



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

April 10, 2020

MEMORANDUM FOR BOARD MEMBERS

KENNEDY, BILYEU, McCRAY,
JONES AND JASIEEN

FROM: RAVINDRA DEO
EXECUTIVE DIRECTOR

SUBJECT: March 2020 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, interfund transfer activity, and L Fund participation.

TRACKING ERROR - TSP Separate Accounts at BlackRock (BTC)

March 2020 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	-0.64	-0.64	-0.59	-0.05	0.00
Large Cap	-12.35	-12.40	-12.35	0.00	-0.05
Small Mid Cap	-21.36	-21.40	-21.36	0.00	-0.04
International	-13.86	-13.87	-13.35	-0.51	-0.01

2020 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	3.11	3.10	3.15	-0.04	-0.01
Large Cap	-19.60	-19.65	-19.60	0.00	-0.05
Small Mid Cap	-28.10	-28.14	-28.02	-0.08	-0.04
International	-22.69	-22.70	-22.83	0.14	-0.01

BlackRock's performance for the C and S Funds was in line with the Funds' respective indices for the month. Its performance for the F Fund lagged the Fixed Income Index by 5 basis points, primarily due to securities sampling. BlackRock's performance lagged the International Index by 51 basis points, primarily due to the reversal of a fair value pricing event on the last trading day of February. For the C Fund year-to-date, BlackRock's performance was in line with the Fund's index. Year-to-date, BlackRock underperformed the Fixed Income Index by 4 basis points, primarily due to securities sampling. Its performance for the S Fund lagged the Small Mid Cap Index by 8 basis points, primarily due to futures mistracking. Its performance for the I Fund exceeded that of the International Index by 14 basis points, primarily due to tax advantage.

The F and I Funds closely tracked the BTC accounts for the month. The C and S Funds lagged the BTC accounts, primarily due to a high volume of participant activity on days of extreme market volatility. Year-to-date, the F and I Funds closely tracked the BTC accounts. The C and S Funds lagged the BTC accounts, primarily due to a high volume of participant activity on days of extreme market volatility.

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	5,963,566,356	(1,449,402)	-2.4
Year-to-Date	10,298,948,291	(1,051,245)	-1.0
<u>C Fund</u>			
March	15,380,618,800	13,092,089	8.5
Year-to-Date	26,926,618,223	11,328,278	4.2
<u>S Fund</u>			
March	5,899,033,108	(2,025,462)	-3.4
Year-to-Date	12,364,117,047	(3,725,054)	-3.0
<u>I Fund</u>			
March	5,214,697,314	(4,334,210)	-8.3
Year-to-Date	10,321,213,947	(6,893,336)	-6.7

*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 Net Fund Returns as of March 31, 2020

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	1.97%	2.43%	2.25%	2.18%

F Fund	8.84%	4.90%	3.54%	4.12%
Bloomberg Barclays U.S. Agg Bond Index	8.93%	4.82%	3.36%	3.88%
Tracking Error	-0.09%	0.08%	0.18%	0.24%

C Fund	-7.06%	5.06%	6.72%	10.55%
S&P 500 Index	-6.98%	5.10%	6.73%	10.53%
Tracking Error	-0.08%	-0.04%	-0.01%	0.02%

S Fund	-20.72%	-1.93%	1.12%	8.38%
DJ U.S. Completion TSM Index	-20.60%	-2.02%	0.87%	8.06%
Tracking Error	-0.12%	0.09%	0.25%	0.32%

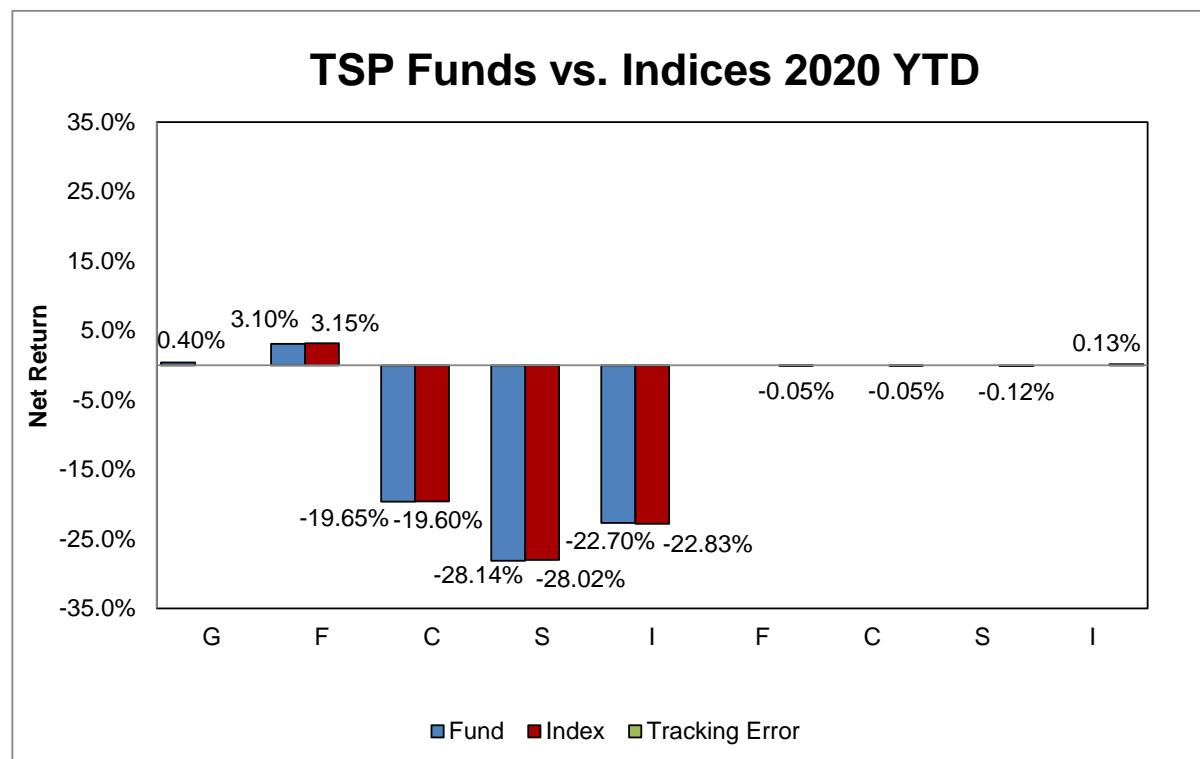
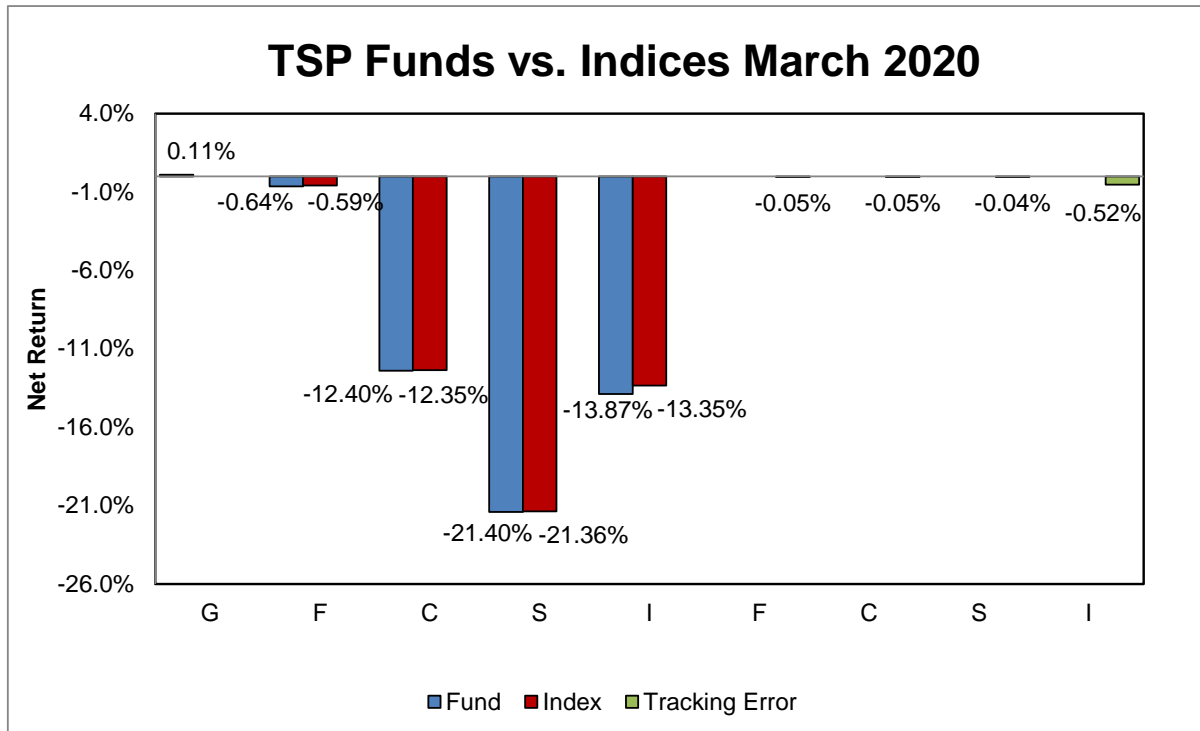
I Fund	-14.01%	-1.44%	-0.24%	3.07%
MSCI EAFE (Net) Index	-14.38%	-1.82%	-0.62%	2.72%
Tracking Error	0.37%	0.38%	0.38%	0.35%

Lifecycle Funds Returns

L Income	-0.47%	2.59%	2.78%	3.66%
L 2020	-0.57%	3.31%	3.54%	5.79%
L 2030	-5.61%	2.62%	3.53%	6.52%
L 2040	-7.25%	2.47%	3.60%	7.07%
L 2050	-8.74%	2.31%	3.63%	NA

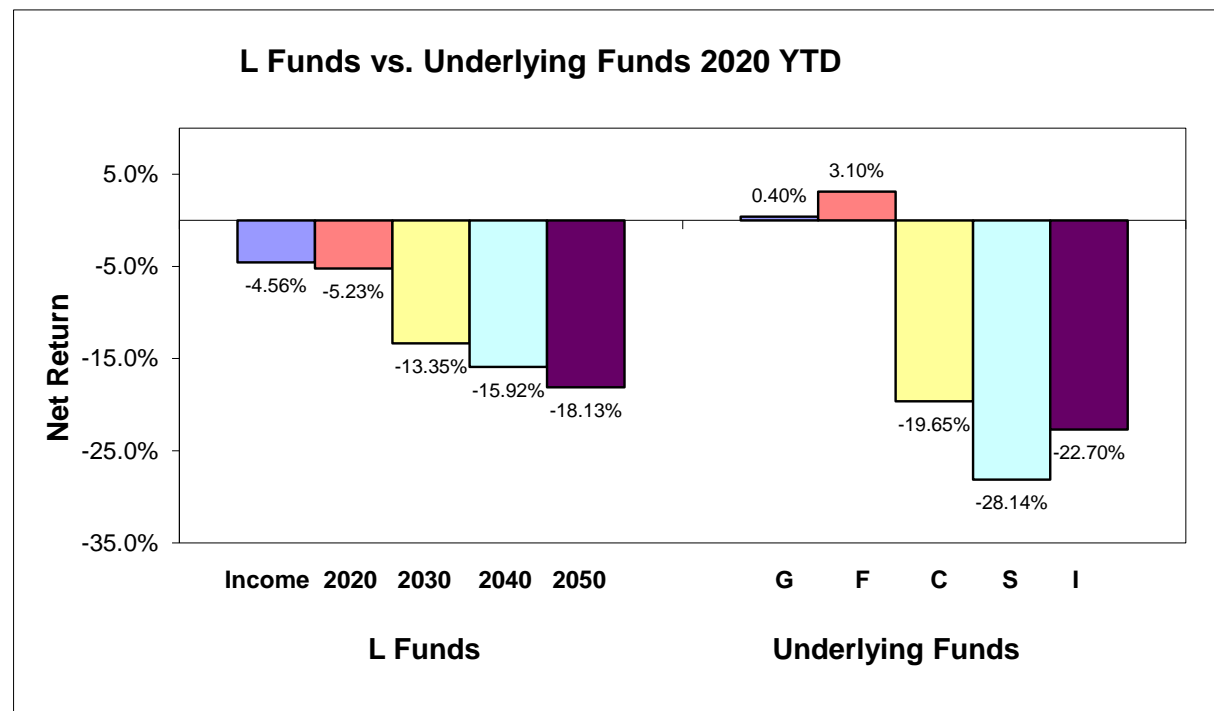
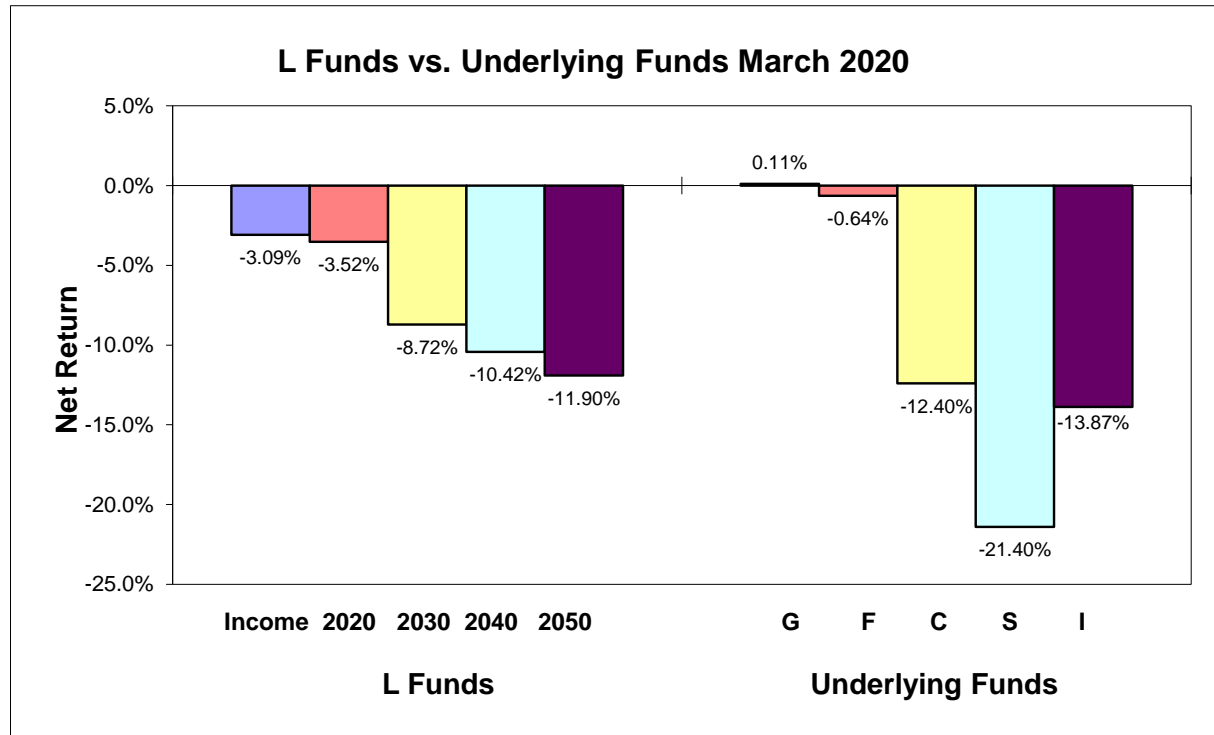
Performance of TSP Funds

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 -- FOURTH QUARTER 2019

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the fourth quarter of 2019. A copy of the audit report is provided in this report as Attachment 2. The ISS audit report for the first quarter of 2020 is not yet available.

CLASS ACTION SETTLEMENTS -- FOURTH QUARTER 2019

The fourth quarter began with 70 open claims. Three claims were opened in the C Fund and nine claims were opened in the S Fund during the quarter. Eighteen claims were settled in the F Fund for \$1,251,353.21. One claim was closed in the C Fund due to administrator action and one was settled for \$2,545,805.27. For the S Fund, three claims were closed due to administrator action and five claims were settled for \$357,508.59. Fifty-four claims remained open across the four funds at the end of the quarter. For the year, 43 claims were settled for \$6,178,715.

	<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	-	\$1,251,353
C Fund	10	3	2	11	\$2,545,805
S Fund	40	9	8	41	\$2,381,557
I Fund	2	-	-	2	\$0
Total	70	12	28	54	\$6,178,715

*A review of open claims resulted in a correction that increased the number of open S Fund claims from 39 to 40.

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

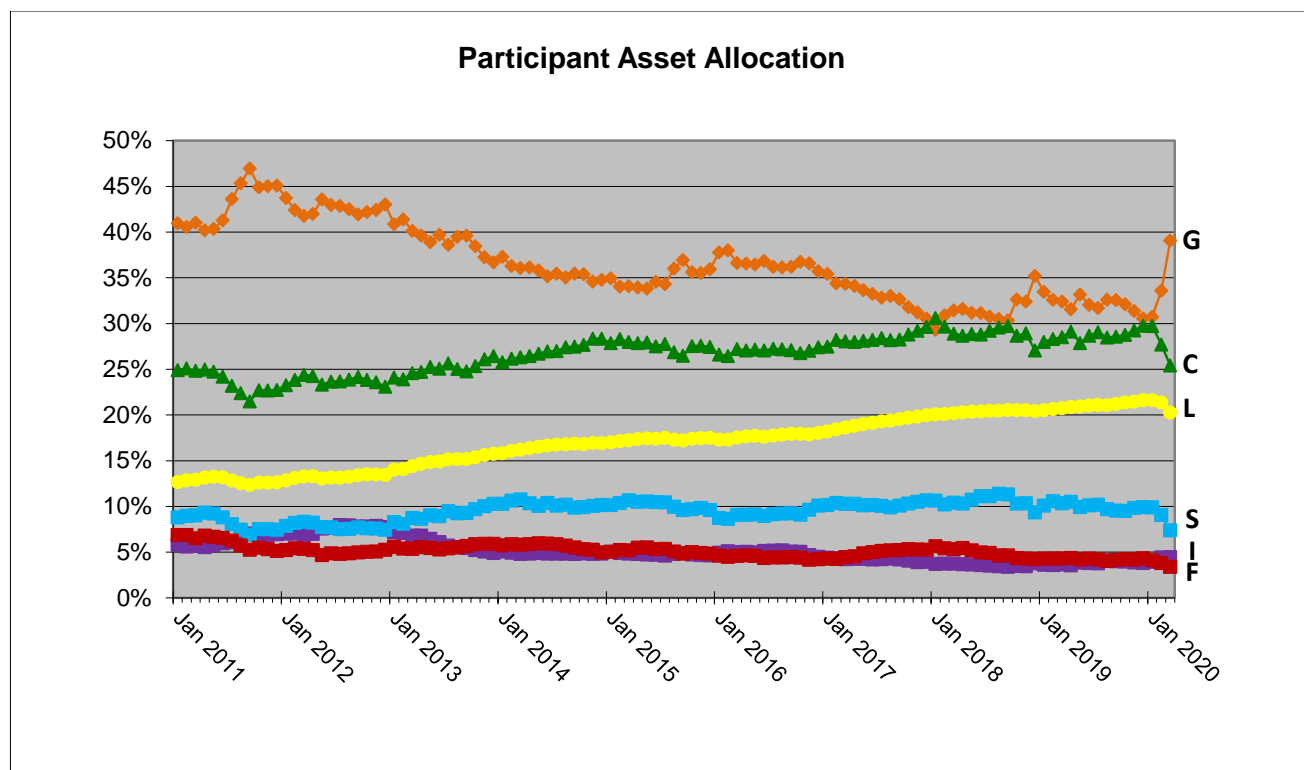
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund and the International 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
MARCH 2020**

Attachment 1



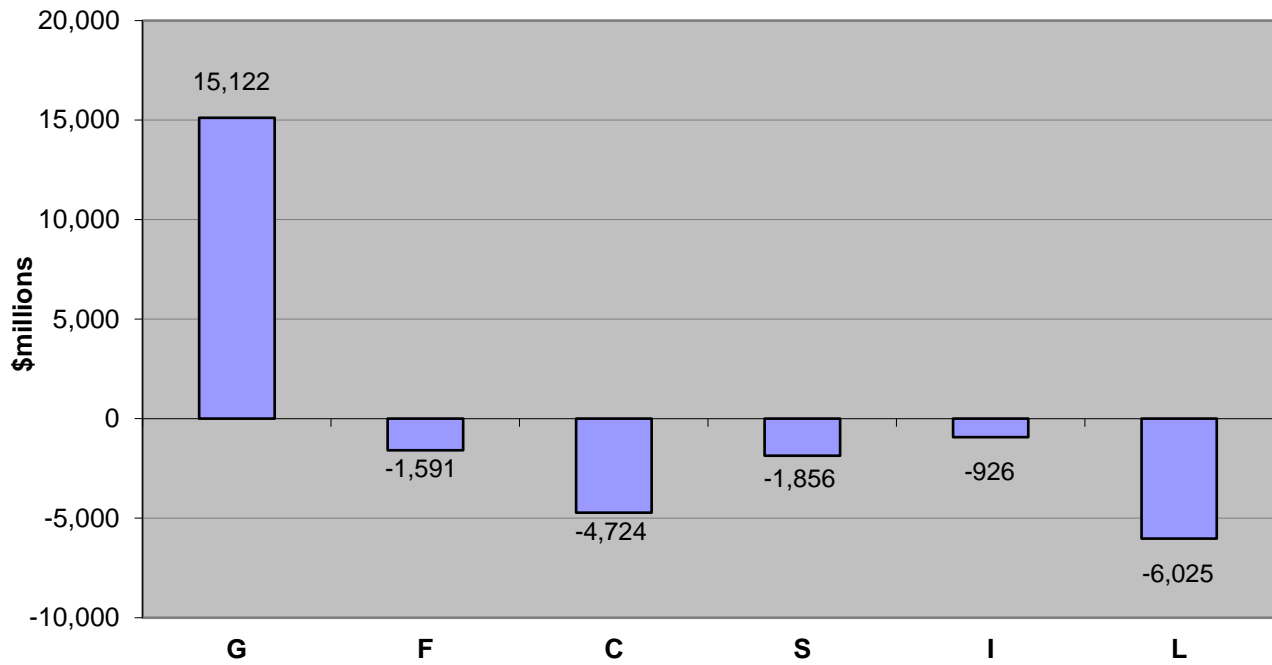
TSP Assets -- Participant Allocation (March 31, 2020)		
<u>Fund</u>	<u>Assets (Billion USD)</u>	<u>Percent</u>
G Fund	\$217.6	39.0%
F Fund	\$24.9	4.5%
C Fund	\$141.6	25.4%
S Fund	\$41.2	7.4%
I Fund	\$19.0	3.4%
L Funds	<u>\$113.0</u>	<u>20.3%</u>
Total	\$557.3	100%

TSP Assets -- By Core Funds (March 31, 2020)		
<u>Fund</u>	<u>Assets (Billion USD)</u>	<u>Percent</u>
G Fund	\$259.9	46.6%
F Fund	\$32.9	5.9%
C Fund	\$172.9	31.0%
S Fund	\$50.4	9.0%
I Fund	<u>\$41.2</u>	<u>7.4%</u>
Total	\$557.3	100%

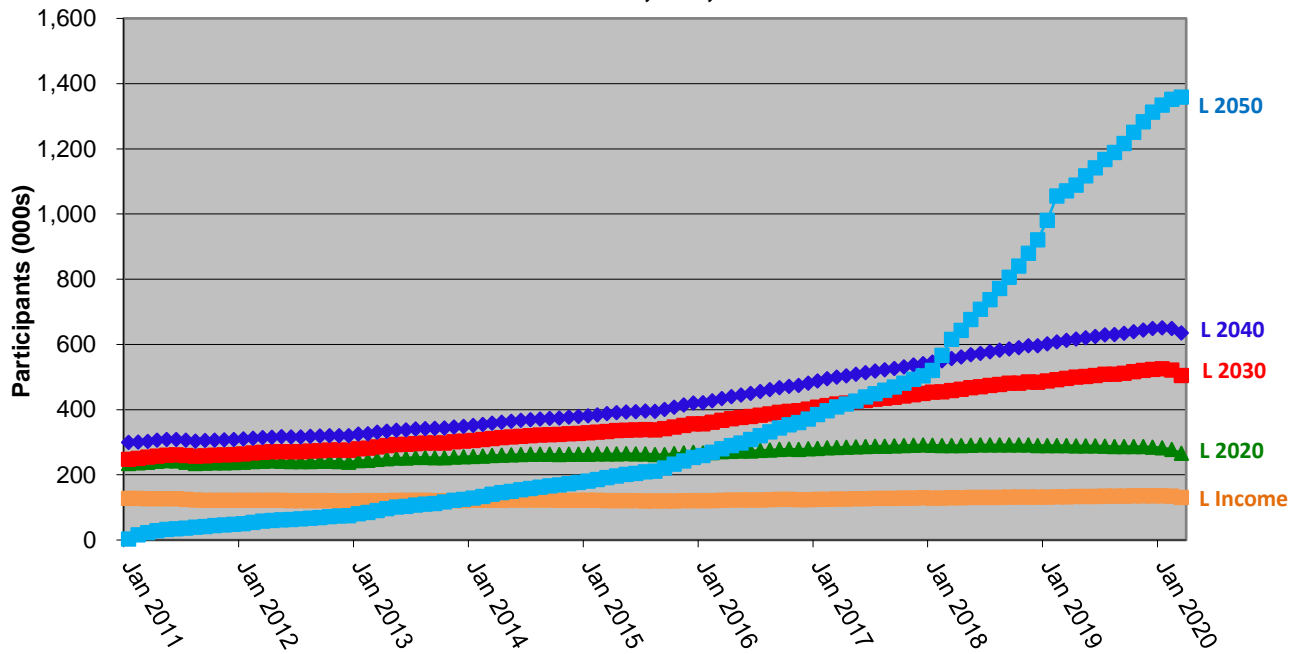
Components may not sum to totals because of rounding.

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY MARCH 2020

Interfund Transfers March 2020

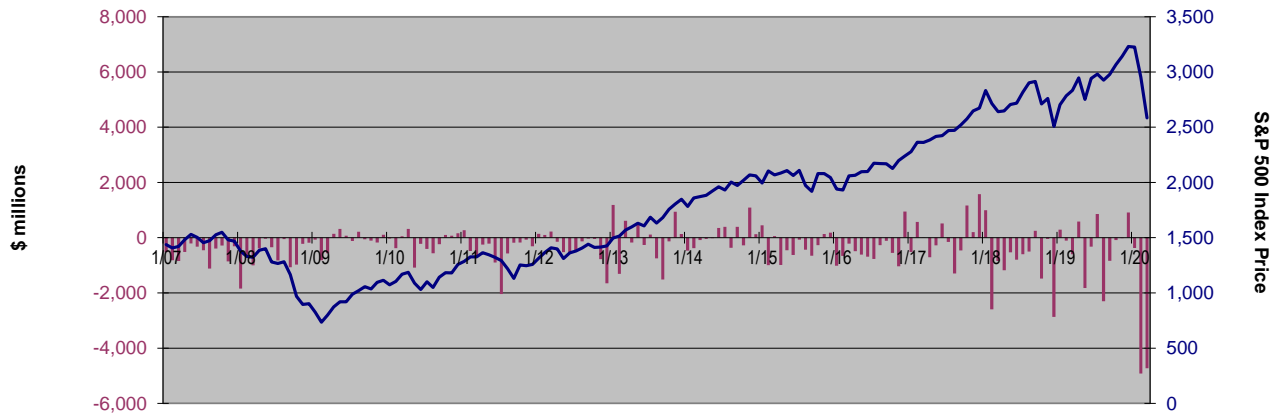


Number of L Fund Participants Total = 2,536,837

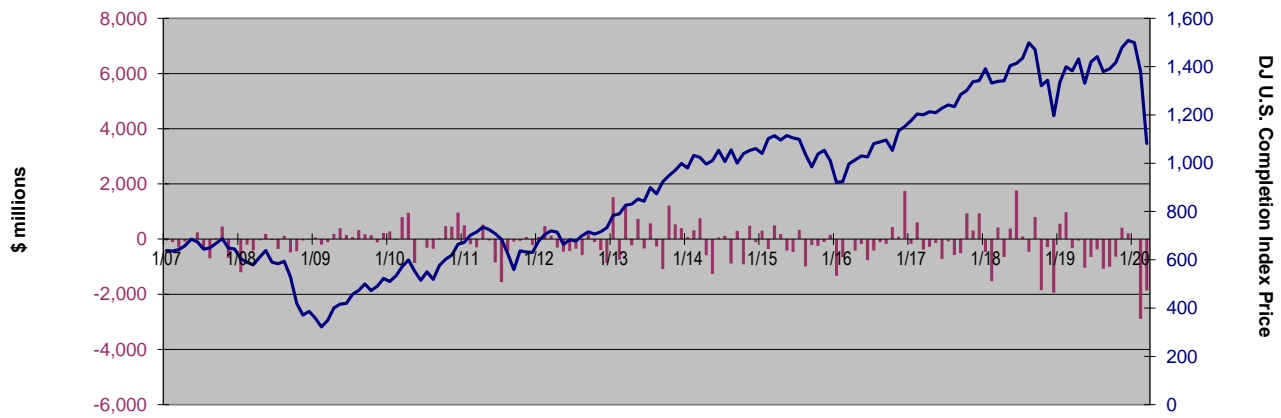


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
MARCH 2020**

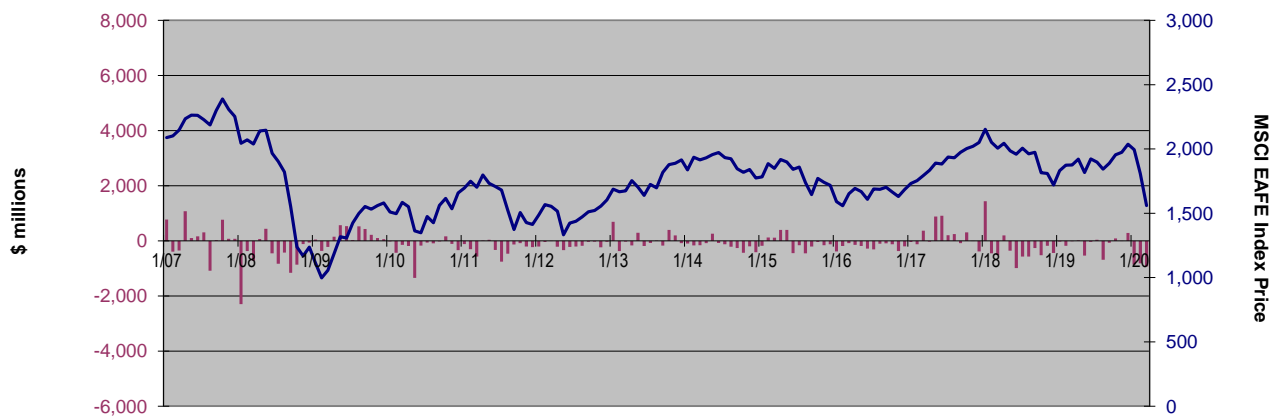
**Monthly Interfund Transfers
C Fund**



**Monthly Interfund Transfers
S Fund**

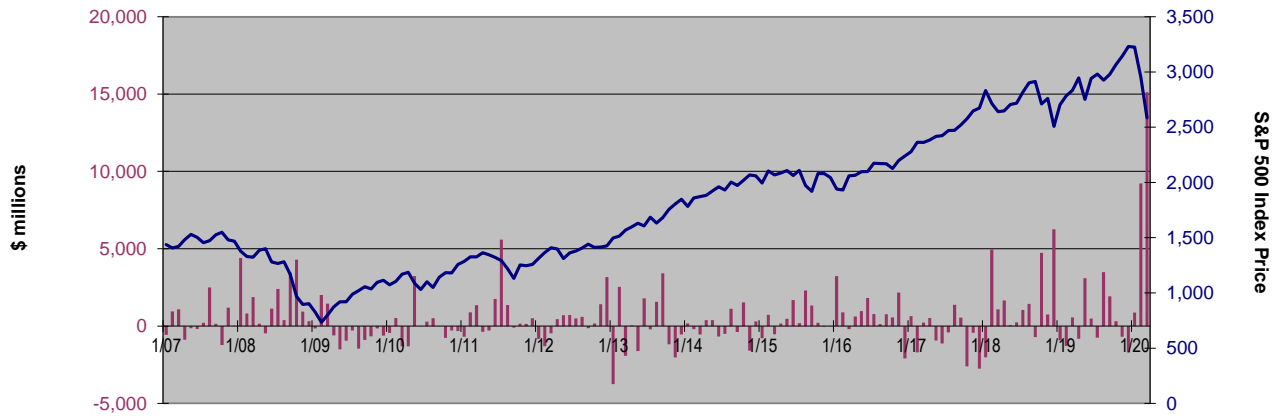


**Monthly Interfund Transfers
I Fund**

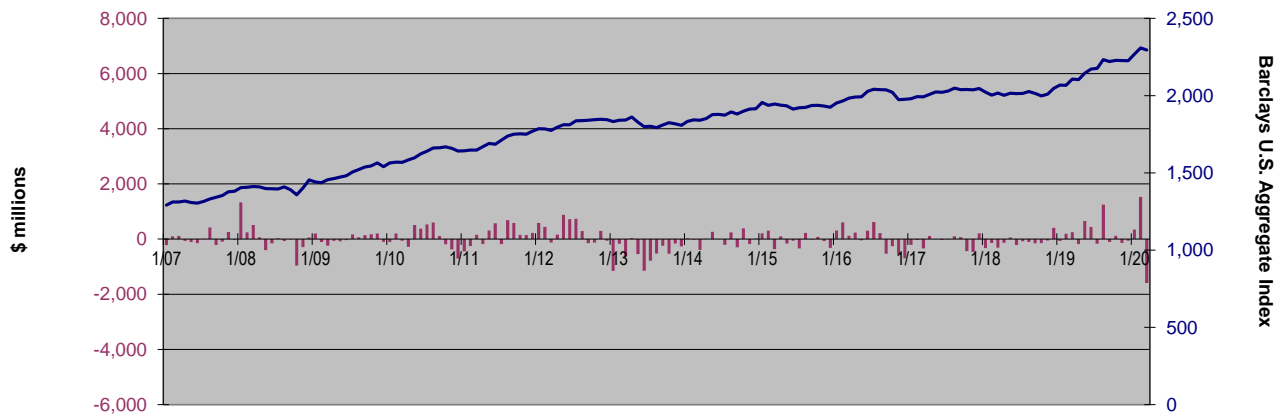


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
MARCH 2020**

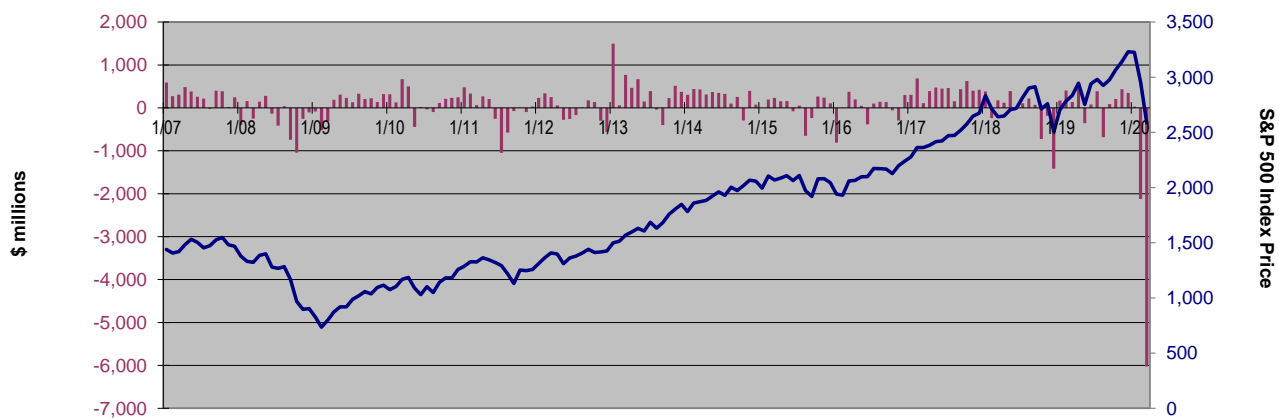
**Monthly Interfund Transfers
G Fund**



**Monthly Interfund Transfers
F Fund**



**Monthly Interfund Transfers
L Funds**





January 13, 2020

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 4th quarter of 2019. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, appearing to read "Andrew Linberg".

Andrew Linberg
Associate Director, Head of US Custom Research

CC: Fassil G. Michael
Executive Director, Head of Custom Research

INSTITUTIONAL SHAREHOLDER SERVICES INC.

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Rockville, MD 20850

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MEMORANDUM

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

- Votes at 39 meetings were examined.
- Votes at 13 of the 39 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 26 remaining meetings, there were 60 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	6
Advisory vote on golden parachute compensation	6
Frequency vote on MSOP	4
Approve increase in common stock	3
Reverse stock split	4
Approve conversion of securities	1
Issue shares for private placement	2
Approve merger agreement	7
Issue shares in connection with merger	3
Change state of incorporation	1
Adjourn meeting	14
Declassify board	2
Classify board	1
Amend certificate of incorporation	1
Approve charter	1
Amend bylaws	2
Other business	1
Shareholder proposal	1
Total:	60

INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

- There were 6 votes cast on executive stock plans:
 - a) 5 votes were cast in favor of the plans (83.3 percent);
 - b) 1 vote was cast against the plans (16.7 percent) due to the ability to reprice options without shareholder approval and the presence of an evergreen provision.
- There were 10 votes cast on mergers, acquisitions and/or major corporate transactions, including 3 issuances of shares pursuant to a merger/acquisition; the votes were cast in favor of the transactions.
- There were 3 votes cast on increases in authorized common stock:
 - a) 2 votes were cast in favor of the increases (66.7 percent);
 - b) 1 vote was cast against the increases (33.3 percent) due to the excessive size of increase without clearly defined reason for substantial changes.
- There was 1 vote cast on a shareholder proposal to require an independent board chairman; the vote was cast against the proposal.
- There were 17 votes cast on management advisory votes on executive compensation:
 - a) 15 votes were cast in favor of the advisory votes (88.2 percent);
 - b) 2 votes were cast against the advisory votes (11.8 percent).
- There were 6 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.