



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

July 12, 2019

MEMORANDUM FOR BOARD MEMBERS

KENNEDY, BILYEU, McCRAY,
JONES AND JASIEN

FROM: RAVINDRA DEO
EXECUTIVE DIRECTOR

SUBJECT: June 2019 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	1.26	1.26	1.26	0.00	0.00
Large Cap	7.05	7.04	7.05	0.00	-0.01
Small Mid Cap	6.80	6.80	6.81	-0.01	0.00
International	5.95	5.94	5.93	0.02	-0.01

2019 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	6.13	6.11	6.11	0.02	-0.02
Large Cap	18.55	18.53	18.54	0.01	-0.02
Small Mid Cap	19.50	19.48	19.49	0.01	-0.02
International	14.40	14.42	14.03	0.37	0.02

BlackRock's performance for all the Funds was in-line with indices for the month. For the F, C, and S Funds year-to date, BlackRock's performance was in-line with the Funds' respective indices. Year-to-date, BlackRock outperformed the International Index by 37 basis points, primarily due to tax effect.

The TSP Funds closely tracked the BTC Accounts for the month. Year-to-date, the F, C, S, and I Funds closely tracked the BTC Accounts.

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	743,871,178	61,905	0.8
Year-to-Date	4,654,417,401	340,647	0.7
<u>C Fund</u>			
June	2,774,769,166	(853,868)	-3.1
Year-to-Date	14,450,020,295	(2,022,887)	-1.4
<u>S Fund</u>			
June	1,565,772,309	53,357	0.3
Year-to-Date	9,425,907,965	(89,674)	-0.1
<u>I Fund</u>			
June	1,471,981,337	1,239,745	8.4
Year-to-Date	10,653,068,860	(16,642,185)	-15.6

*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 June 30, 2019) Returns

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	2.82%	2.47%	2.30%	2.29%

F Fund	7.96%	2.48%	3.22%	4.14%
Bloomberg Barclays U.S. Agg Bond Index	7.87%	2.31%	2.95%	3.90%
Tracking Error	0.09%	0.17%	0.27%	0.24%

C Fund	10.40%	14.18%	10.74%	14.74%
S&P 500 Index	10.42%	14.19%	10.71%	14.70%
Tracking Error	-0.02%	-0.01%	0.03%	0.04%

S Fund	2.11%	13.23%	8.00%	14.84%
DJ U.S. Completion TSM Index	1.87%	13.01%	7.65%	14.53%
Tracking Error	0.24%	0.22%	0.35%	0.31%

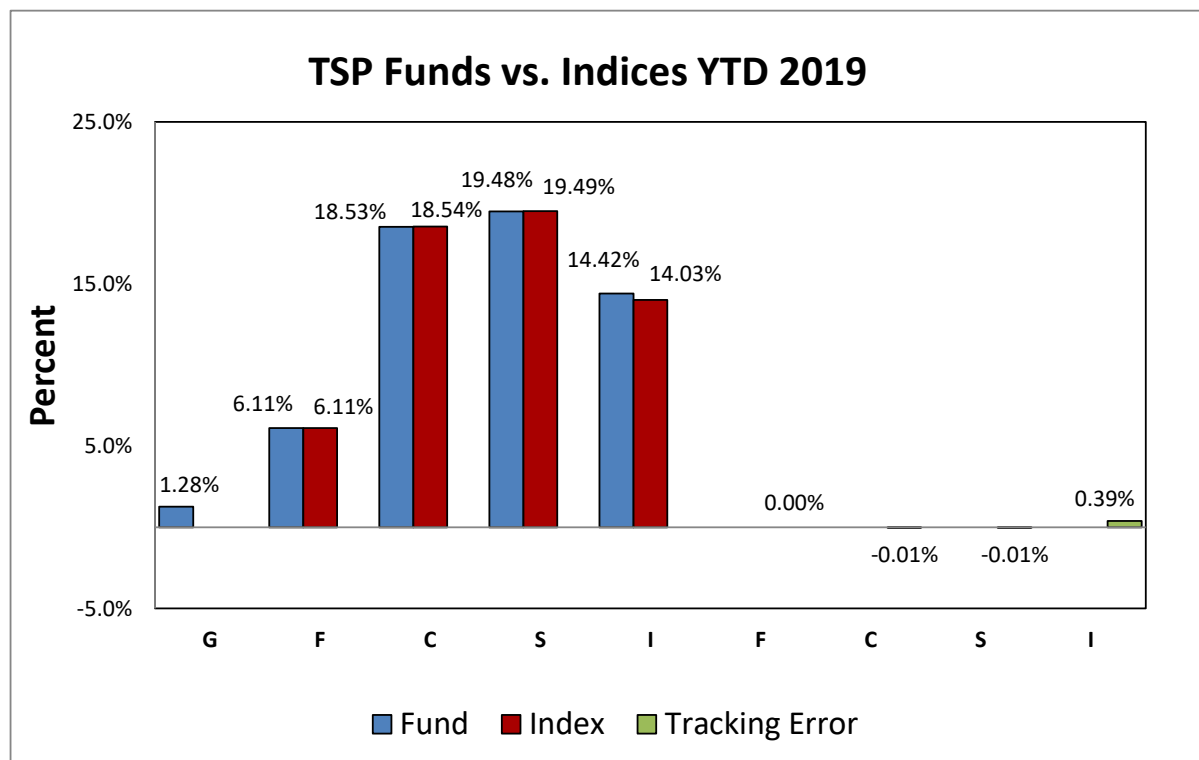
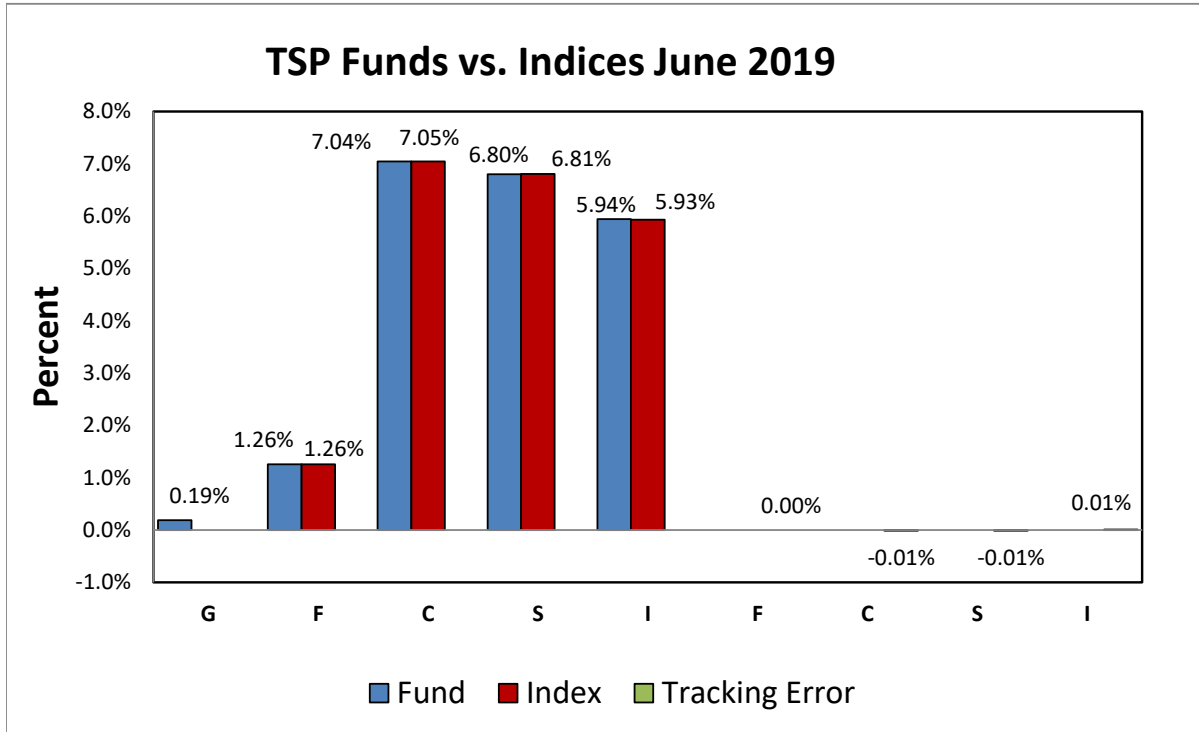
I Fund	1.53%	9.52%	2.62%	7.24%
MSCI EAFE (Net) Index	1.08%	9.11%	2.25%	6.90%
Tracking Error	0.45%	0.41%	0.37%	0.34%

Lifecycle Funds Returns

L Income	4.08%	4.56%	3.65%	4.63%
L 2020	4.30%	6.41%	4.60%	7.79%
L 2030	5.52%	8.87%	5.98%	9.54%
L 2040	5.86%	9.98%	6.56%	10.60%
L 2050	6.07%	10.99%	7.01%	N/A

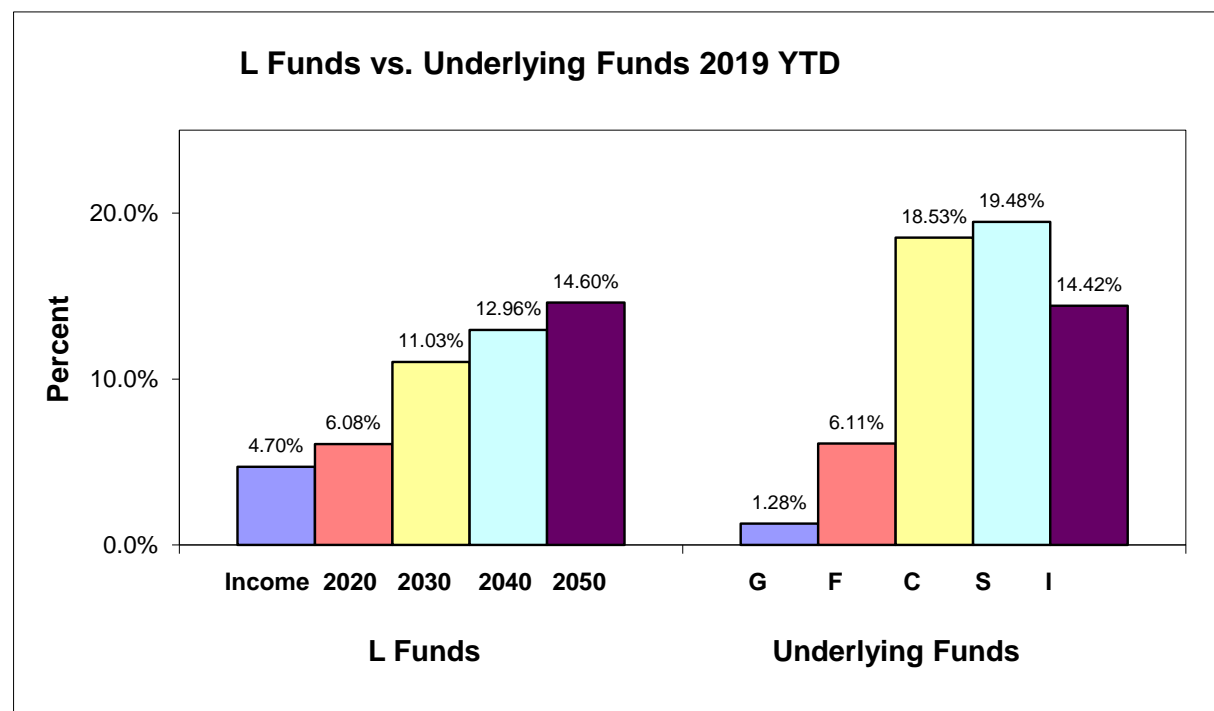
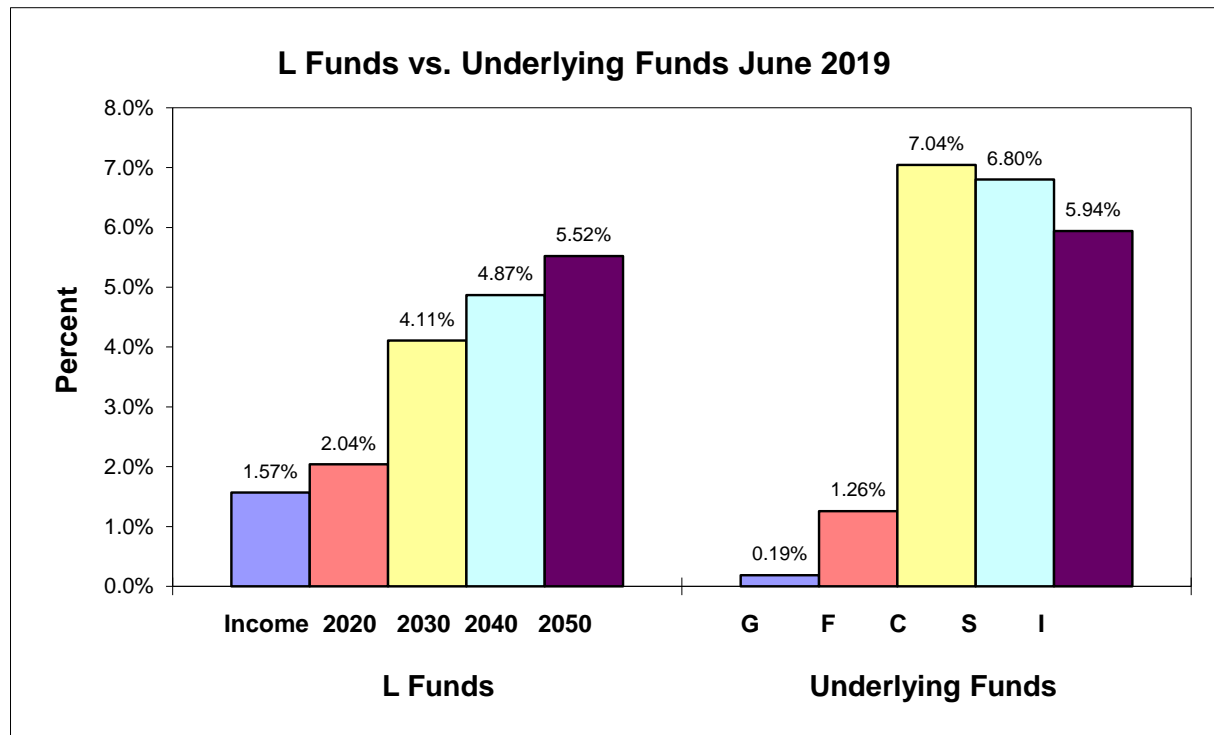
Performance of TSP Funds

The charts below show the G, F, C, S, and I Fund net rates of return vs. respective benchmark indices.



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 2019

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the first quarter of 2019. A copy of the audit report is provided in this report as Attachment 2. The ISS audit report for the second quarter of 2019 is not yet available.

CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2019

The First Quarter began with fifty-five open claims. Two claims were opened in the C Fund and eight claims were opened in the S Fund during the quarter. For the S Fund, one claim was closed due to Administrator action and three claims were settled for \$204,173.30. Sixty-one claims remained open across the four funds at the end of the quarter.

	<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 2019 (\$)</u>
F Fund	18	-	-	18	\$0
C Fund	7	2	-	9	\$0
S Fund	30	8	4	34	\$204,173
I Fund	-	-	-	-	\$0
Total	55	10	4	61	\$204,173

* A review of open claims in June 2019 resulted in a correction that reduced the number of open S Fund claims from 32 to 30.

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

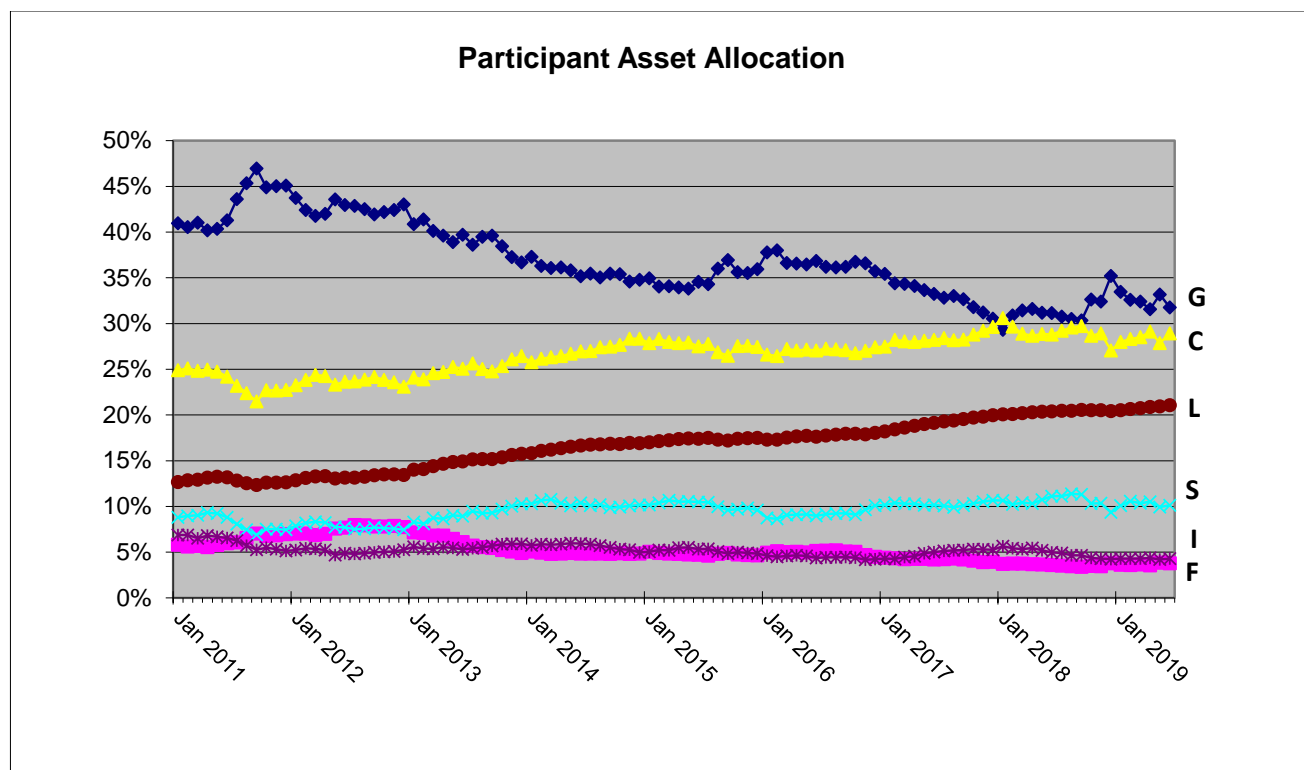
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund and the International 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.

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
JUNE 2019**

Attachment 1



TSP Assets -- Participant Allocation (June 30, 2019)		
<u>Fund</u>	<u>Assets (Billion USD)</u>	<u>Percent</u>
G Fund	\$191.0	32.1%
F Fund	\$22.7	3.8%
C Fund	\$170.5	28.7%
S Fund	\$60.3	10.1%
I Fund	\$25.5	4.3%
L Funds	<u>\$125.1</u>	<u>21.0%</u>
Total	\$595.0	100%

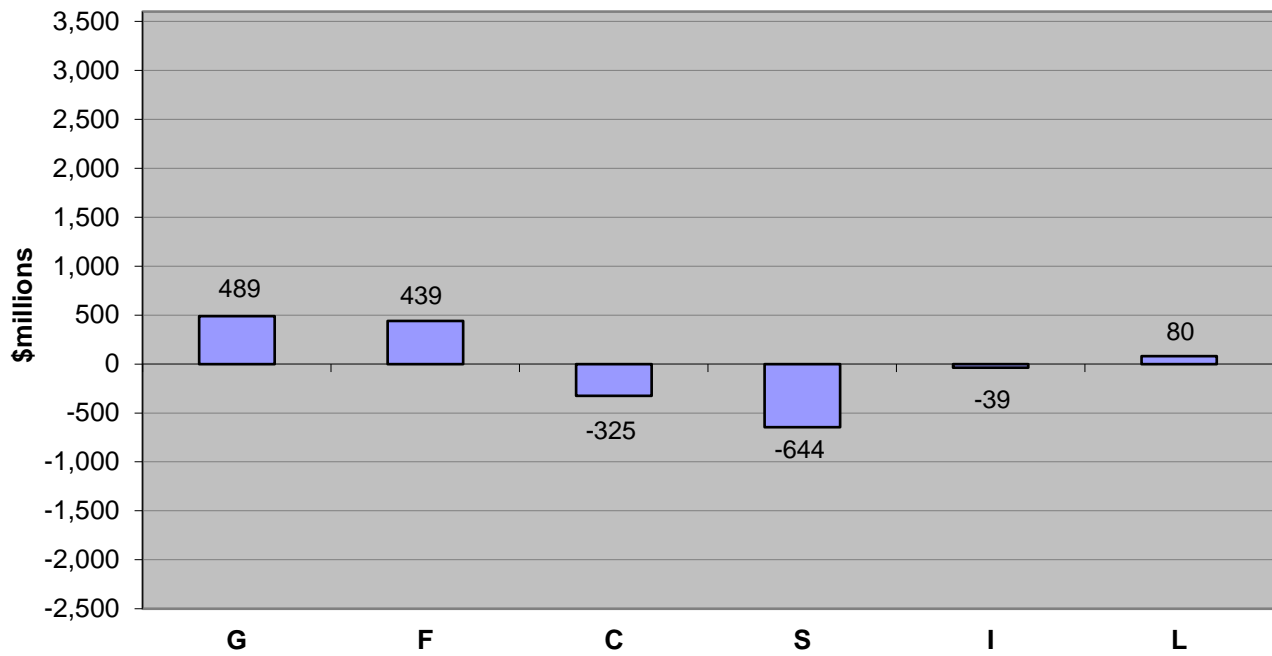
TSP Assets -- By Core Funds (June 30, 2019)		
<u>Fund</u>	<u>Assets (Billion USD)</u>	<u>Percent</u>
G Fund	\$237.4	39.9%
F Fund	\$31.3	5.3%
C Fund	\$205.7	34.6%
S Fund	\$70.7	11.9%
I Fund	<u>\$50.0</u>	<u>8.4%</u>
Total	\$595.0	100%

Components may not sum to totals because of rounding.

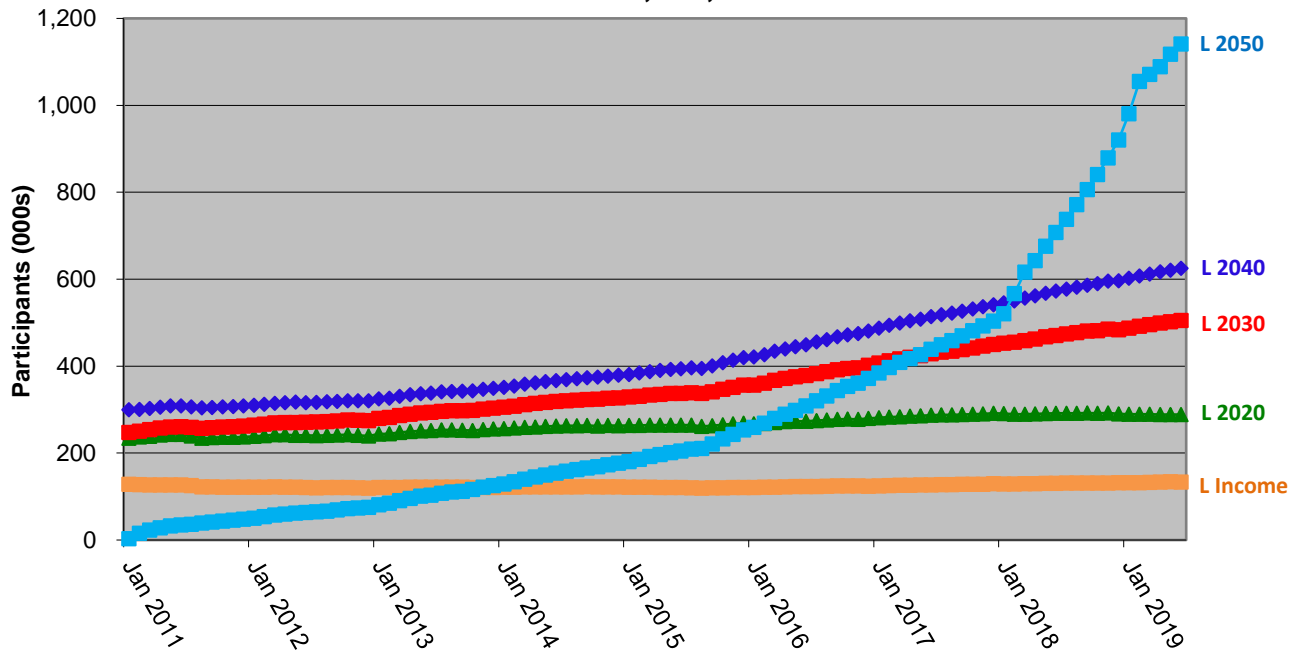
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

June 2019

June 2019 Interfund Transfers

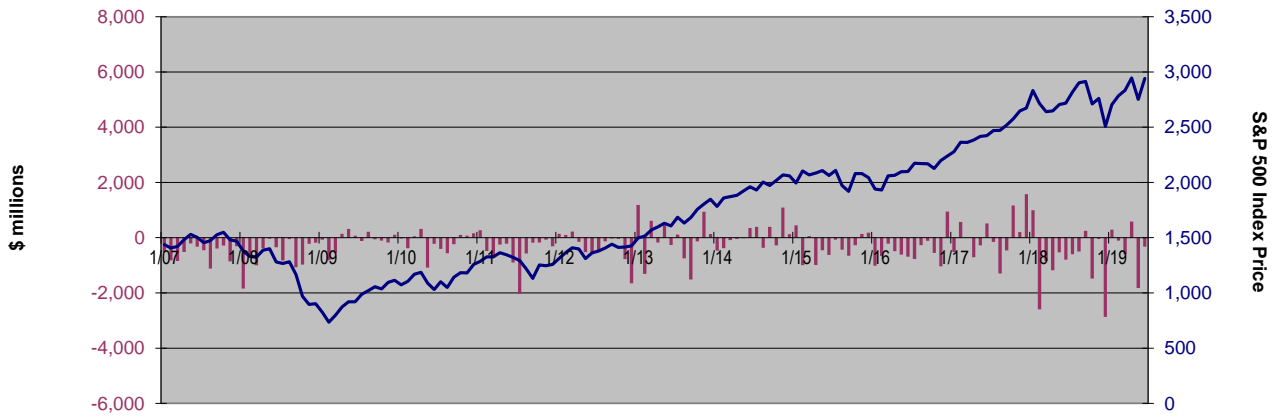


Number of L Fund Participants Total = 2,309,736

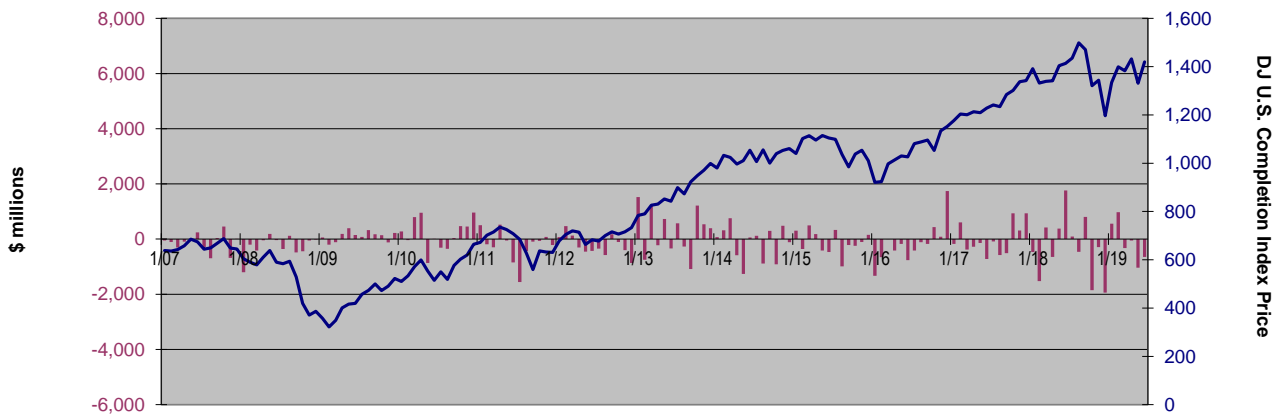


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
JUNE 2019**

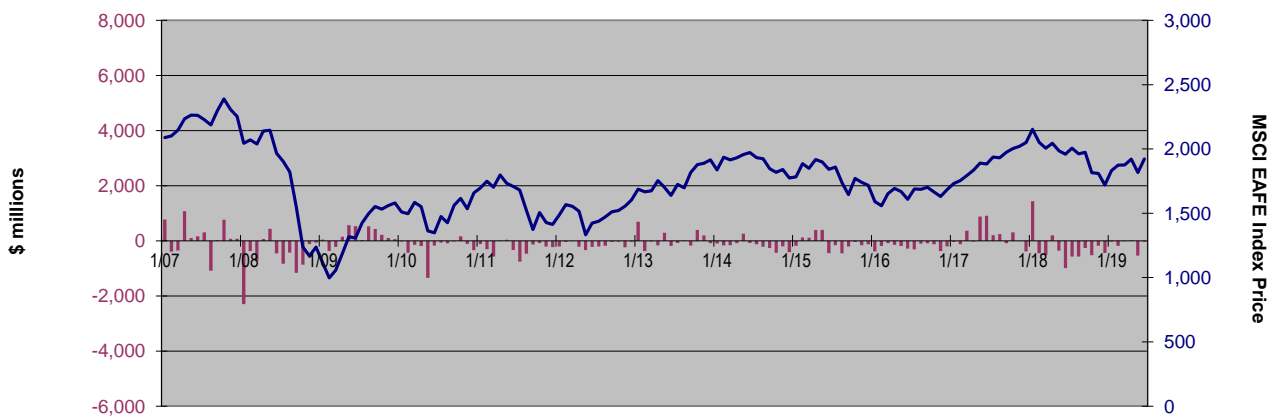
**Monthly Interfund Transfers
C Fund**



**Monthly Interfund Transfers
S Fund**

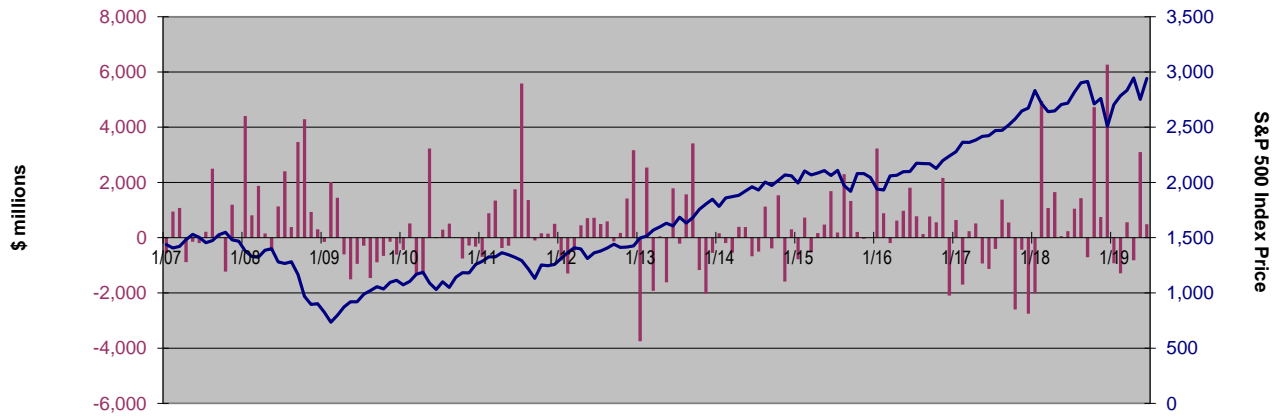


**Monthly Interfund Transfers
I Fund**

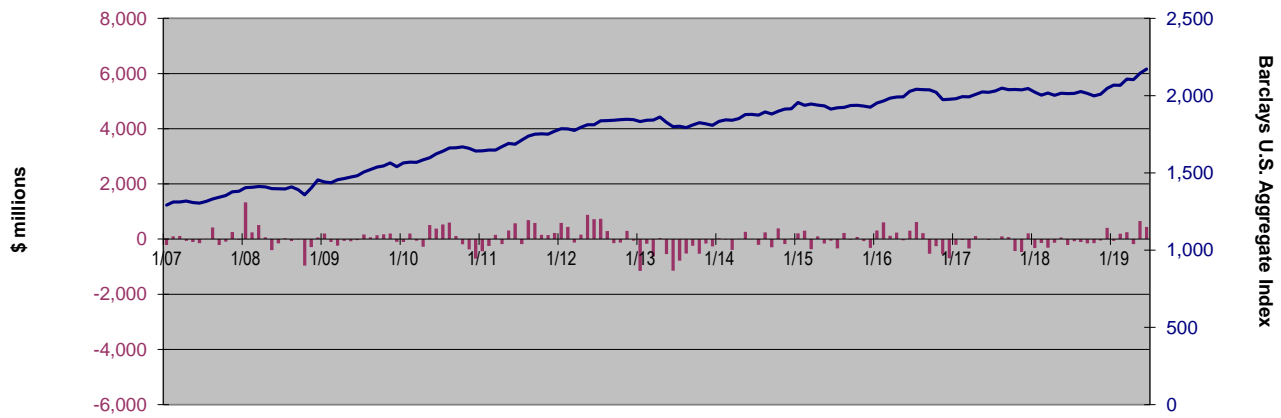


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
JUNE 2019**

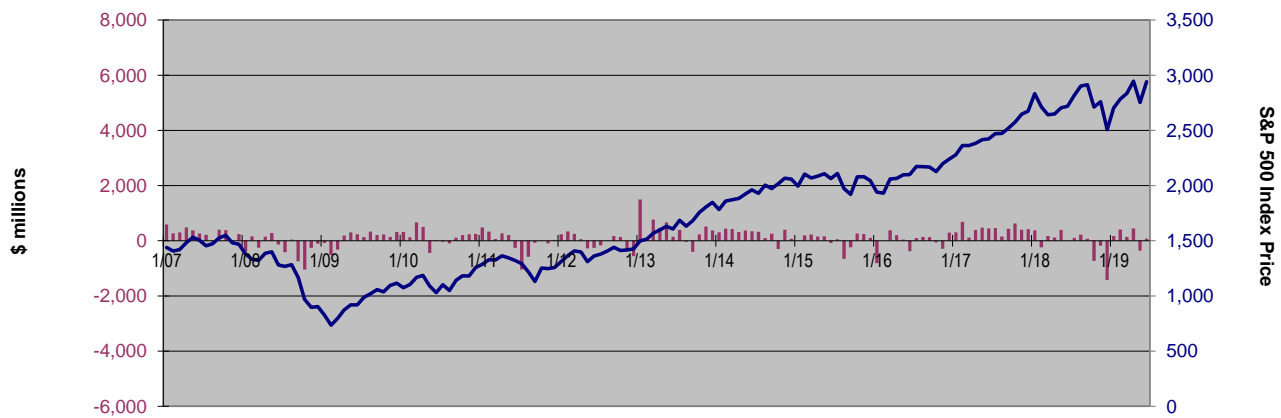
**Monthly Interfund Transfers
G Fund**



**Monthly Interfund Transfers
F Fund**



**Monthly Interfund Transfers
L Funds**



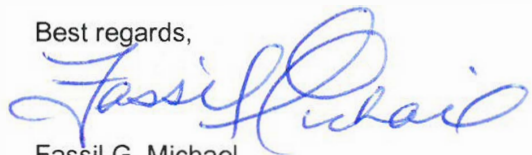
April 22, 2019

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 2019. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, reading "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 31 meetings were examined.
- Votes at 13 of the 31 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 18 remaining meetings, there were 35 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	4
Employee share purchase plan	1
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	4
Reverse stock split	3
Increase authorized common stock	2
Approve merger agreement	4
Issue shares in connection with merger	2
Issue shares to director	1
Adjourn meeting	6
Adopt NOL plan	1
Amend securities transfer restrictions	1
Ratify filing and effectiveness of certificate of amendment	1
Shareholder proposal	2
Total:	35

- There were 4 votes cast on executive stock option plans:
 - a) 3 votes were cast in favor of the plans (75 percent);
 - b) 1 vote was cast against the plan due to the ability to reprice options without shareholder approval (25 percent)
- There was 1 vote cast on an employee share purchase plan; the vote was cast in favor of the plan.
- There were 6 votes cast on mergers, acquisitions and/or major corporate transactions, including 2 issuances of shares pursuant to a merger agreement; the votes were cast in favor of the transactions.
- There were 2 votes cast on increases in authorized common stock:
 - a) 1 vote was cast in favor of the increase (50 percent);
 - b) 1 vote was cast against the increase (50 percent)
- There were 19 votes cast on management advisory votes on executive compensation:
 - a) 17 votes were cast in favor of the advisory votes (89.5 percent);
 - b) 2 votes were cast against the advisory votes (10.5 percent)
- 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 require majority voting for the election of directors; the vote was cast in favor of the proposal.
 - b) 1 shareholder proposal to provide right to act by written consent; the vote was cast against the proposal.

There were no exceptions to policy this period.