



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

January 14, 2021

MEMORANDUM FOR BOARD MEMBERS

JONES, BILYEU,
McCRAV, AND JASIEN

FROM: RAVINDRA DEO, EXECUTIVE DIRECTOR

SUBJECT: December 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, interfund transfer activity, and L Funds participation.

RETURNS AND TRACKING ERROR

The tables below contain the monthly and annual returns and tracking errors for the separate accounts managed by BlackRock.

December 2020 Returns and Tracking Error

		<u>Fixed Income</u>	<u>Large Cap</u>	<u>Small Mid Cap</u>	<u>International</u>
		<u>(F Fund)</u>	<u>(C Fund)</u>	<u>(S Fund)</u>	<u>(I Fund)</u>
Return (%)	Index	0.14	3.84	7.24	4.65
	BlackRock	0.14	3.85	7.24	4.64
	TSP Fund (Net)	0.14	3.84	7.24	4.64
Tracking Error vs Index (%)	BlackRock	0.00	0.01	0.00	-0.01
	TSP Fund	0.00	0.00	0.00	-0.01

BlackRock's performance for the F, C, S and I Funds was in line with the Funds' respective indices for the month.

The TSP Funds closely tracked the BlackRock accounts for the month.

2020 Annual Returns and Tracking Error

		<u>Fixed Income</u> <u>(F Fund)</u>	<u>Large Cap</u> <u>(C Fund)</u>	<u>Small Mid Cap</u> <u>(S Fund)</u>	<u>International</u> <u>(I Fund)</u>
Return (%)	Index	7.51	18.40	32.17	7.82
	BlackRock	7.55	18.41	31.94	8.26
	TSP Fund (Net)	7.50	18.31	31.85	8.17
Tracking Error vs Index (%)	BlackRock	0.04	0.01	-0.23	0.44
	TSP Fund	-0.01	-0.09	-0.32	0.35

BlackRock's performance for the F Fund exceeded the Fixed Income Index by 4 basis points in 2020, primarily because of securities lending. Its performance for the C Fund was in line with the Large Cap Index. Its performance for the S Fund lagged the Small Mid Cap Index by 23 basis points, primarily resulting from securities sampling and futures mistracking. BlackRock's performance for the I Fund was ahead of the International Index by 44 basis points, primarily because of tax advantage and futures mistracking.

The F, C, S, and I Funds lagged the BlackRock accounts in 2020, primarily resulting from a high volume of participant activity on days of extreme market volatility, especially in March and April.

TSP Net Returns as of December 31, 2020

	1-Year	3-Year	5-Year	10-Year
G Fund	0.97%	2.03%	2.05%	2.04%

	1-Year	3-Year	5-Year	10-Year
F Fund	7.50%	5.38%	4.57%	4.07%
Bloomberg Barclays US Agg Bond Index	7.51%	5.34%	4.44%	3.84%
Tracking Error	-0.01%	0.04%	0.13%	0.23%

	1-Year	3-Year	5-Year	10-Year
C Fund	18.31%	14.13%	15.20%	13.90%
S&P 500 Index	18.40%	14.18%	15.22%	13.88%
Tracking Error	-0.09%	-0.05%	-0.02%	0.02%

	1-Year	3-Year	5-Year	10-Year
S Fund	31.85%	15.25%	16.06%	13.32%
Dow Jones US Completion TSM Index	32.17%	15.21%	15.89%	13.03%
Tracking Error	-0.32%	0.04%	0.17%	0.29%

	1-Year	3-Year	5-Year	10-Year
I Fund	8.17%	4.68%	7.99%	5.87%
MSCI EAFE Index	7.82%	4.28%	7.45%	5.51%
Tracking Error	0.35%	0.40%	0.54%	0.36%

	1-Year	3-Year	5-Year	10-Year
L Income Fund	5.15%	4.45%	4.62%	4.26%
L 2025 Fund	N/A	N/A	N/A	N/A
L 2030 Fund	11.26%	8.05%	9.12%	8.35%
L 2035 Fund	N/A	N/A	N/A	N/A
L 2040 Fund	13.16%	9.11%	10.35%	9.34%
L 2045 Fund	N/A	N/A	N/A	N/A
L 2050 Fund	14.79%	9.99%	11.42%	N/A
L 2055 Fund	N/A	N/A	N/A	N/A
L 2060 Fund	N/A	N/A	N/A	N/A
L 2065 Fund	N/A	N/A	N/A	N/A
Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020				
Inception date for L 2050: January 31, 2011				

PROXY VOTING -- THIRD QUARTER 2020

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the third quarter of 2020. A copy of the audit report is provided in this report as Attachment 1. The ISS audit report for the fourth quarter of 2020 is not yet available.

CLASS ACTION SETTLEMENTS -- THIRD QUARTER 2020

BlackRock began the third quarter with sixty-one open claims. Five claims were opened in the C Fund and ten claims were opened in the S Fund during the quarter. For the C Fund, two claims were closed due to Administrator action. For the S Fund, one claim was closed due to Administrator action and three claims were settled for a total of \$223,846. For the I Fund, one claim was closed due to administrator action. Sixty-nine claims remained open across the four funds at the end of the quarter. For the year-to-date, twenty-seven claims were settled for a total of \$864,964.

	<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 2020</u>
F Fund	1	-	-	1	\$0
C Fund	9	5	2	12	\$48,296
S Fund	49	10	4	55	\$816,668
I Fund	2	-	1	1	\$0
Total	61	15	7	69	\$864,964

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, the 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;

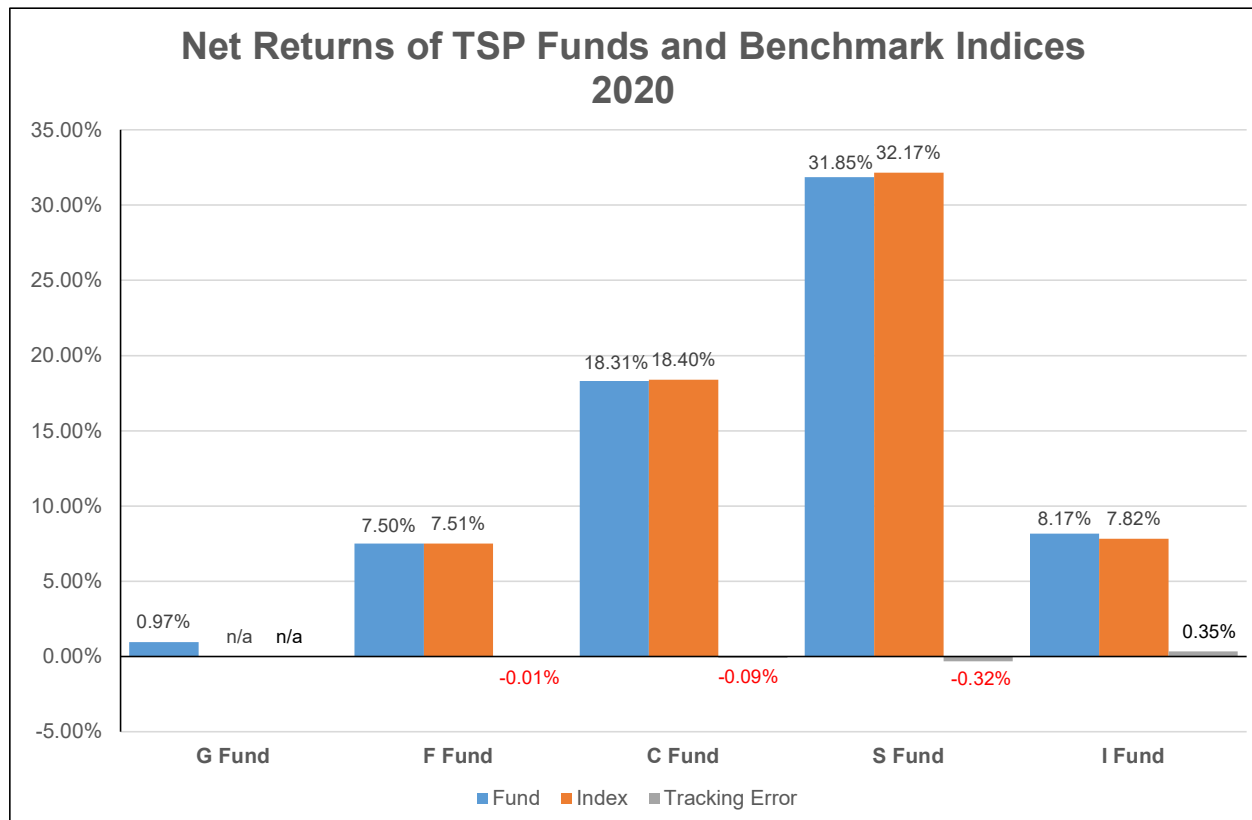
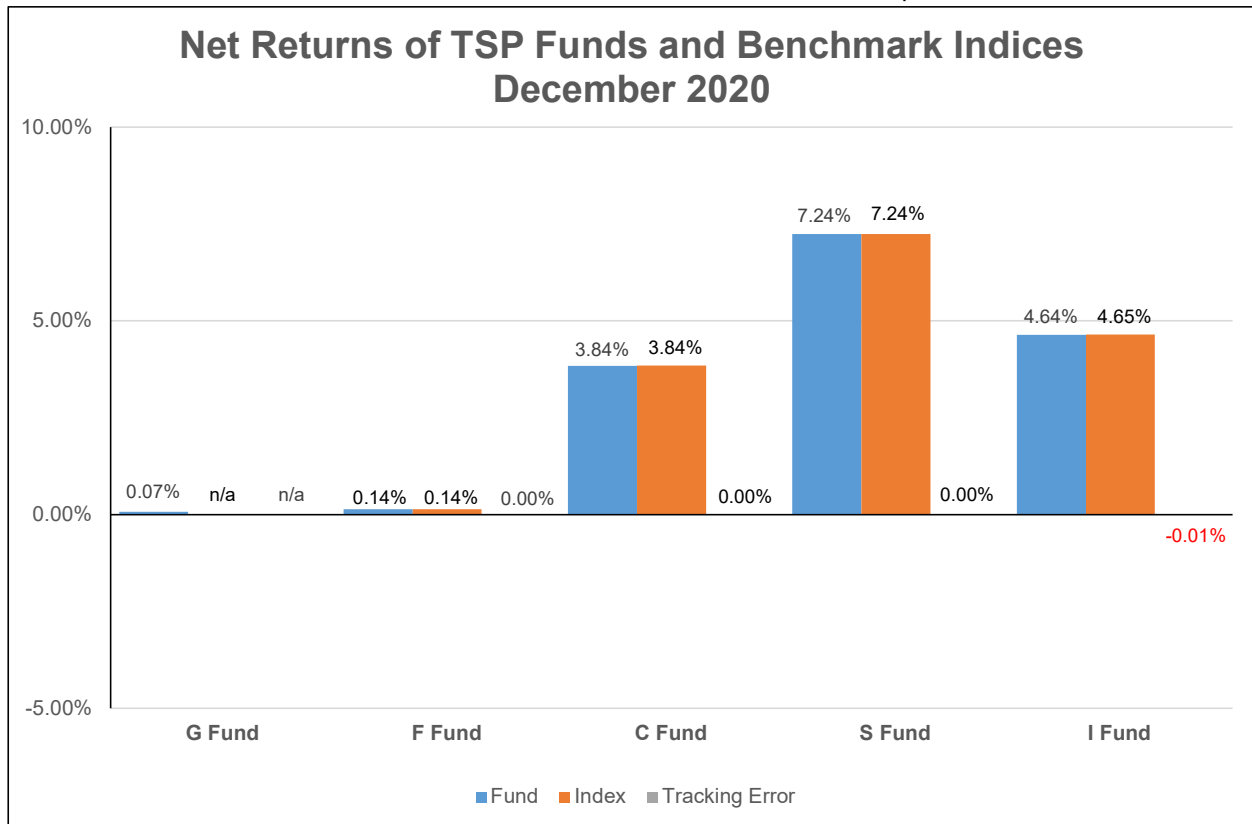
NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are affirmed without change.

Attachments

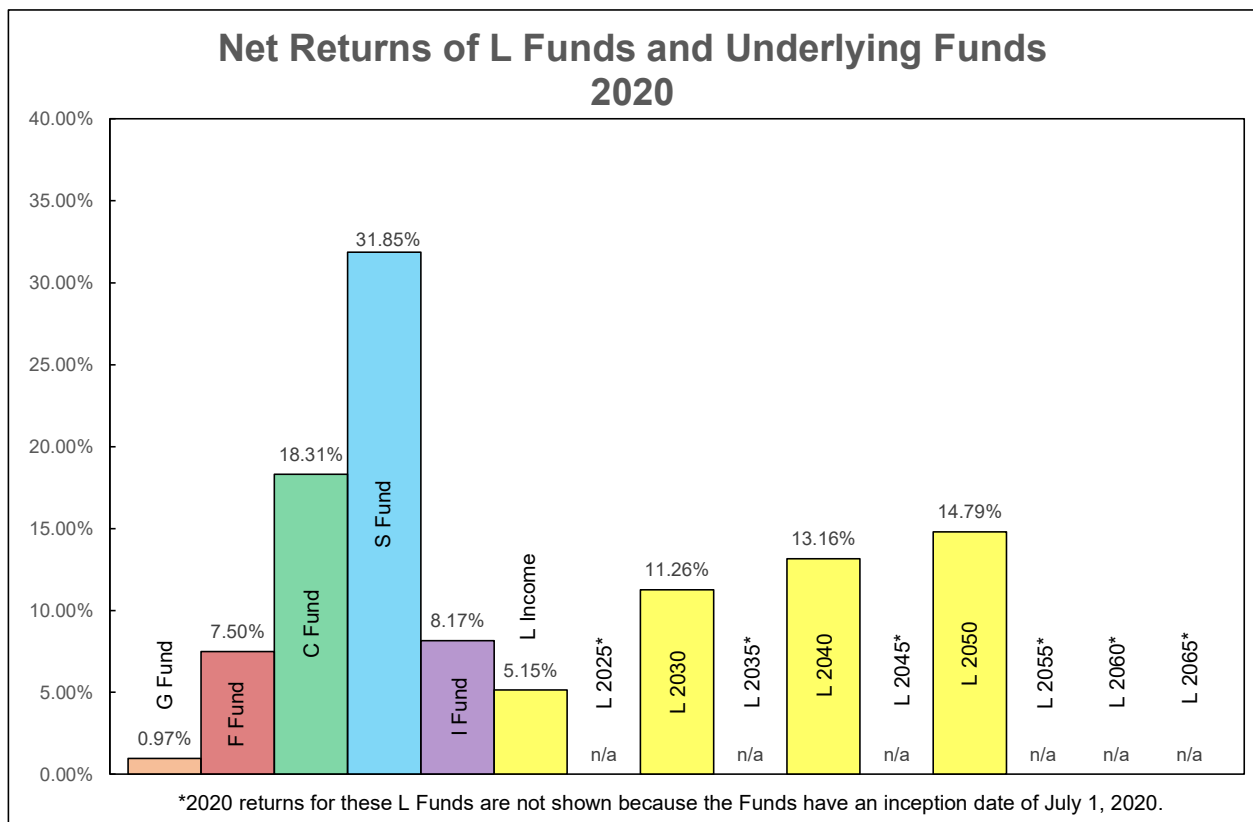
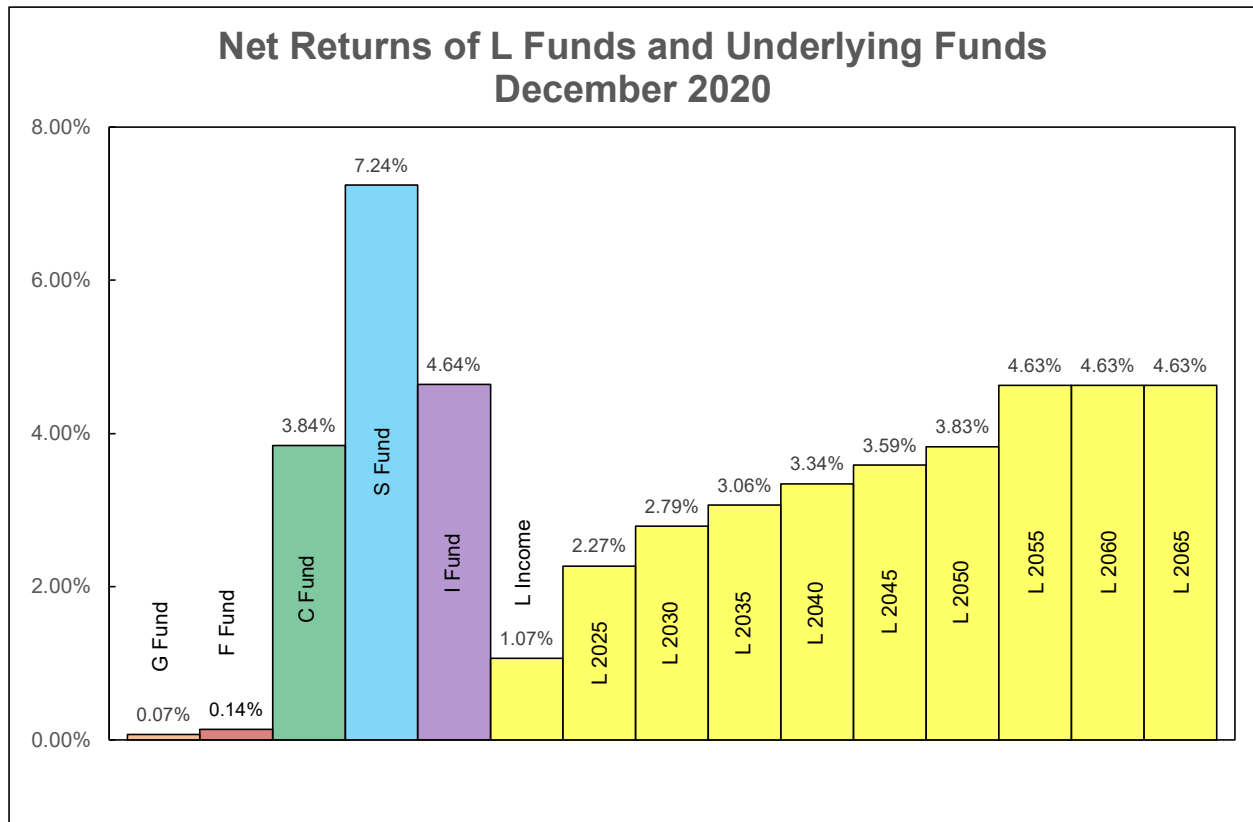
Attachment 1: Audit Report on BlackRock Proxy Voting in the Third Quarter of 2020.

Performance of TSP Funds

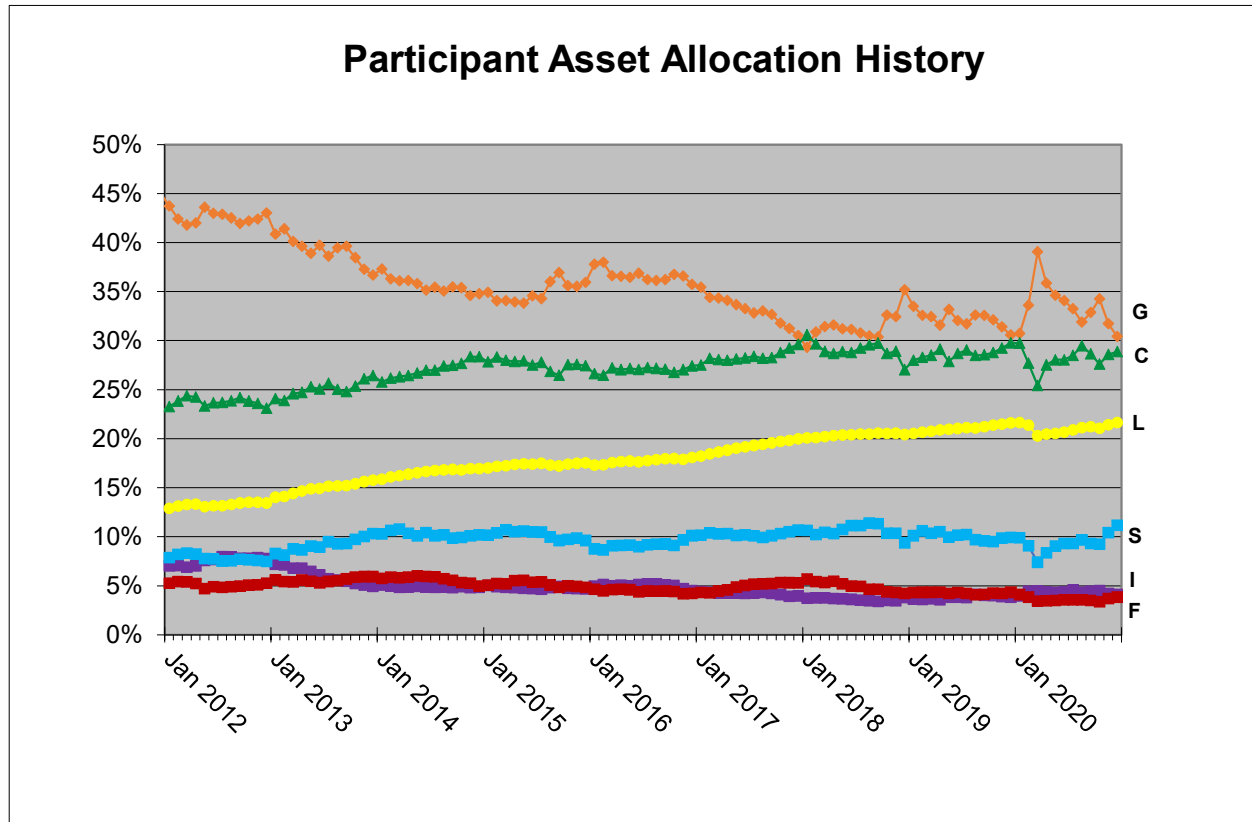
The charts below show the G, F, C, S, and I Fund net rates of return vs. their respective benchmark indices.



Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

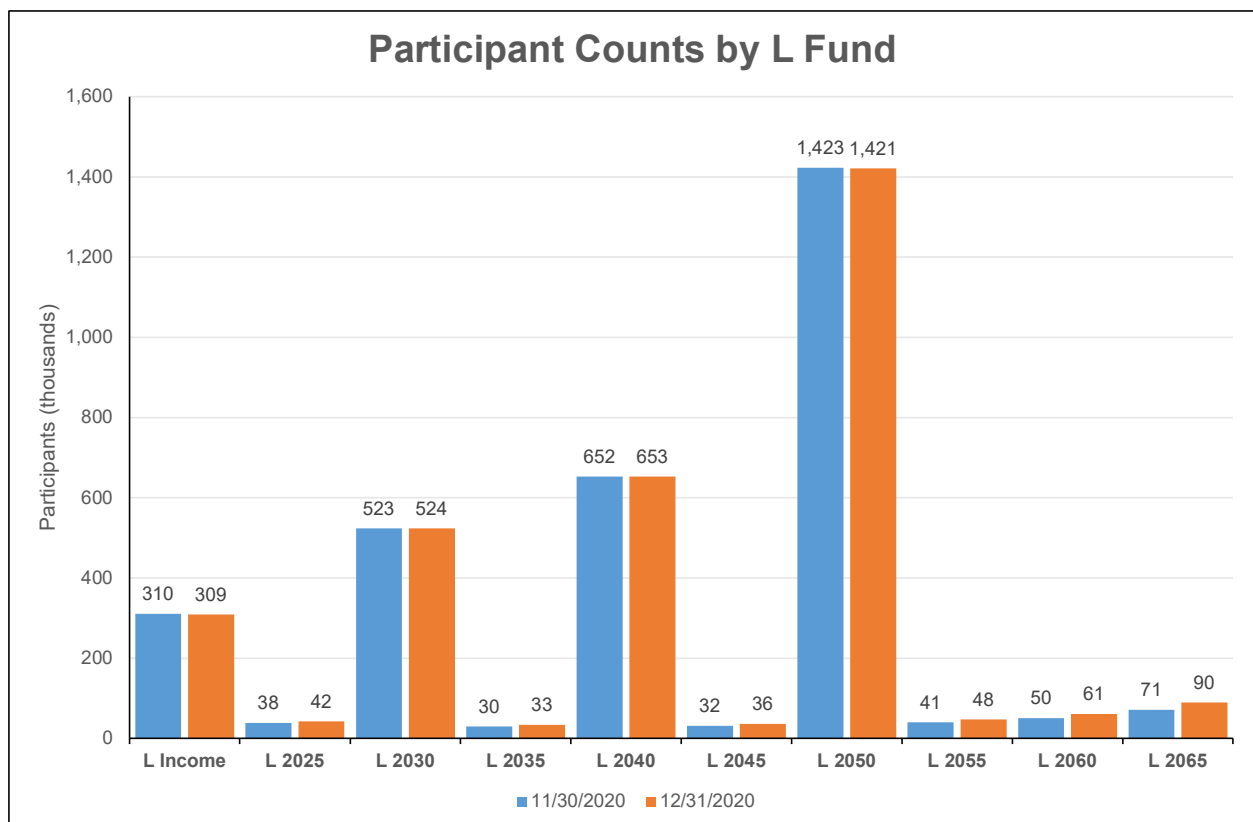
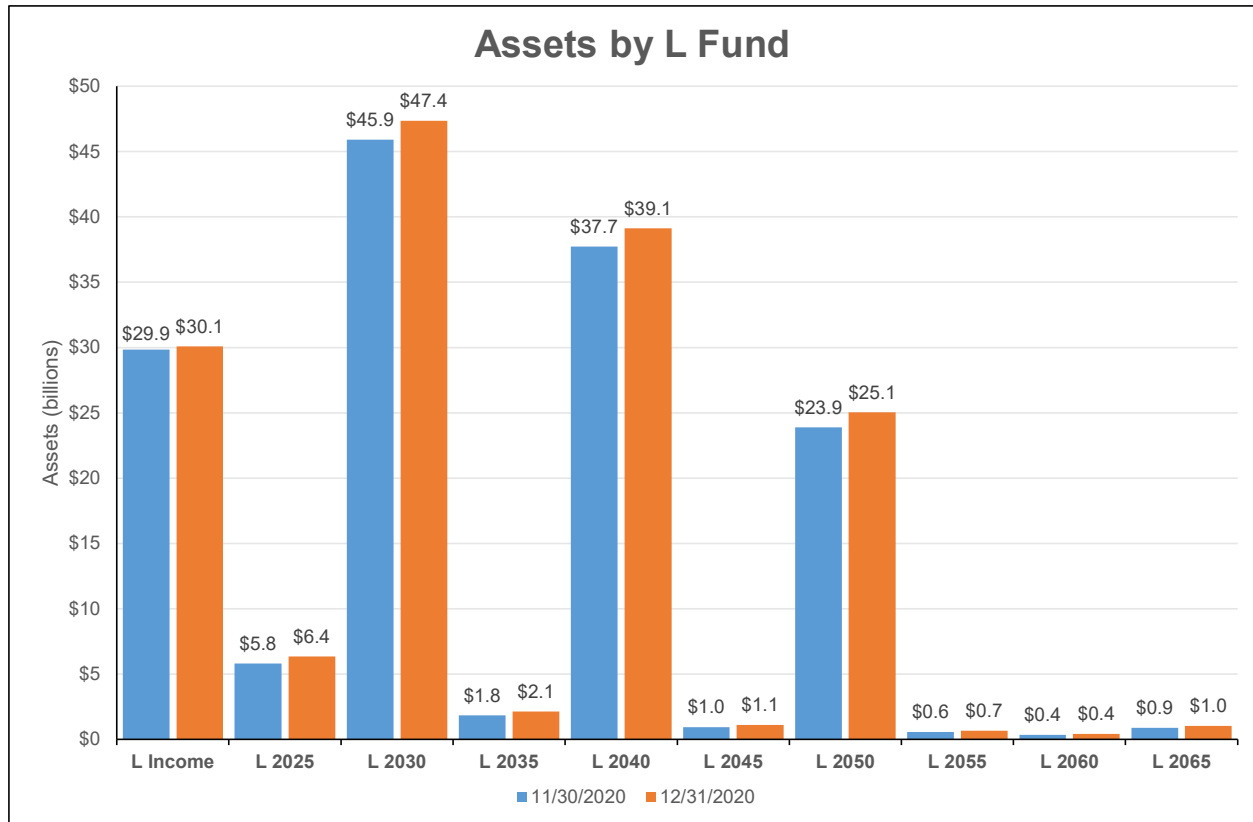


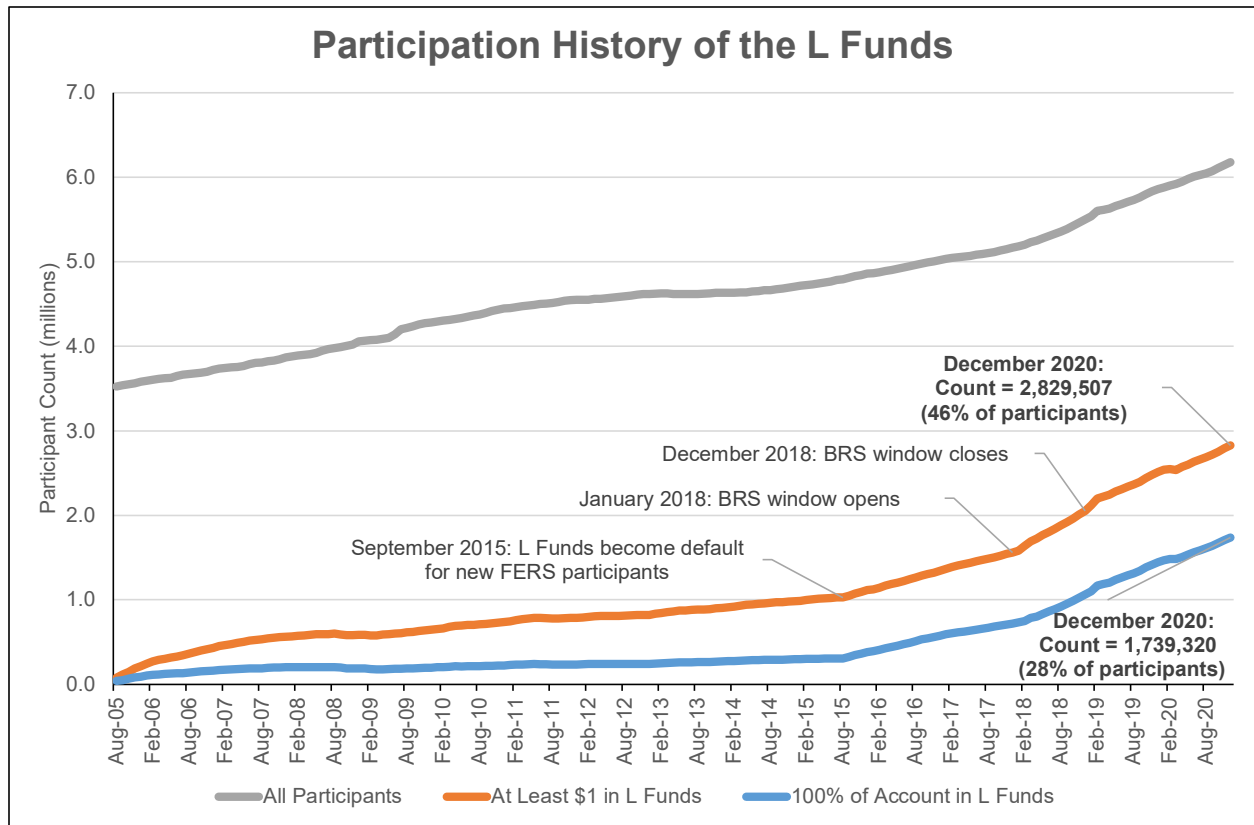
Asset Allocation as of December 31, 2020

	<u>Participant Allocation</u>		<u>Core TSP Funds</u>	
	<u>Assets</u> (Billions)	<u>Share of</u> Total	<u>Assets</u> (Billions)	<u>Share of</u> Total
G Fund	\$216.0	30.4%	\$267.2	37.6%
F Fund	\$29.1	4.1%	\$39.7	5.6%
C Fund	\$204.9	28.9%	\$251.5	35.4%
S Fund	\$79.2	11.2%	\$92.4	13.0%
I Fund	\$27.1	3.8%	\$58.9	8.3%
<u>L Funds</u>	<u>\$153.4</u>	<u>21.6%</u>	<u>n/a</u>	<u>n/a</u>
Total	\$709.6	100%	\$709.6	100%

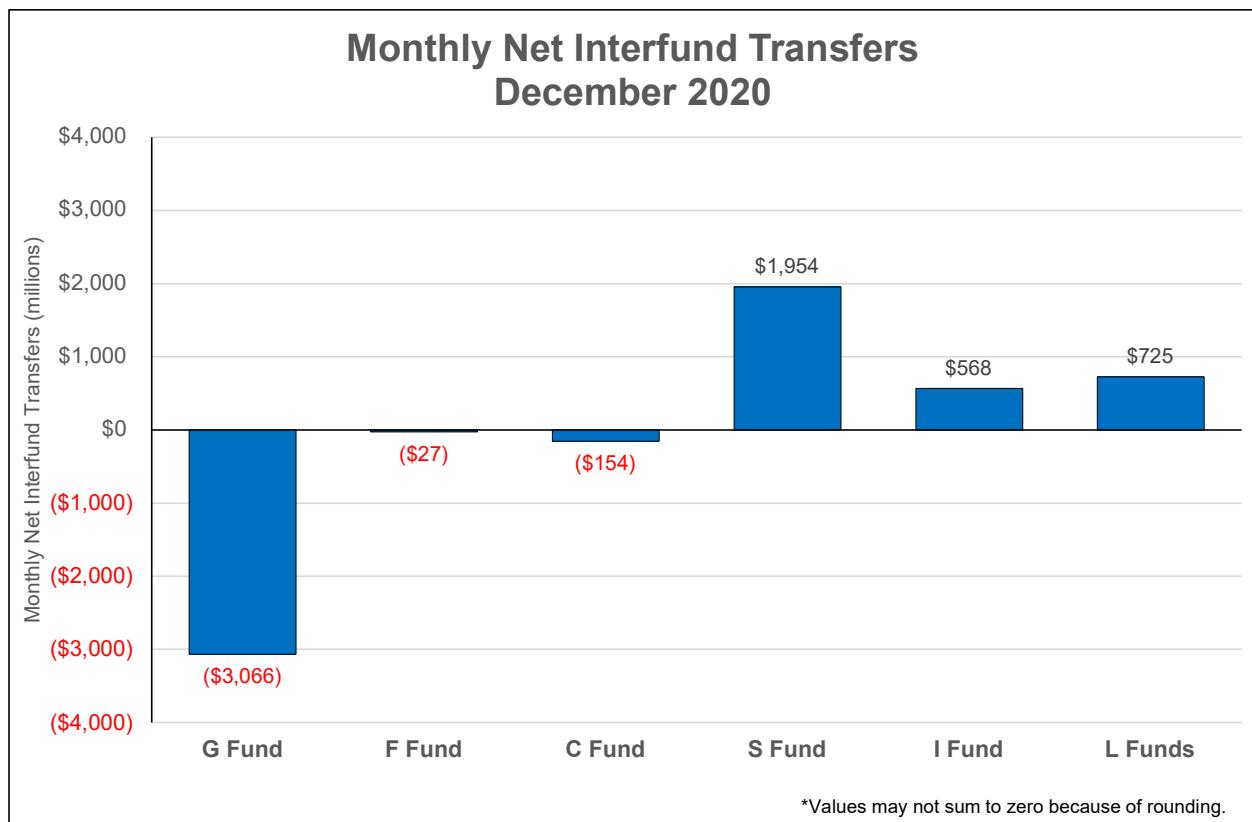
*Components may not sum to totals because of rounding.

Lifecycle (L) Funds





Interfund Transfer Activity





October 12, 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 3rd quarter of 2020. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in black ink that reads "Fassil G. Michael". The signature is fluid and cursive, with the first name "Fassil" being more prominent.

Fassil G. Michael
Executive Director, Head of Custom Research



MEMORANDUM

The results of our review of BlackRock's 3rd quarter proxy voting for US meetings are as follows:

- Votes at 41 meetings were examined.
- Votes at 10 of the 41 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 31 remaining meetings, there were 56 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	15
Non-executive stock plan	1
Employee share purchase plan	1
Advisory vote on golden parachute compensation	1
Frequency vote on MSOP	2
Increase authorized common stock	4
Reduce authorized common stock	1
Reverse stock split	3
Approve merger agreement	2
Approve plan of liquidation	1
Issue shares below net asset value	1
Adjourn meeting	5
Adopt NOL plan	1
Approve securities transfer restrictions	1
Approve management agreement	2
Approve subadvisory agreement	3
Provide right to act by written consent	1
Classify board of directors	1
Declassify board of directors	1
Fix number of directors	1
Change company name	1
Other business	3
Shareholder proposal	4
Total:	56

- There were 15 votes cast on executive stock plans:
 - a) 12 votes were cast in favor of the plans (80 percent);
 - b) 3 votes were cast against the plans (20 percent);
 - i.) 1 plan was opposed due to the ability to reprice options without prior shareholder approval and the presence of an evergreen provision;
 - ii.) 1 plan was opposed solely due to the ability to reprice options without prior shareholder approval;
 - iii.) 1 plan was opposed solely due to the presence of an evergreen provision.
- There was 1 vote cast on a non-executive stock plan; the vote was cast in favor of the plan.
- There were 3 votes cast on mergers, acquisitions and/or major corporate transactions, including the approval of a plan of liquidation; the votes were cast in favor of the transactions.
- There were 4 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
- There were 4 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to declassify the board of directors; the vote was cast against the proposal.
 - b) 2 shareholder proposals to reduce ownership threshold for shareholders to call special meeting; the votes were cast against the proposals.
 - c) 1 shareholder proposal to report on political contributions; the vote was cast against the proposal.
- There were 26 votes cast on management advisory votes on executive compensation:
 - a) 24 votes were cast in favor of the advisory votes (92.3 percent);
 - b) 2 votes were cast against the advisory votes (7.7 percent)
- There was 1 vote cast on a management advisory vote on golden parachute compensation; the vote was cast in favor of the advisory vote.

There were no exceptions to policy this period.