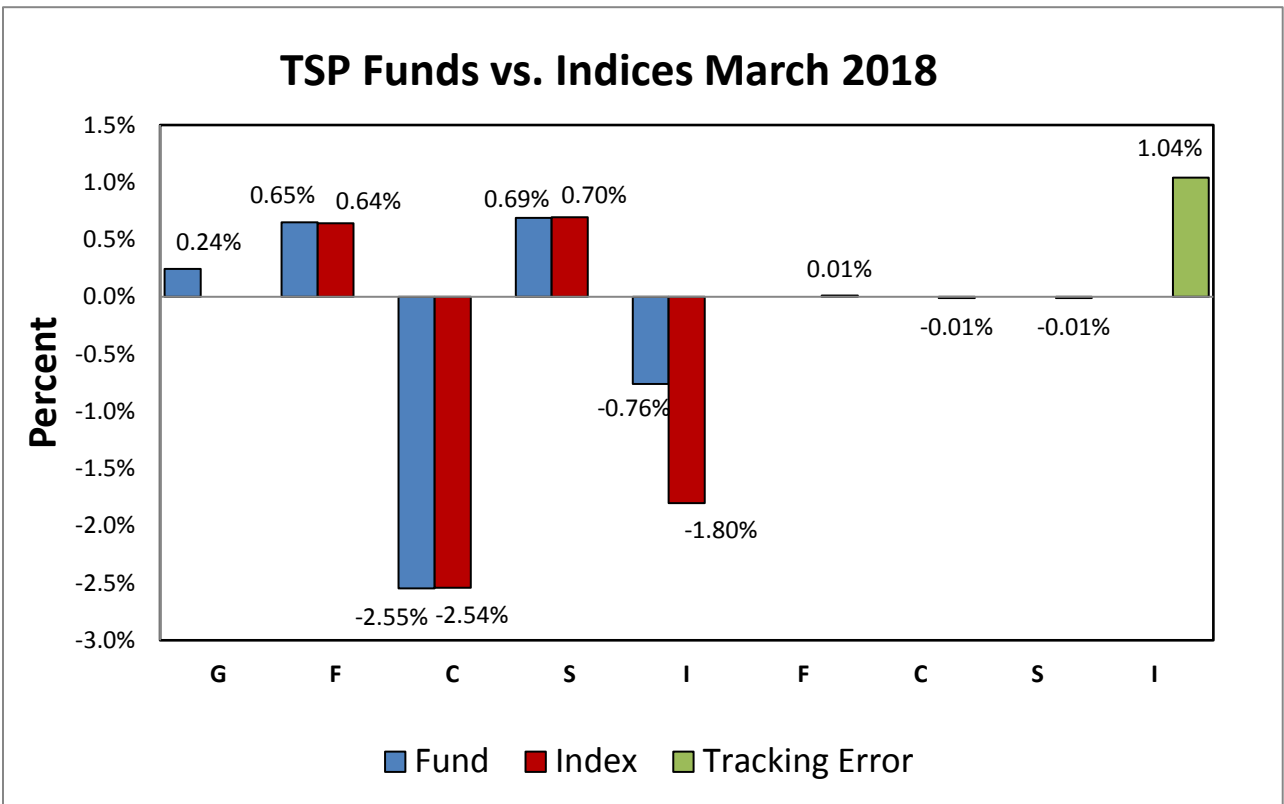
I Fund	15.56%	6.04%	6.92%	3.08%
MSCI EAFE (Net) Index	14.80%	5.55%	6.50%	2.74%
Tracking Error	0.76%	0.49%	0.42%	0.34%

### Lifecycle Funds Returns

L Income	4.72%	3.61%	4.09%	3.93%
L 2020	6.90%	4.89%	6.43%	5.48%
L 2030	9.75%	6.50%	8.13%	6.52%
L 2040	11.06%	7.19%	9.06%	7.03%
L 2050	12.26%	7.80%	9.88%	NA

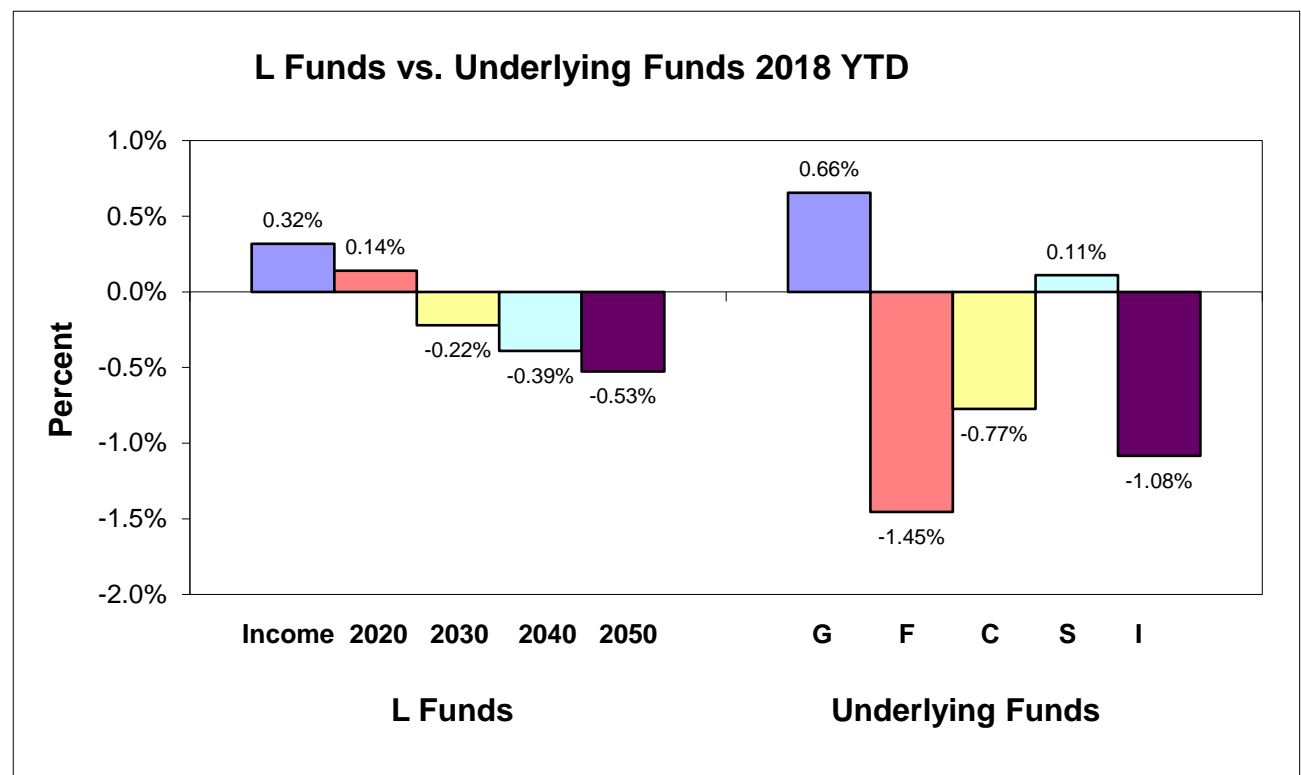
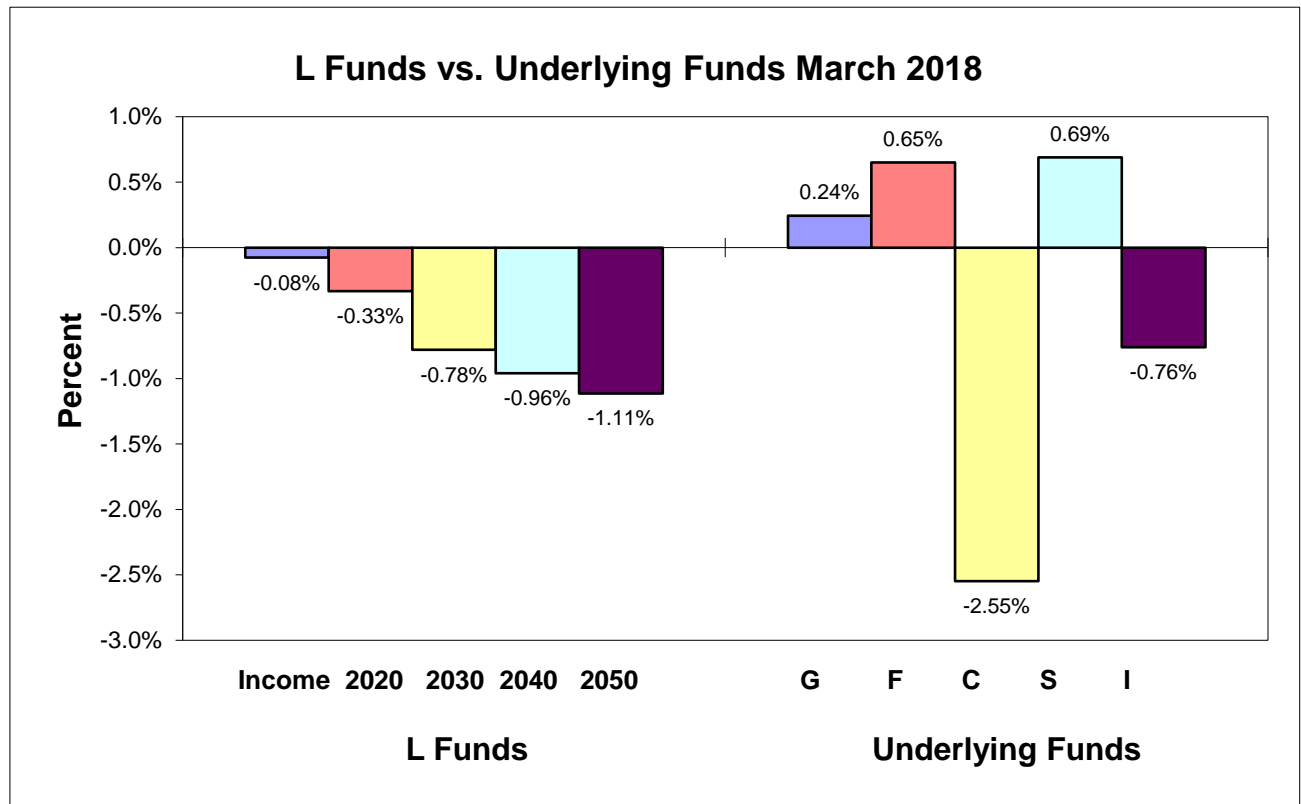
## Performance of TSP Funds Total Returns

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 2017**

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the fourth quarter of 2017. A copy of the audit report is provided as Attachment 2. The ISS audit report for the first quarter of 2018 is not yet available.

## **CLASS ACTION SETTLEMENTS -- FOURTH QUARTER 2017**

The Fourth Quarter began with thirty-one open claims. One claim was opened in the F Fund. Two claims were opened in the C Fund. Additionally, one claim was closed due to Administrator action and two claims were settled for \$501,747. Eight claims were opened in the S Fund during the quarter. One claim in the S Fund was settled for \$4,009. Thirty-eight claims remained open across the four funds at the end of the quarter. For the year, seven claims were settled for \$682,226.

	<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	-	1	-	1	\$0
C Fund	9	2	3	8	\$678,217
S Fund	22	8	1	29	\$4,009
I Fund	-	-	-	-	\$0
<b>Total</b>	<u>31</u>	<u>11</u>	<u>4</u>	<u>38</u>	<u>\$682,226</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

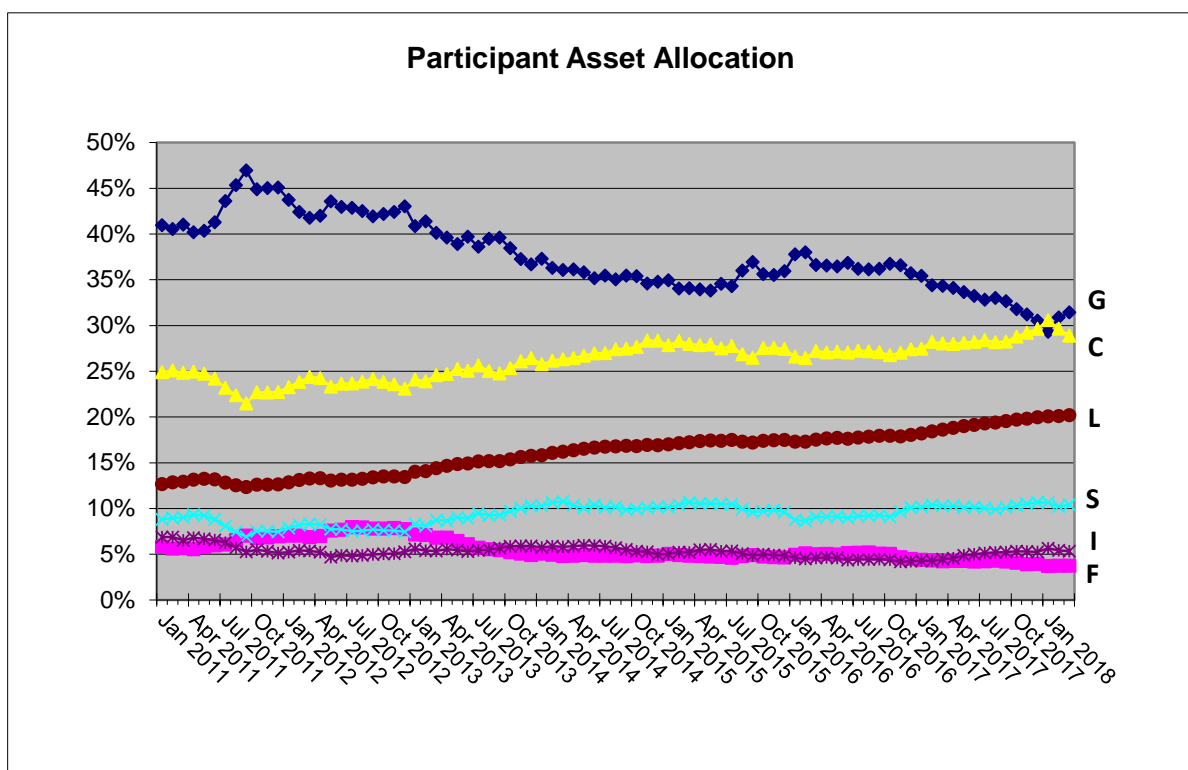
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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 2018**

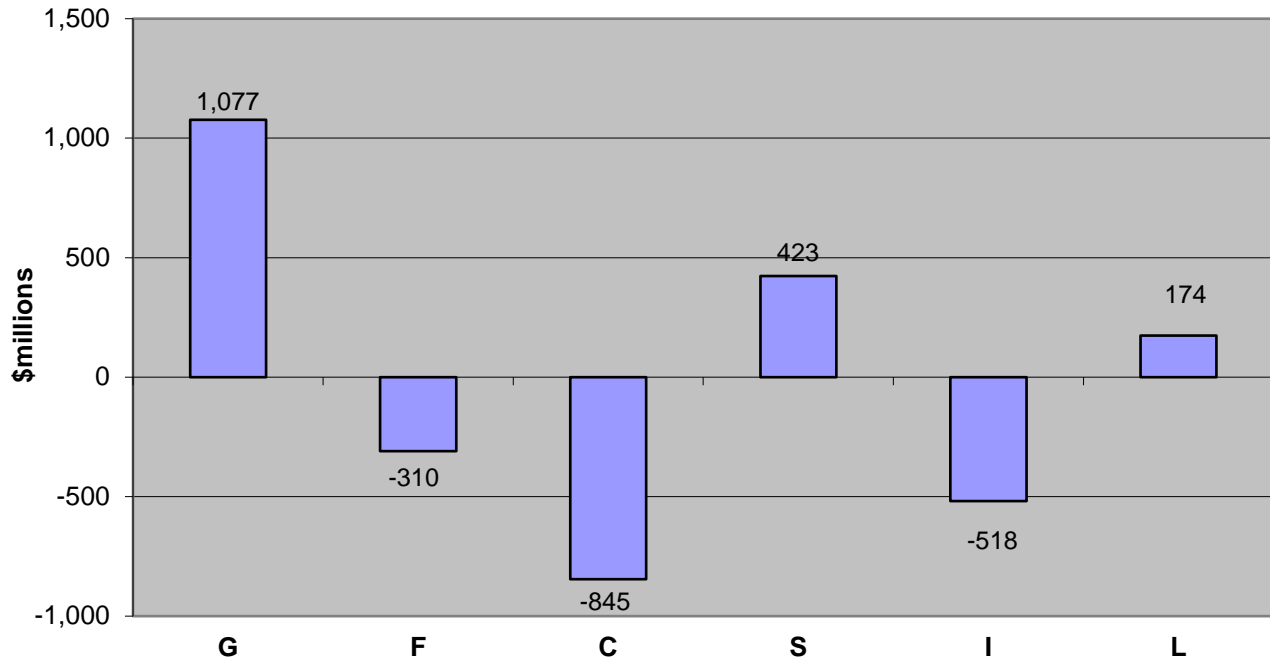
Attachment 1



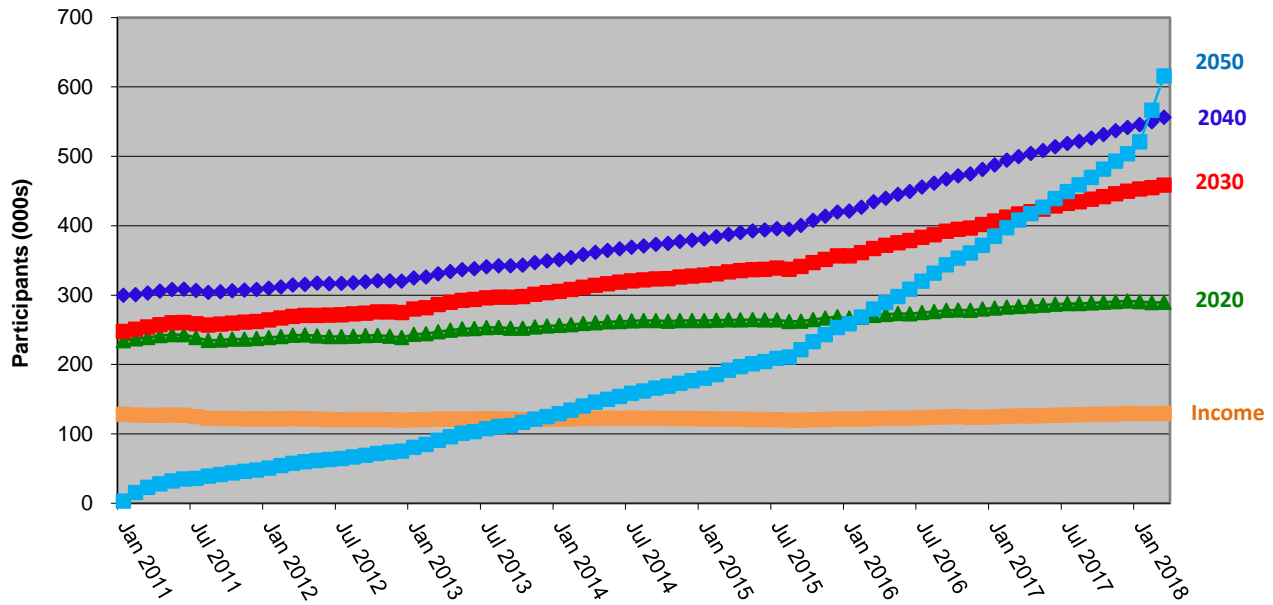
TSP Assets -- Participant Allocation (March 29, 2018)			TSP Assets -- By Fund (March 29, 2018)		
Fund	Dollars (Billion USD)	Percent	Fund	Dollars (Billion USD)	Percent
G Fund	\$170.8	31.5%	G Fund	\$210.9	38.9%
F Fund	\$20.3	3.7%	F Fund	\$27.4	5.1%
C Fund	\$156.8	28.9%	C Fund	\$190.5	35.1%
S Fund	\$56.5	10.4%	S Fund	\$66.5	12.2%
I Fund	\$28.9	5.3%	I Fund	\$47.4	8.7%
L Fund	\$109.5	20.2%	Total	\$542.7	100%
Total	\$542.7	100%			

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY  
MARCH 2018**

**March 2018 -- Interfund Transfers**



**Number of L Fund Participants  
Total = 1,693,386**

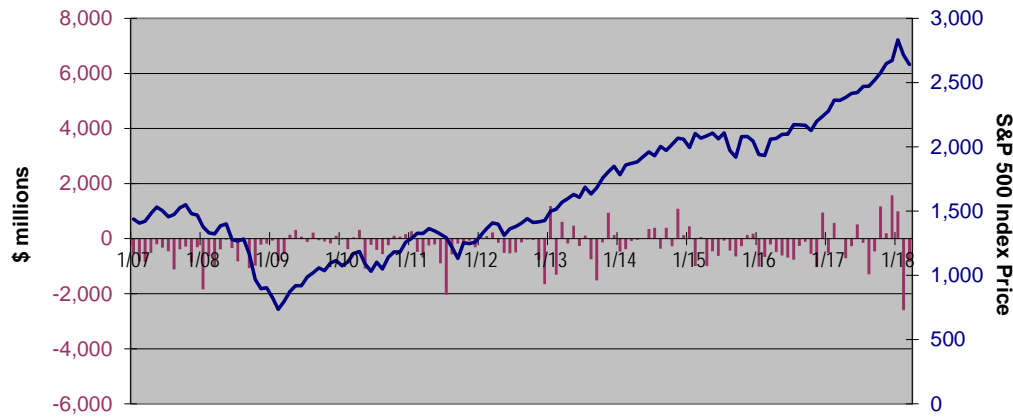




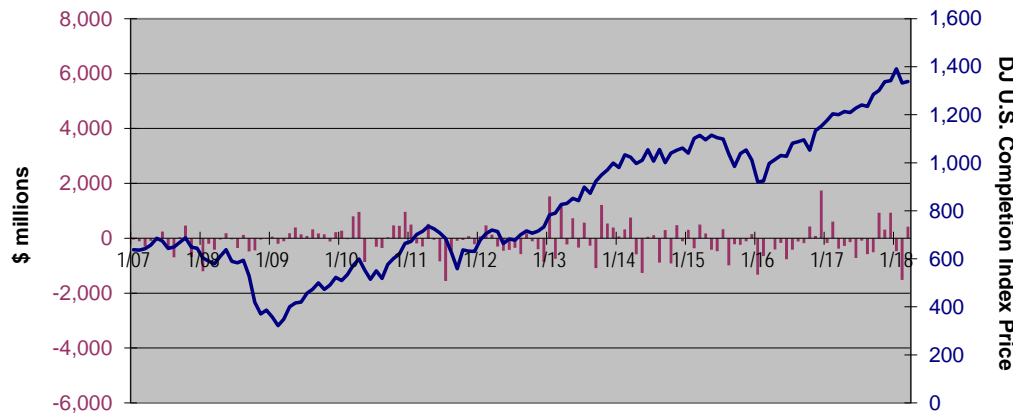
# THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

## March 2018

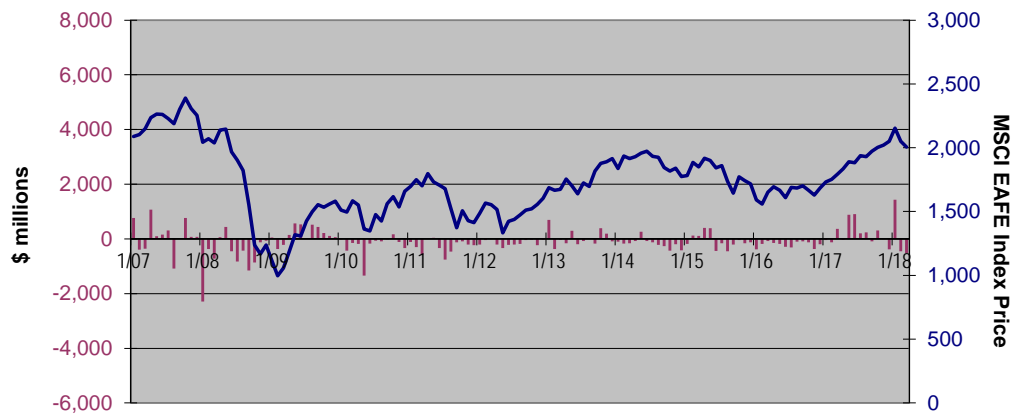
Monthly Interfund Transfers  
C Fund



Monthly Interfund Transfers  
S Fund



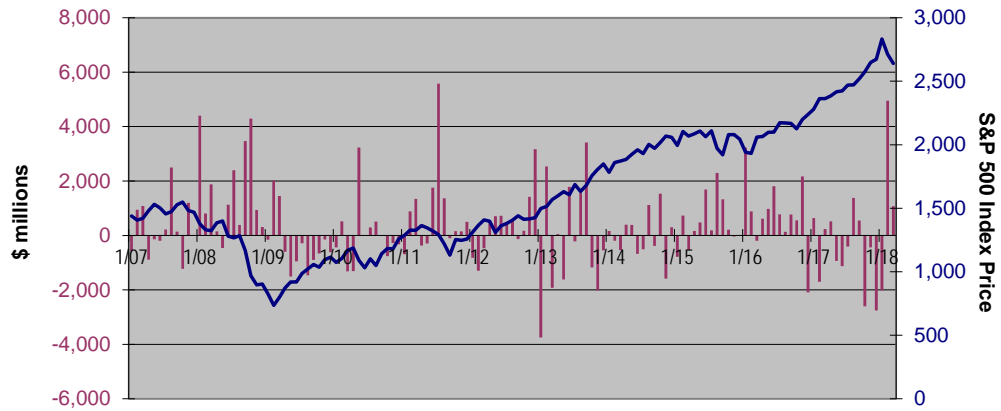
Monthly Interfund Transfers  
I Fund



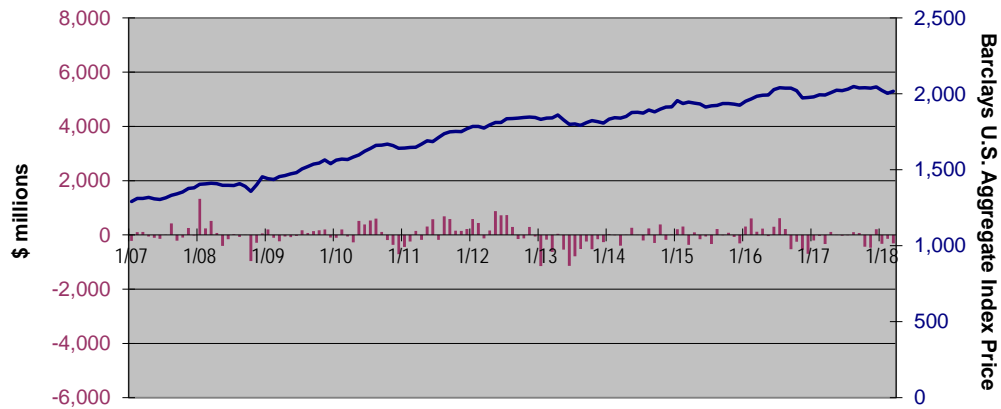
# THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

## March 2018

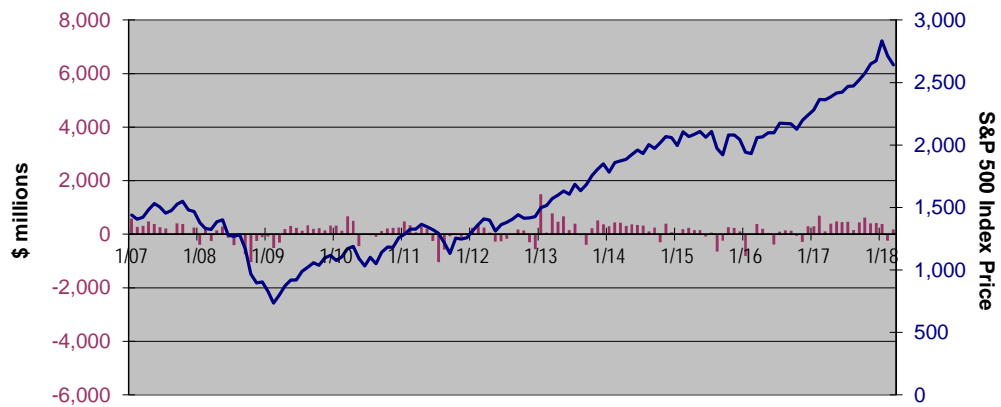
Monthly Interfund Transfers  
G Fund



Monthly Interfund Transfers  
F Fund



Monthly Interfund Transfers  
L Funds





January 10, 2018

Ms. Michelle Edkins  
Managing Director  
Corporate Governance & Responsible Investment  
BlackRock  
55 East 52<sup>nd</sup> St  
New York, NY 10055

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 4<sup>th</sup> quarter of 2017. 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 4<sup>th</sup> quarter proxy voting for US meetings are as follows:

- Votes at 42 meetings were examined.
- Votes at 8 of the 42 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 34 remaining meetings, there were 65 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	3
Section 162(m)	1
Advisory vote on golden parachute compensation	2
Frequency vote on MSOP	18
Issuance of shares for private placement	3
Reverse stock split	1
Approve conversion of securities	1
Approve merger agreement	2
Issue shares in connection with merger/acquisition	6
Approve reorganization	1
Adjourn meeting	11
Approve increase in board size	1
Fix number of directors	1
Approve change of control	1
Amend securities transfer restrictions	1
Approve participation of officers, directors, and employees to market offerings	1
Approve virtual stockholder meeting proposal	1
Other business	1
Shareholder proposal	1
<b>Total:</b>	<b>65</b>

- There were 8 votes cast on executive stock option plans:
  - a) 5 votes were cast in favor of the plans (62.5 percent);
  - b) 3 votes were cast against the plans (37.5 percent) due to the ability to reprice options without shareholder approval.
- There were 3 votes cast on employee share purchase plans; the votes were cast in favor of the plans.
- There were 9 votes cast on mergers, acquisitions and/or major corporate transactions, including 6 proposals to issue shares pursuant to a merger or acquisition, and a proposal to approve a reorganization; all votes were cast in favor of the transactions.
- There was 1 vote cast on a shareholder proposal to approve a share recapitalization plan for all stock to have one vote per share; the vote was cast in favor of the proposal.
- There were 23 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 2 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.