



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

July 12, 2018

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

FROM: RAVINDRA DEO
EXECUTIVE DIRECTOR

SUBJECT: June 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

<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	-0.10	-0.10	-0.12	0.02	0.00
Large Cap	0.62	0.61	0.62	0.00	-0.01
Small Mid Cap	0.87	0.86	0.87	0.00	-0.01
International	-1.19	-1.20	-1.22	0.03	-0.01

2018 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	-1.54	-1.56	-1.62	0.08	-0.02
Large Cap	2.64	2.63	2.65	-0.01	-0.01
Small Mid Cap	6.18	6.17	6.06	0.12	-0.01
International	-2.40	-2.44	-2.75	0.35	-0.04

BlackRock's performance for the F, C, and S Funds was in-line with indices for the month. Its performance for the I Fund was ahead of the International Index by 3 basis points for the month primarily due to tax effect and futures. BlackRock's year-to-date performance for the F Fund was ahead of the Fixed Income Index by 8 basis points primarily due to securities lending. Its performance for the C Fund was in-line with the Large Cap Index. BlackRock's performance for the S Fund was ahead of the Small Cap Index by 12 basis points year-to-date primarily due to securities lending and security selection. Performance for the I Fund was ahead of the International Index by 35 basis points year-to-date, primarily 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-to-date, 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>
June	776,405,082	4,075	0.1
Year-to-Date	5,959,091,754	132,750	0.2
<u>C Fund</u>			
June	2,070,735,391	(36,885)	-0.2
Year-to-Date	18,467,423,760	(9,103,747)	-4.9
<u>S Fund</u>			
June	2,017,681,928	106,066	0.5
Year-to-Date	10,242,905,662	(5,767,080)	-5.6
<u>I Fund</u>			
June	1,498,644,617	2,941,337	19.6
Year-to-Date	9,952,997,393	6,144,650	6.2

* -- 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, 2018) Returns

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	2.53%	2.20%	2.20%	2.34%

F Fund	-0.27%	1.99%	2.65%	3.97%
Bloomberg Barclays U.S. Agg Bond Index	-0.40%	1.72%	2.27%	3.72%
Tracking Error	0.13%	0.27%	0.38%	0.25%

C Fund	14.34%	11.95%	13.47%	10.22%
S&P 500 Index	14.37%	11.93%	13.42%	10.17%
Tracking Error	-0.03%	0.02%	0.05%	0.05%

S Fund	16.85%	10.54%	12.80%	10.91%
DJ U.S. Completion TSM Index	16.71%	10.16%	12.46%	10.69%
Tracking Error	0.14%	0.38%	0.34%	0.22%

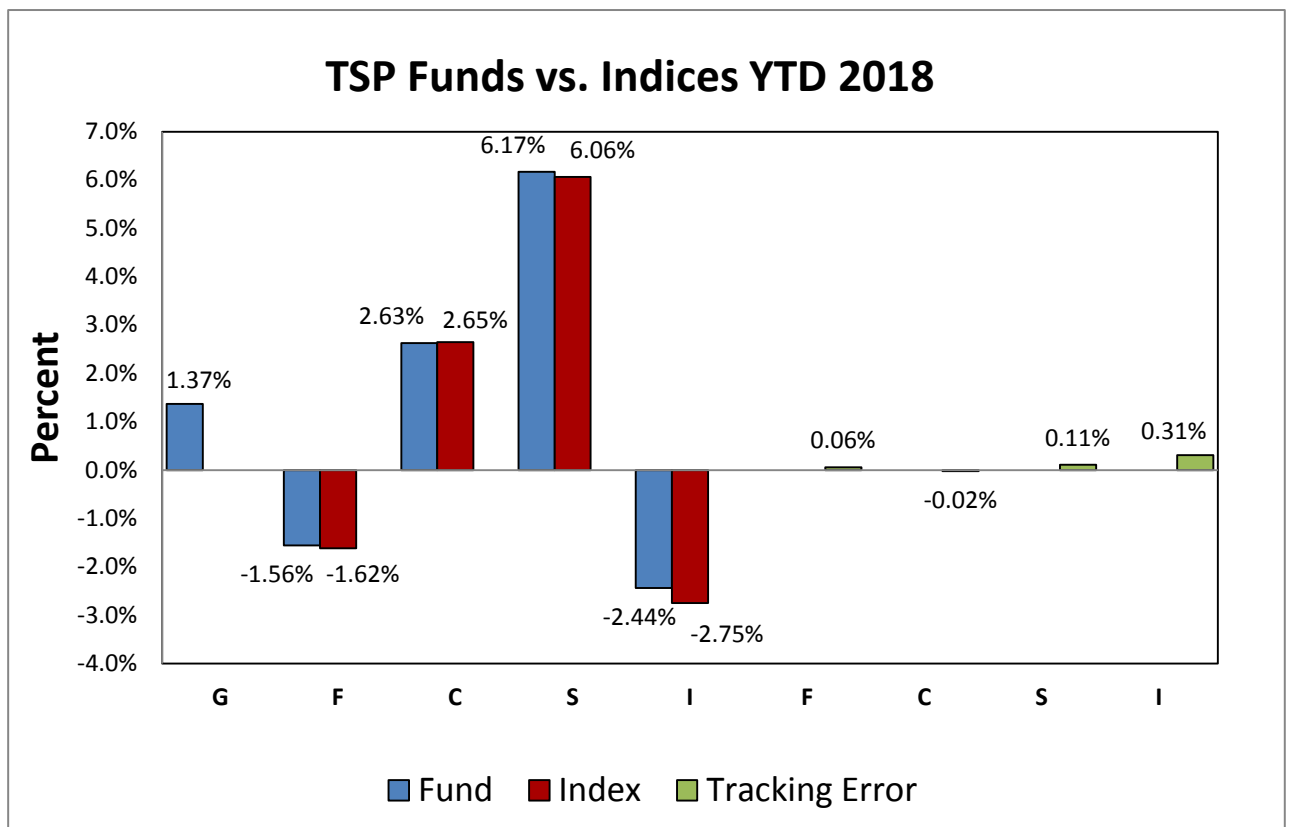
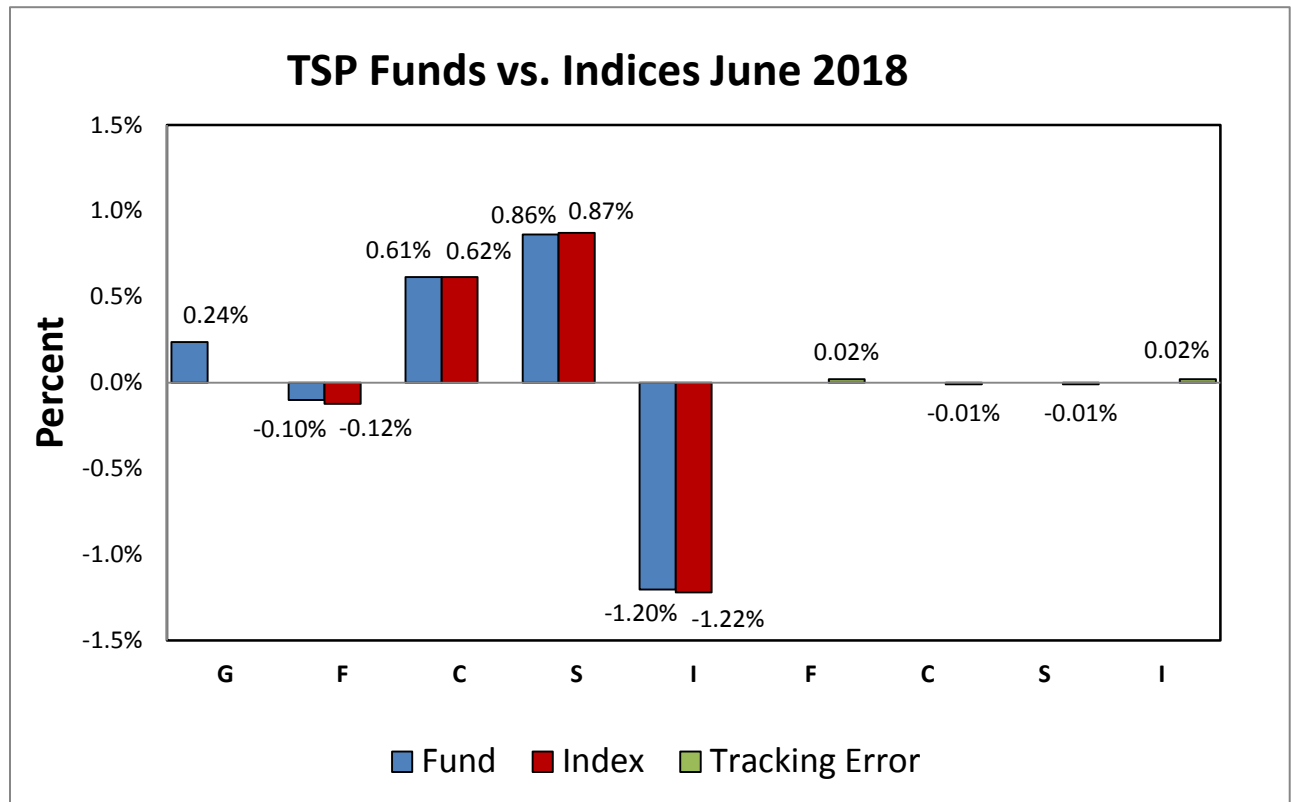
I Fund	7.25%	5.28%	6.80%	3.14%
MSCI EAFE (Net) Index	6.84%	4.90%	6.44%	2.84%
Tracking Error	0.41%	0.38%	0.36%	0.30%

Lifecycle Funds Returns

L Income	4.39%	3.84%	4.18%	4.00%
L 2020	6.07%	5.19%	6.48%	5.68%
L 2030	8.59%	6.99%	8.25%	6.79%
L 2040	9.71%	7.77%	9.21%	7.35%
L 2050	10.76%	8.45%	10.05%	NA

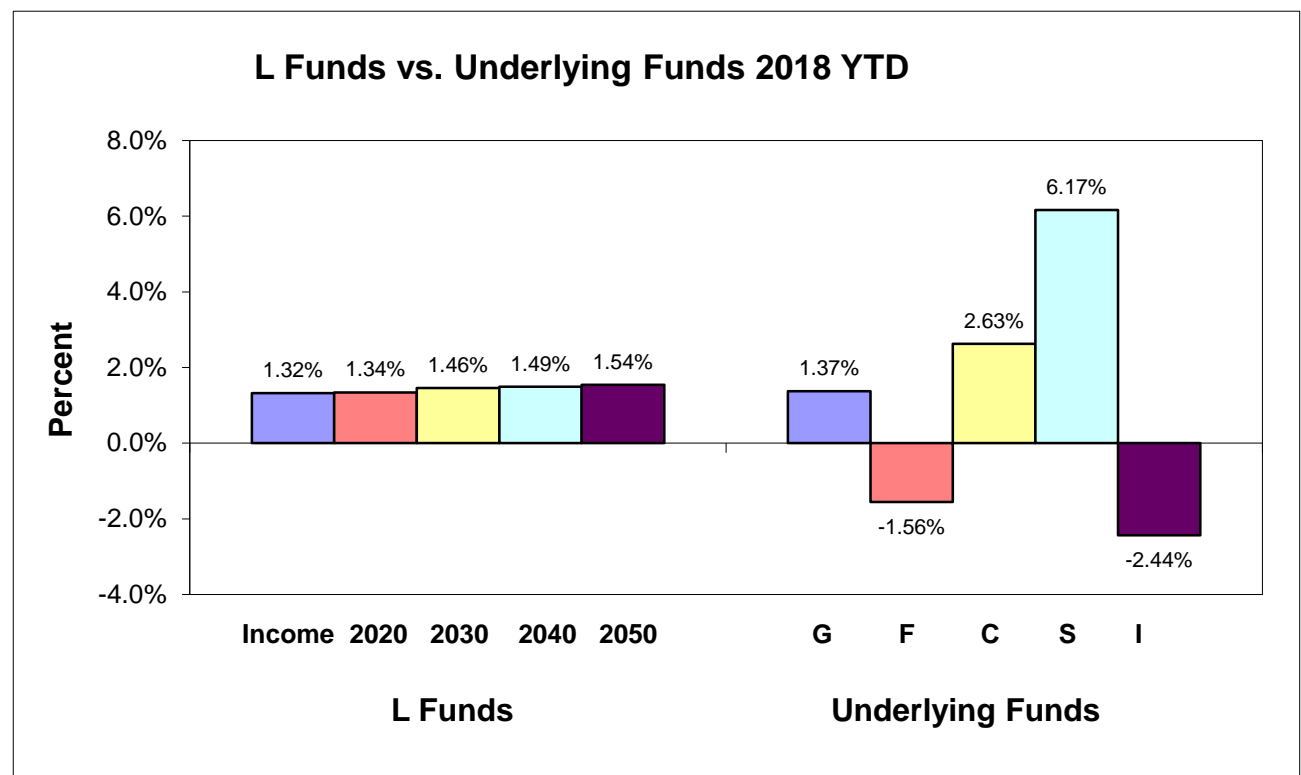
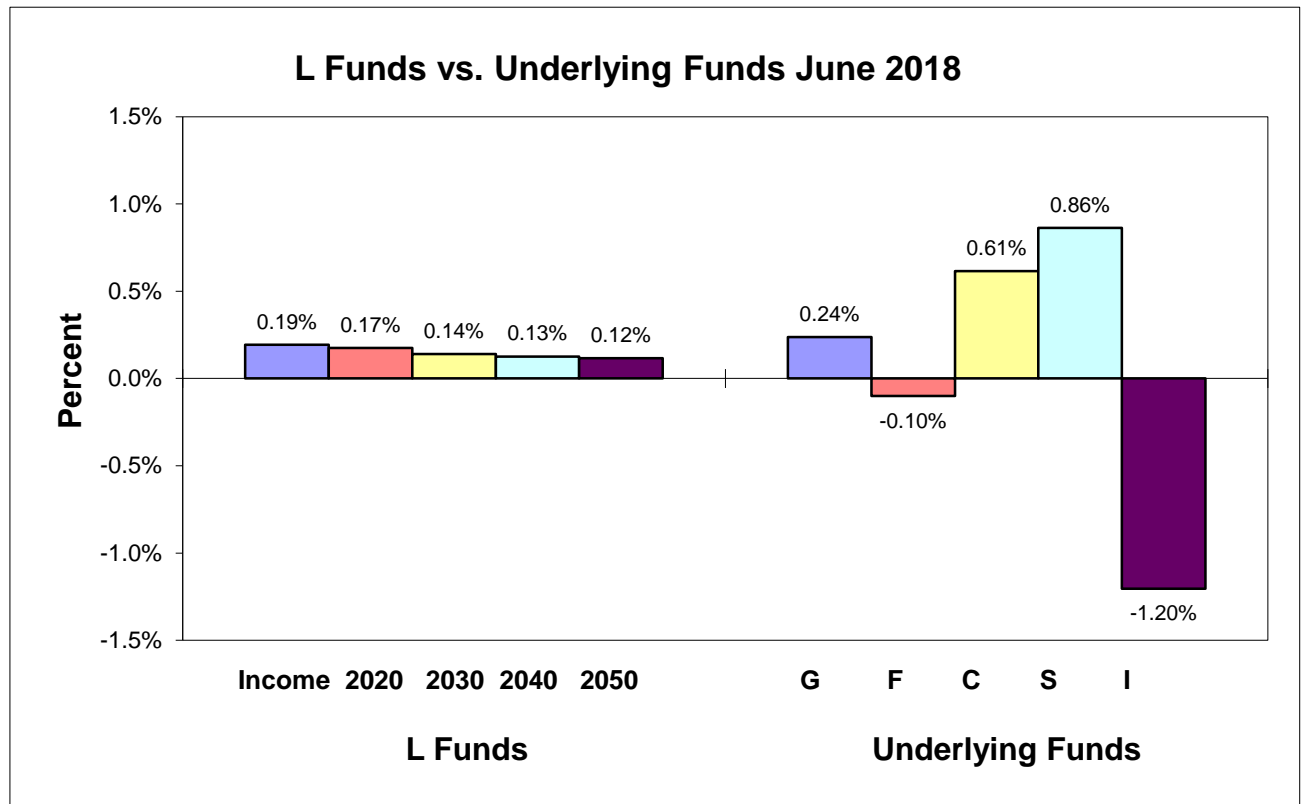
Performance of TSP Funds Total Returns

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 2018

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

CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2018

The First Quarter began with thirty-eight open claims. One claim was opened in the C Fund. Additionally, two claims were settled for \$218,560. Eleven claims were opened in the S Fund during the quarter. Four claims were closed due to Administrator action and two claims were settled in the S Fund for \$22,457. Forty-two claims remained open across the four funds at the end of the quarter. For the year, four claims were settled for \$241,018.

	<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 2018 (\$)</u>
F Fund	1	-	-	1	\$0
C Fund	8	1	2	7	\$218,560
S Fund	29	11	6	34	\$22,457
I Fund	-	-	-	-	\$0
Total	<u>38</u>	<u>12</u>	<u>8</u>	<u>42</u>	<u>\$241,018</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

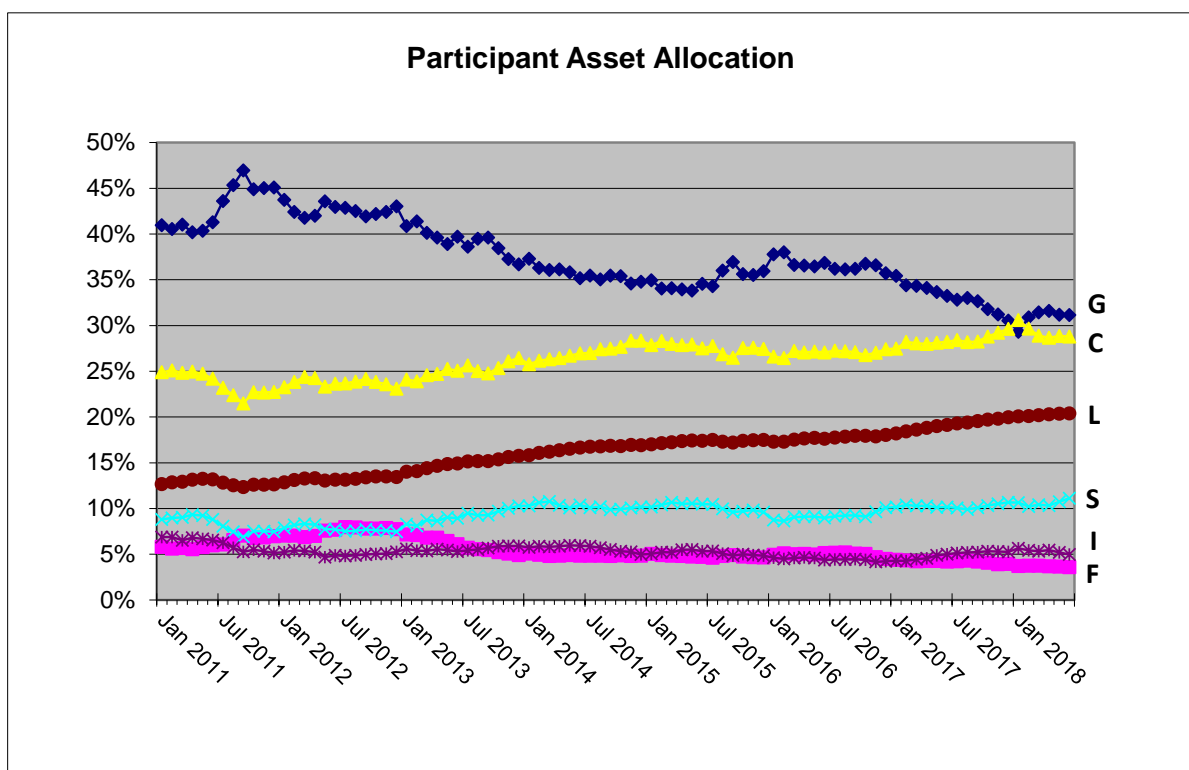
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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 2018**

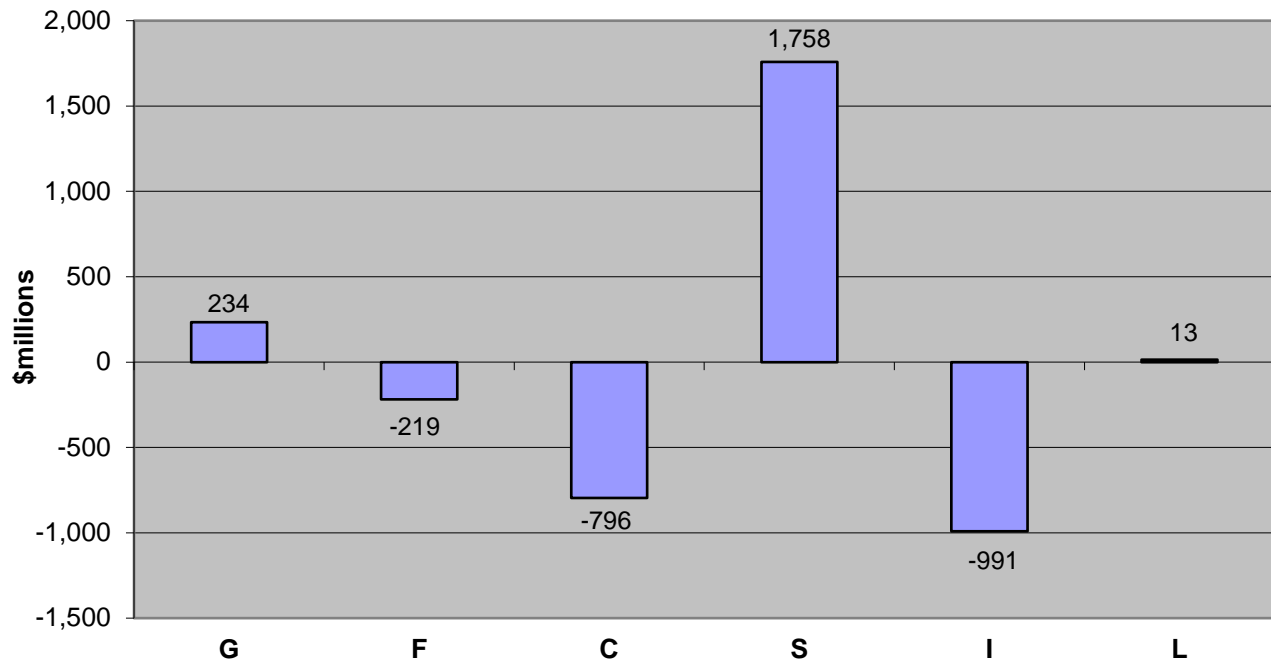
Attachment 1



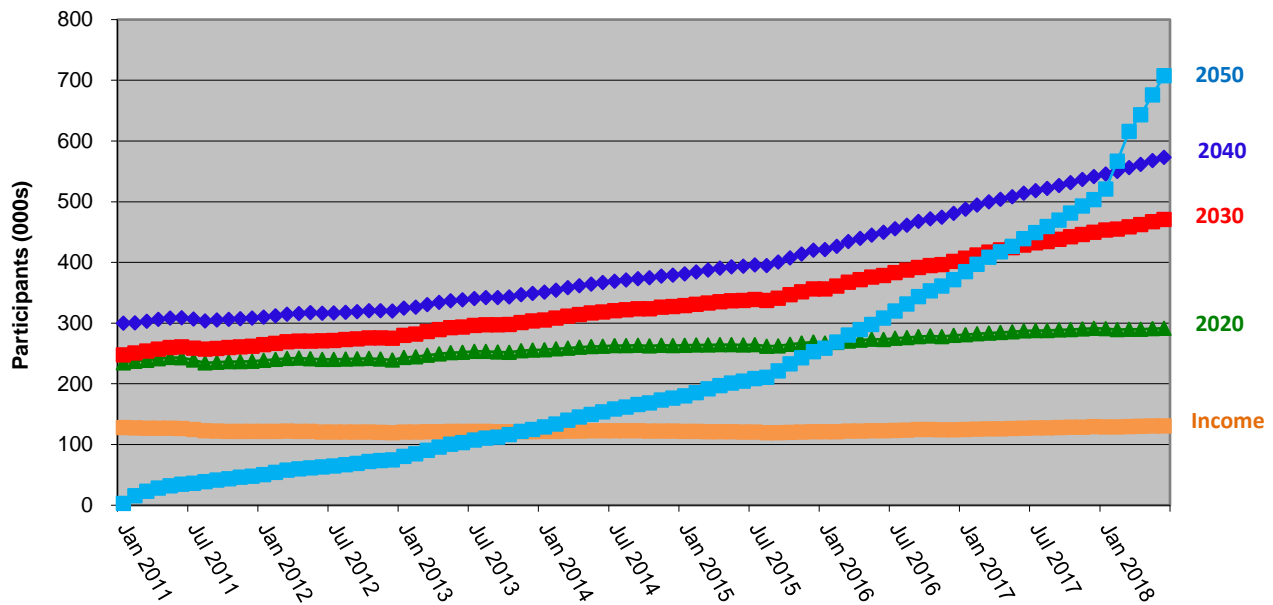
TSP Assets -- Participant Allocation (June 30, 2018)			TSP Assets -- By Fund (June 30, 2018)		
Fund	Dollars (Billion USD)	Percent	Fund	Dollars (Billion USD)	Percent
G Fund	\$173.8	31.2%	G Fund	\$215.8	38.8%
F Fund	\$20.0	3.6%	F Fund	\$27.5	4.9%
C Fund	\$160.1	28.8%	C Fund	\$194.6	35.0%
S Fund	\$61.8	11.1%	S Fund	\$72.0	12.9%
I Fund	\$27.6	5.0%	I Fund	\$46.9	8.4%
L Fund	\$113.4	20.4%	Total	\$556.7	100%
Total	\$556.7	100%			

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

June 2018 -- Interfund Transfers

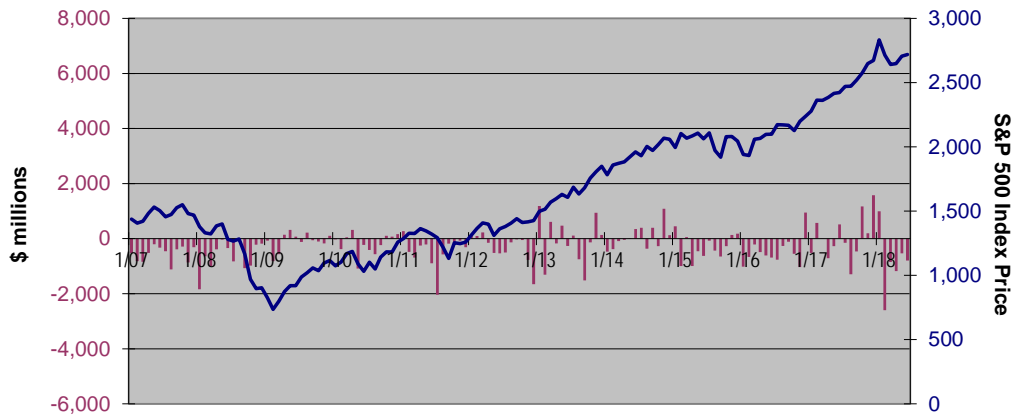


**Number of L Fund Participants
Total = 1,803,836**

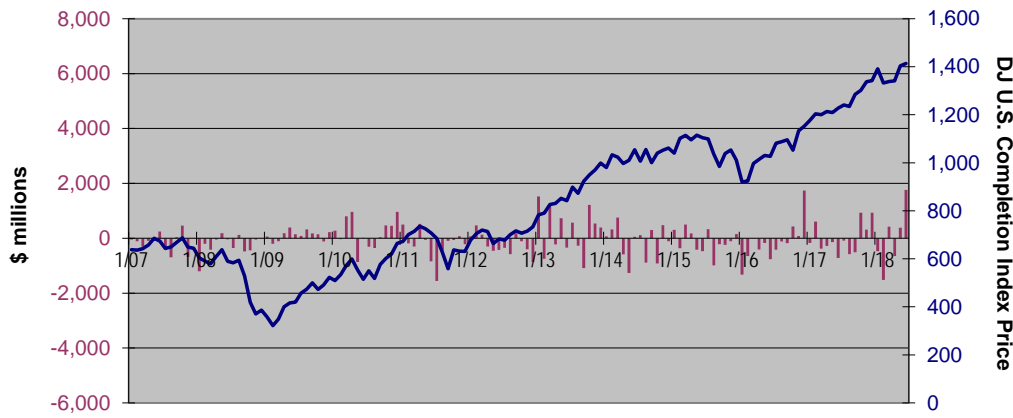


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY JUNE 2018

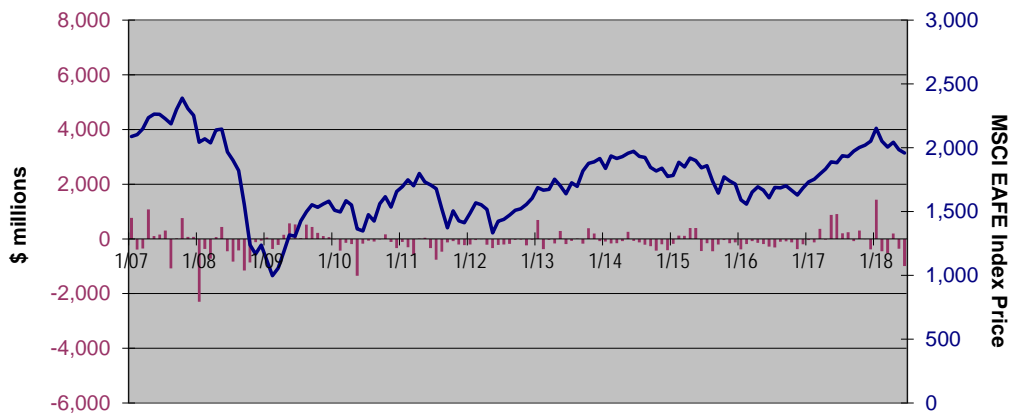
Monthly Interfund Transfers C Fund



Monthly Interfund Transfers S Fund

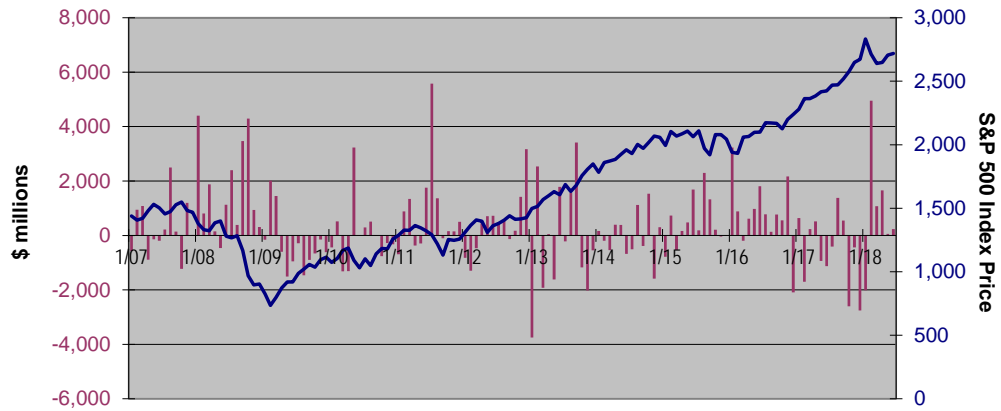


Monthly Interfund Transfers I Fund

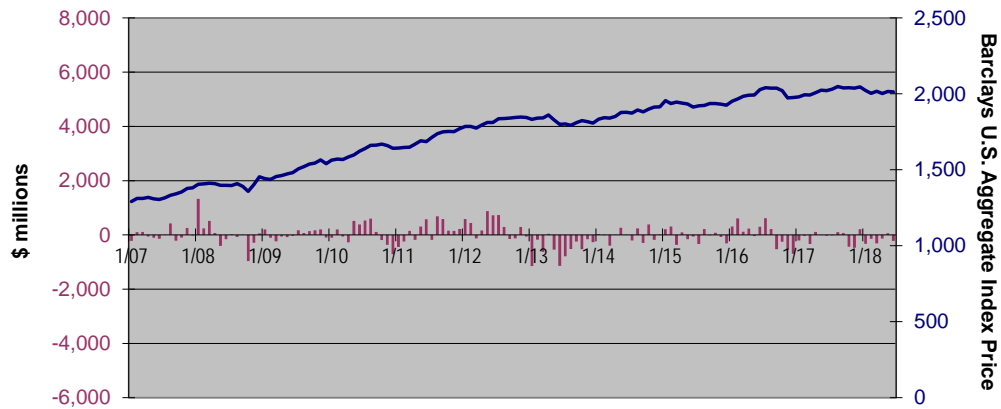


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY JUNE 2018

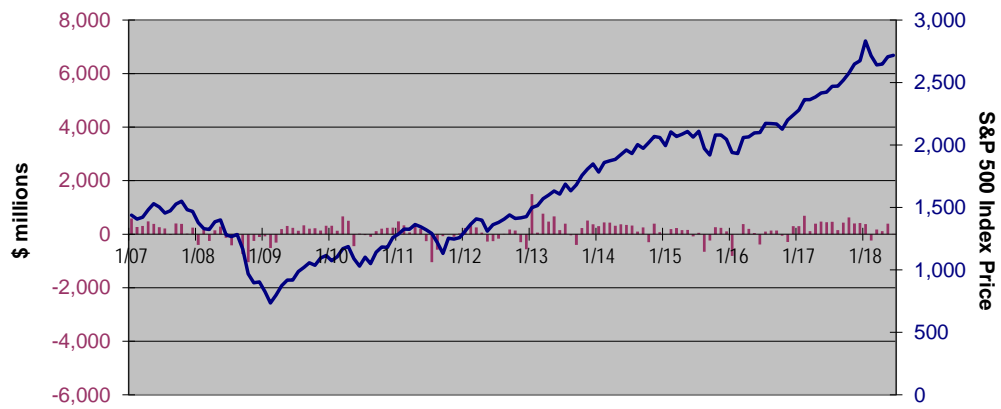
Monthly Interfund Transfers G Fund



Monthly Interfund Transfers F Fund



Monthly Interfund Transfers L Funds



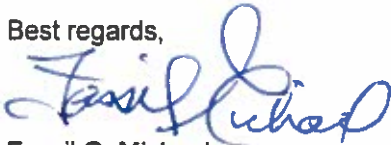
April 23, 2018

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

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 1st quarter of 2018. 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 Michael", is written over the typed name.

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 32 meetings were examined.
- Votes at 7 of the 32 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 25 remaining meetings, there were 52 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	10
Employee share purchase plan	1
Section 162(m)	1
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	4
Approve merger agreement	3
Issue shares in connection with merger/acquisition	1
Approve sale of assets	1
Adjourn meeting	5
Change state of incorporation	1
Amend NOL rights plan	2
Approve jurisdiction of incorporation as exclusive forum for certain disputes	1
Declassify board of directors	1
Establish range for board size	1
Eliminate supermajority vote requirement	1
Approve amendment to stockholder agreement	1
Change company name	1
Amend certificate of incorporation	1
Amend articles	1
Shareholder proposal	12
Total:	52

- There were 10 votes cast on executive stock option plans:
 - a) 9 votes were cast in favor of the plans (90 percent);
 - b) 1 vote was cast against the plan (10 percent) due to the ability to reprice options without shareholder approval.

- There was 1 vote cast on an employee share purchase plan; the vote was cast in favor of the plan.

- There were 5 votes cast on mergers, acquisitions and/or major corporate transactions, including 1 proposal to issue shares pursuant to a merger or acquisition, and 1 proposal to approve the sale of company assets; all votes were cast in favor of the transactions.

- There were 12 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to require independent board chairman; the vote was cast against the proposal.
 - b) 1 shareholder proposal to provide rights to act by written consent; the vote was cast against the proposal.
 - c) 1 shareholder proposal to adopt simple majority vote; the vote was cast in favor of the proposal.
 - d) 1 shareholder proposal to reduce ownership threshold to call special meeting; the vote was cast against the proposal.
 - e) 1 shareholder proposal to adopt policy on prison labor; the vote was cast against the proposal.
 - f) 1 shareholder proposal to report on political contributions; the vote was cast against the proposal.
 - g) 2 shareholder proposals to report on lobbying contributions; the votes were cast against the proposals.
 - h) 1 shareholder proposal to adopt quantitative company-wide GHG goals; the vote was cast against the proposal.
 - i) 1 shareholder proposal to adopt policy to annually disclose EEO-1 Data; the vote was cast against the proposal.
 - j) 1 shareholder proposal to examine and take active steps to participate in natural gas local distribution sector; the vote was cast against the proposal.
 - k) 1 shareholder proposal to implement water quality stewardship policy; the vote was cast against the proposal.

- There were 20 votes cast on management advisory votes on executive compensation; all votes were cast in favor of the advisory votes.

- There were 3 votes cast on management advisory votes on golden parachute compensation; all votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.