



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

MEMORANDUM FOR BOARD MEMBERS

JONES, BILYEU,
McCRAY AND JASIEN

FROM: RAVINDRA DEO, EXECUTIVE DIRECTOR

DATE: July 15, 2021

SUBJECT: June 2021 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 ERRORS

The tables below contain the monthly and year-to-date (YTD) returns and tracking errors for the F, C, S, and I Funds and for the separate accounts managed by BlackRock and State Street. Due to rounding, the tracking errors may not match the differences in returns.

June 2021 Returns and Tracking Errors

		<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	0.70	2.33	3.46	-1.13
	BlackRock	0.75	2.34	3.46	-1.44
	State Street	n/a	2.34	3.47	n/a
	TSP Fund (Net)	0.74	2.33	3.46	-1.44
Tracking Error vs Index (%)	BlackRock	0.05	0.00	0.00	-0.31
	State Street	n/a	0.00	0.01	n/a
	TSP Fund	0.04	0.00	0.00	-0.32

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 exceeded that of the Fixed Income Index by 5 basis points, primarily due to securities lending. BlackRock's performance for the I Fund lagged that of the International Index by 31 basis points, primarily due to a market holiday in the U.S. on the last trading day of May.

State Street's performance for the C and S Fund was in line with the Funds' respective indices.

After market close on Friday, June 18, 2021, approximately 20% of the F Fund's assets were transferred from BlackRock to State Street. Following the transfer of assets, from market close on June 18 to market close on June 30, the Fixed Income Index fell 0.01%. The F Fund assets managed by BlackRock were flat during that span, while the F Fund assets managed by State Street fell 0.02%.

2021 YTD Returns and Tracking Errors

		<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	-1.60	15.25	15.42	8.83
	BlackRock	-1.47	15.26	15.49	9.01
	State Street	n/a	n/a	n/a	n/a
	TSP Fund (Net)	-1.49	15.24	15.47	8.99
Tracking Error vs Index (%)	BlackRock	0.14	0.01	0.08	0.18
	State Street	n/a	n/a	n/a	n/a
	TSP Fund	0.11	-0.01	0.05	0.16

BlackRock's year-to-date performance for the F Fund was ahead of the Fixed Income Index by 14 basis points, primarily due to securities lending. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund year-to-date, BlackRock exceeded the Small Mid Cap Index by 8 basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by 18 basis points, primarily due to tax advantage.

TSP Net Returns as of June 30, 2021

	1-Year	3-Year	5-Year	10-Year
G Fund	1.02%	1.79%	1.99%	1.96%

	1-Year	3-Year	5-Year	10-Year
F Fund	-0.18%	5.40%	3.14%	3.63%
Bloomberg Barclays US Agg Bond Index	-0.33%	5.34%	3.03%	3.39%
Tracking Error	0.15%	0.06%	0.11%	0.24%

	1-Year	3-Year	5-Year	10-Year
C Fund	40.77%	18.63%	17.61%	14.86%
S&P 500 Index	40.79%	18.67%	17.65%	14.84%
Tracking Error	-0.02%	-0.04%	-0.04%	0.02%

	1-Year	3-Year	5-Year	10-Year
S Fund	61.70%	18.53%	18.81%	14.17%
Dow Jones US Completion TSM Index	61.60%	18.50%	18.71%	13.87%
Tracking Error	0.10%	0.03%	0.10%	0.30%

	1-Year	3-Year	5-Year	10-Year
I Fund	32.58%	8.61%	10.64%	6.24%
MSCI EAFE Index	32.35%	8.27%	10.28%	5.89%
Tracking Error	0.23%	0.34%	0.36%	0.35%

	1-Year	3-Year	5-Year	10-Year
L Income Fund	8.86%	5.12%	4.99%	4.34%
L 2025 Fund	N/A	N/A	N/A	N/A
L 2030 Fund	23.52%	10.30%	10.41%	8.66%
L 2035 Fund	N/A	N/A	N/A	N/A
L 2040 Fund	28.43%	11.86%	11.96%	9.75%
L 2045 Fund	N/A	N/A	N/A	N/A
L 2050 Fund	32.85%	13.17%	13.32%	10.65%
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				

PROXY VOTING – FIRST QUARTER 2021

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the first quarter of 2021. A copy of the audit report is provided in this report as Attachment 1. The ISS audit report for the second quarter of 2021 is not yet available.

CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2021

BlackRock began the first quarter with 69 open claims. Four claims were opened in the C Fund and nine claims were opened in the S Fund during the quarter. For the C Fund, one claim was settled for \$99,751. For the S Fund, six claims were closed due to administrator action and four claims were settled for a total of \$244,338. Seventy-one claims remained open across the four funds at the end of the quarter. For the quarter, five claims were settled for a total of \$344,089.

	<u>Open at Start of Quarter*</u>	<u>Opened During Quarter</u>	<u>Closed During Quarter</u>	<u>Open Claims Outstanding</u>	<u>Total of Settled Claims in 2021</u>
F Fund	-	-	-	-	\$0
C Fund	12	4	1	15	\$99,751
S Fund	56	9	10	55	\$244,338
I Fund	1	-	-	1	\$0
Total	69	13	11	71	\$344,089

* A review of claims resulted in a correction that increased the number of open claims in the S Fund at the start of the quarter from 68 to 69.

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;

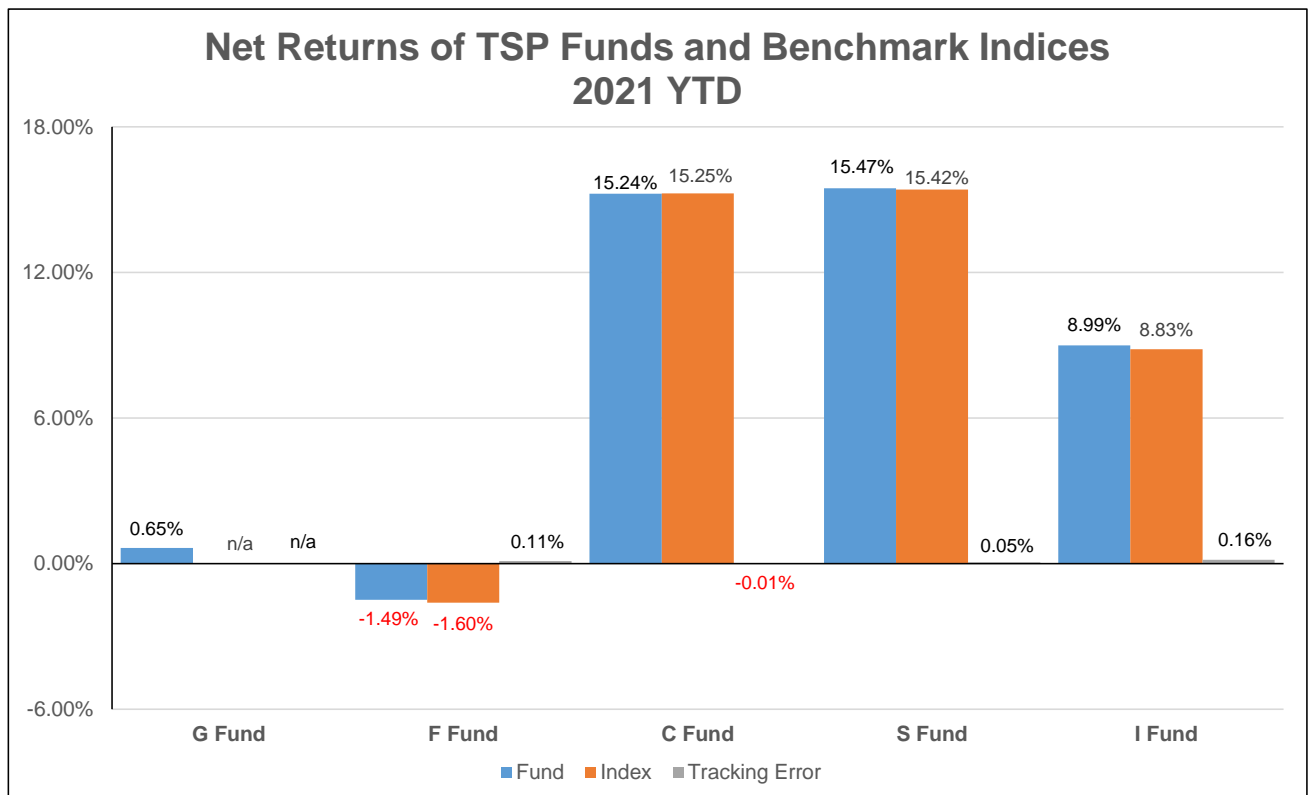
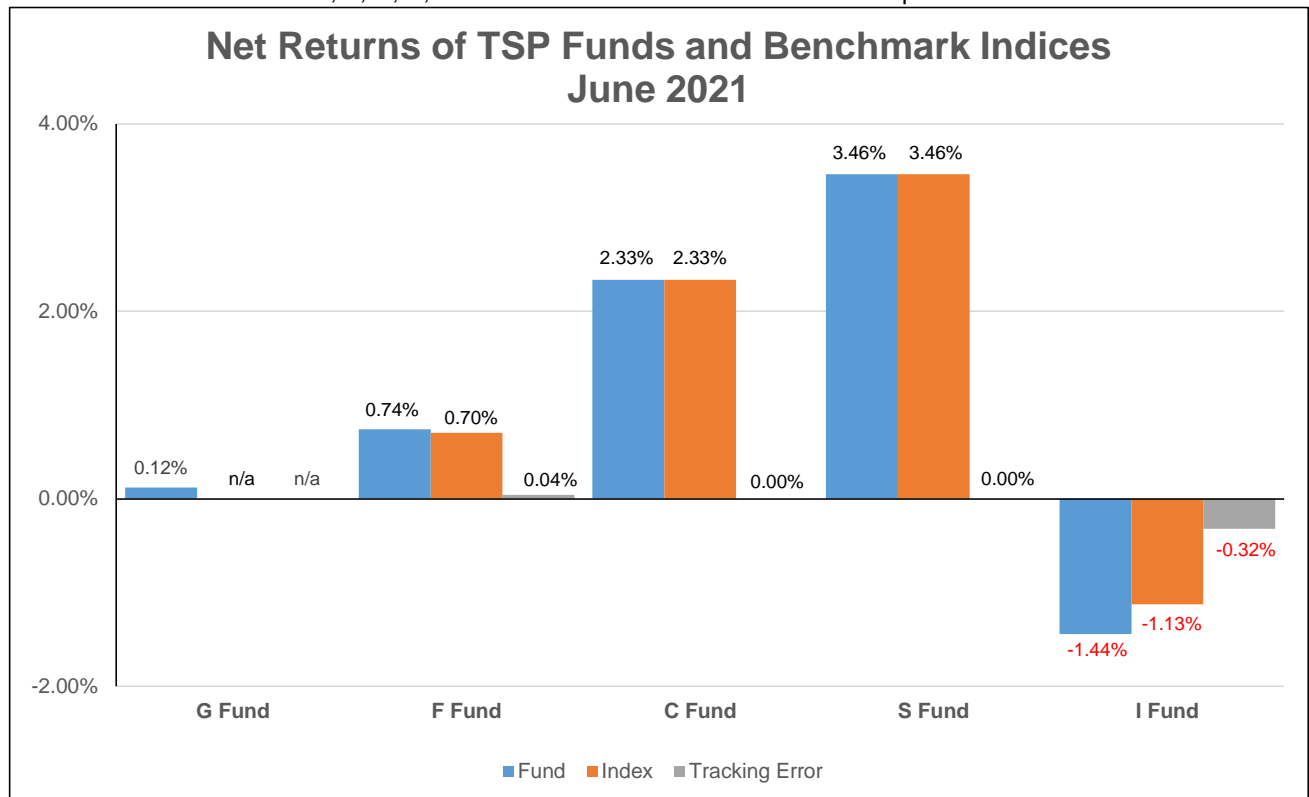
NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are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

Attachments

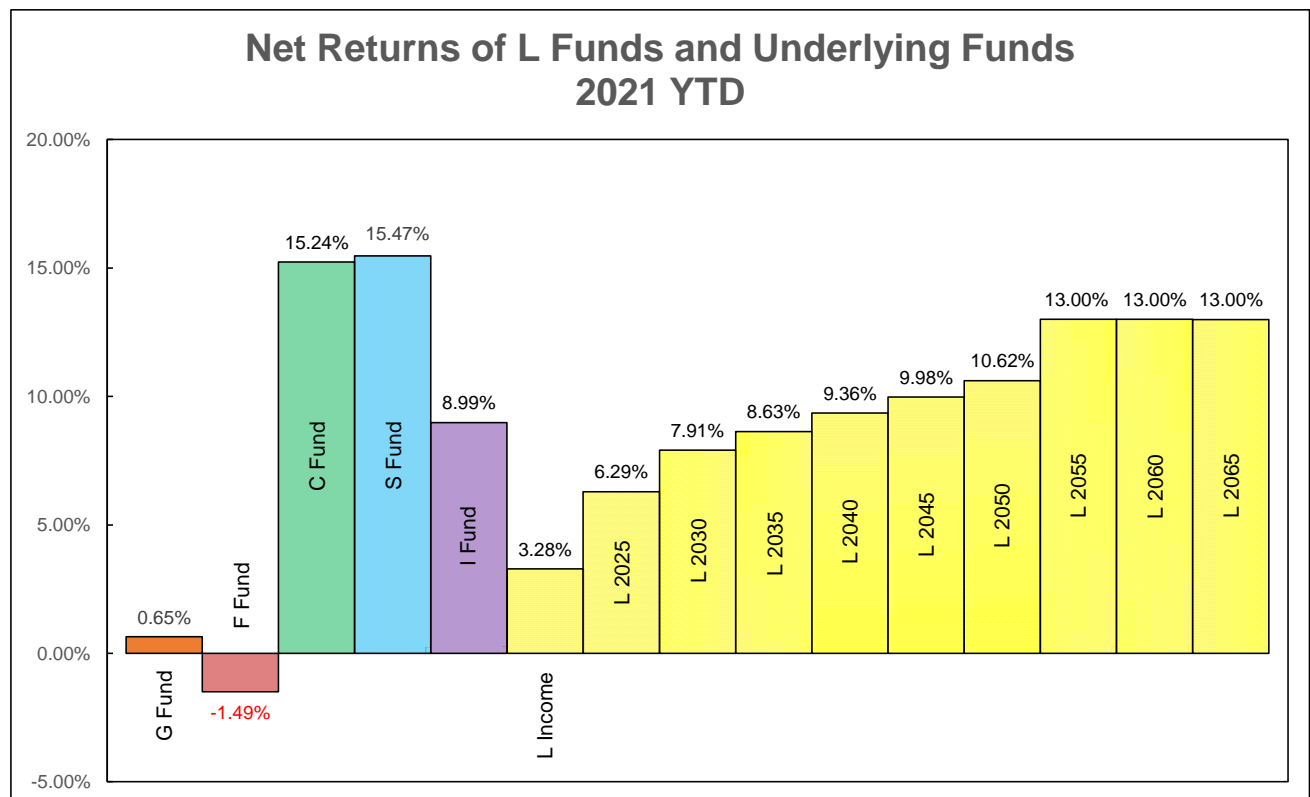
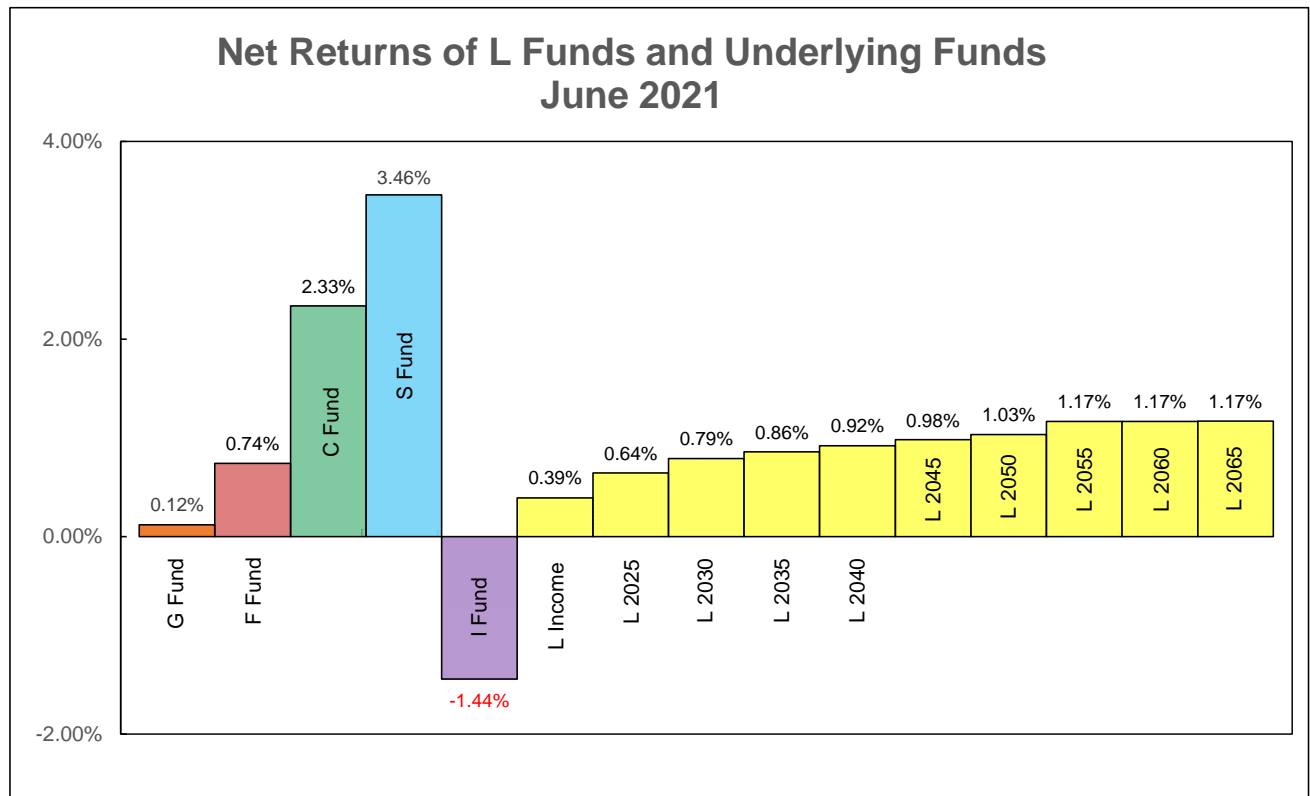
Attachment 1: Audit Report on BlackRock Proxy Voting in the First Quarter of 2021

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.

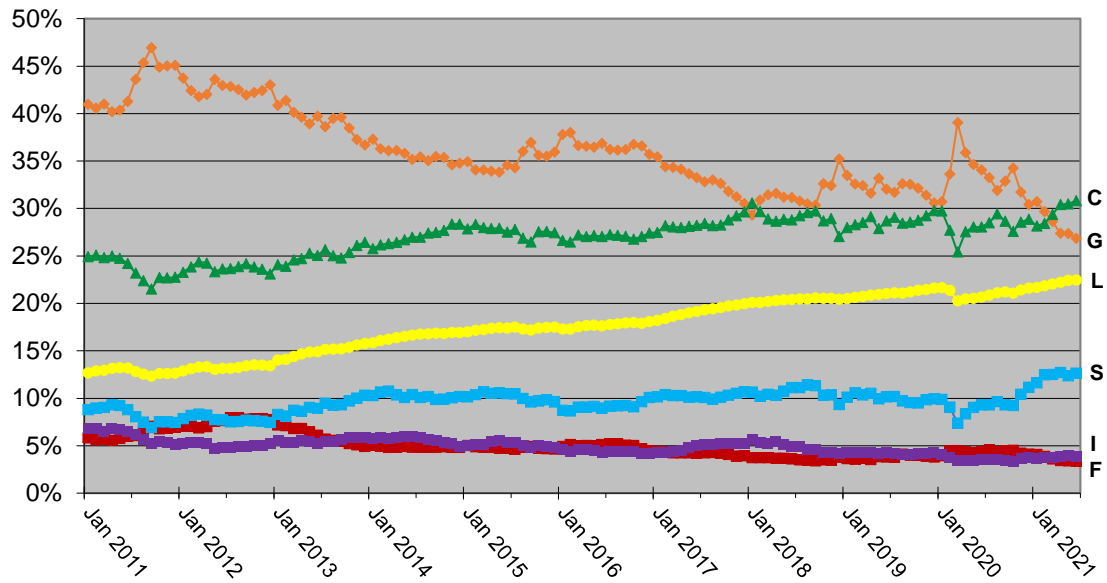


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History

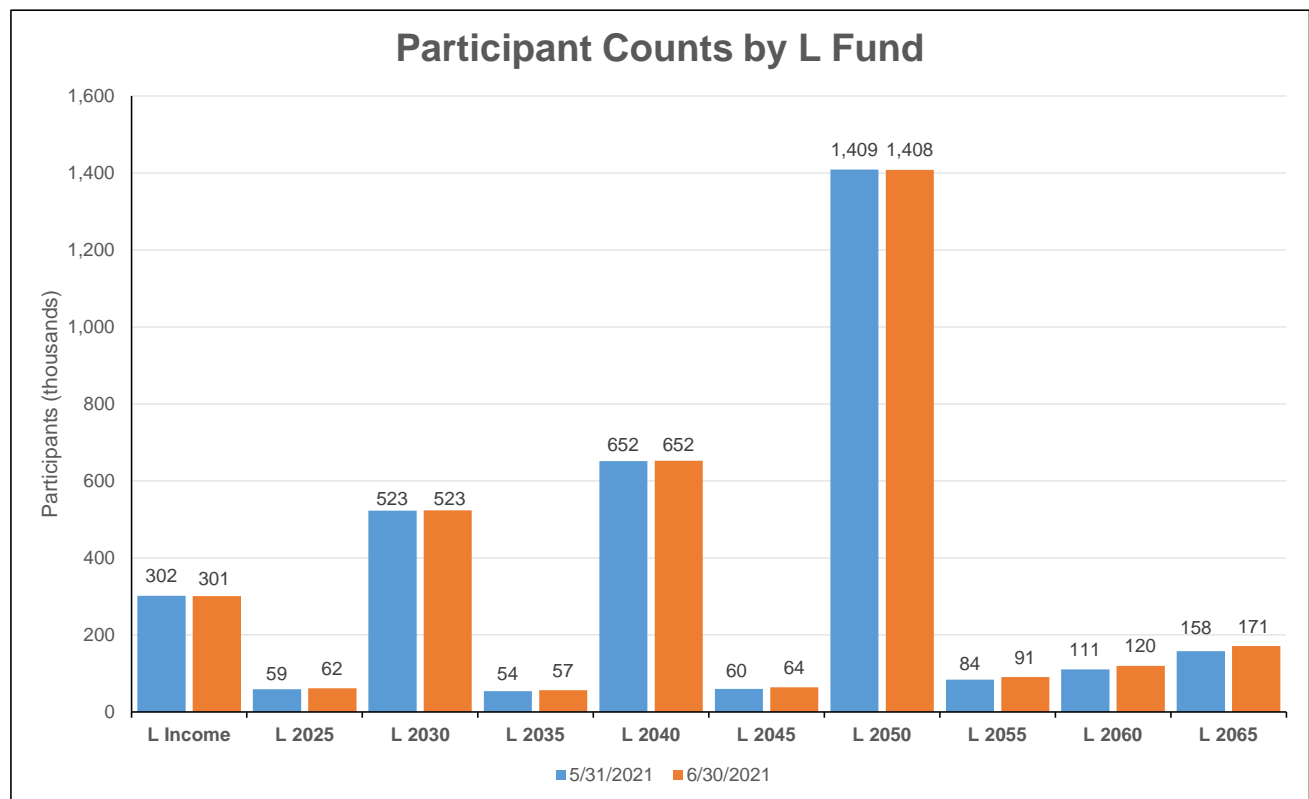
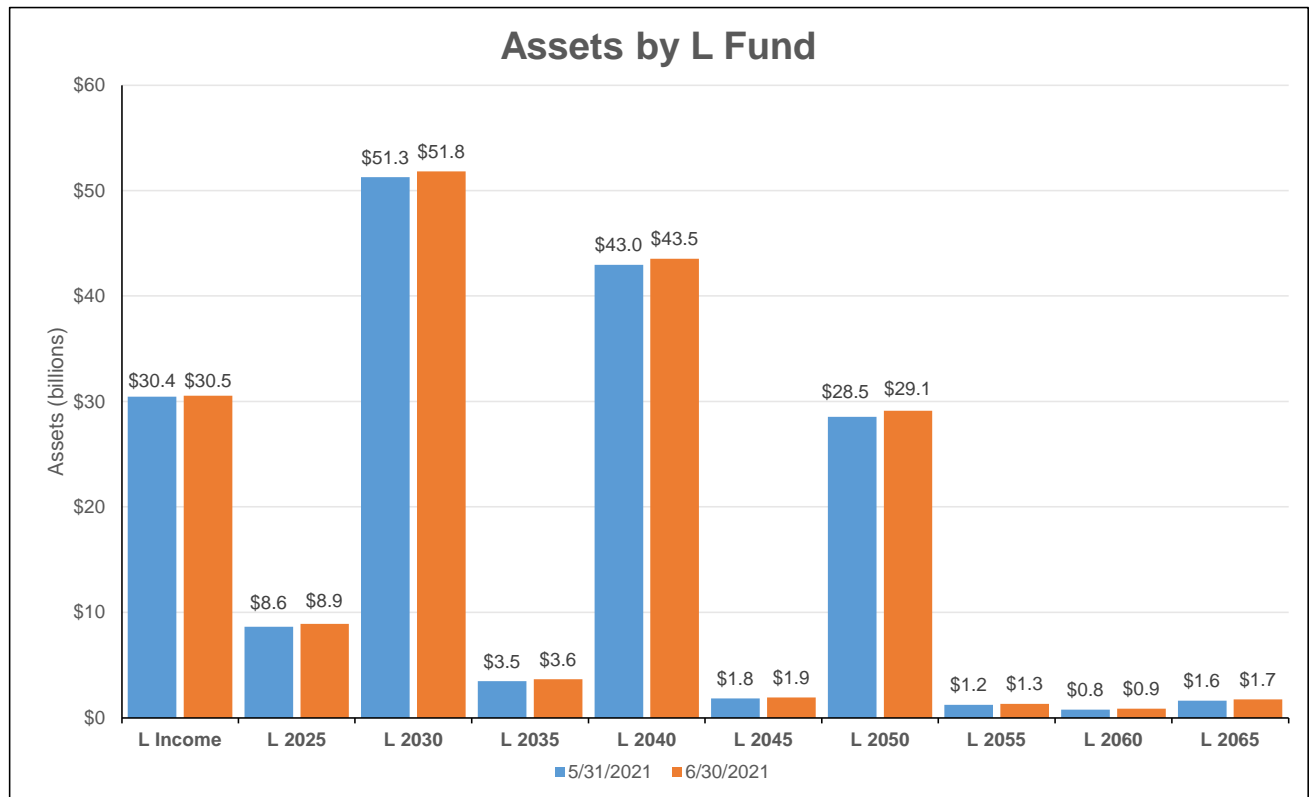


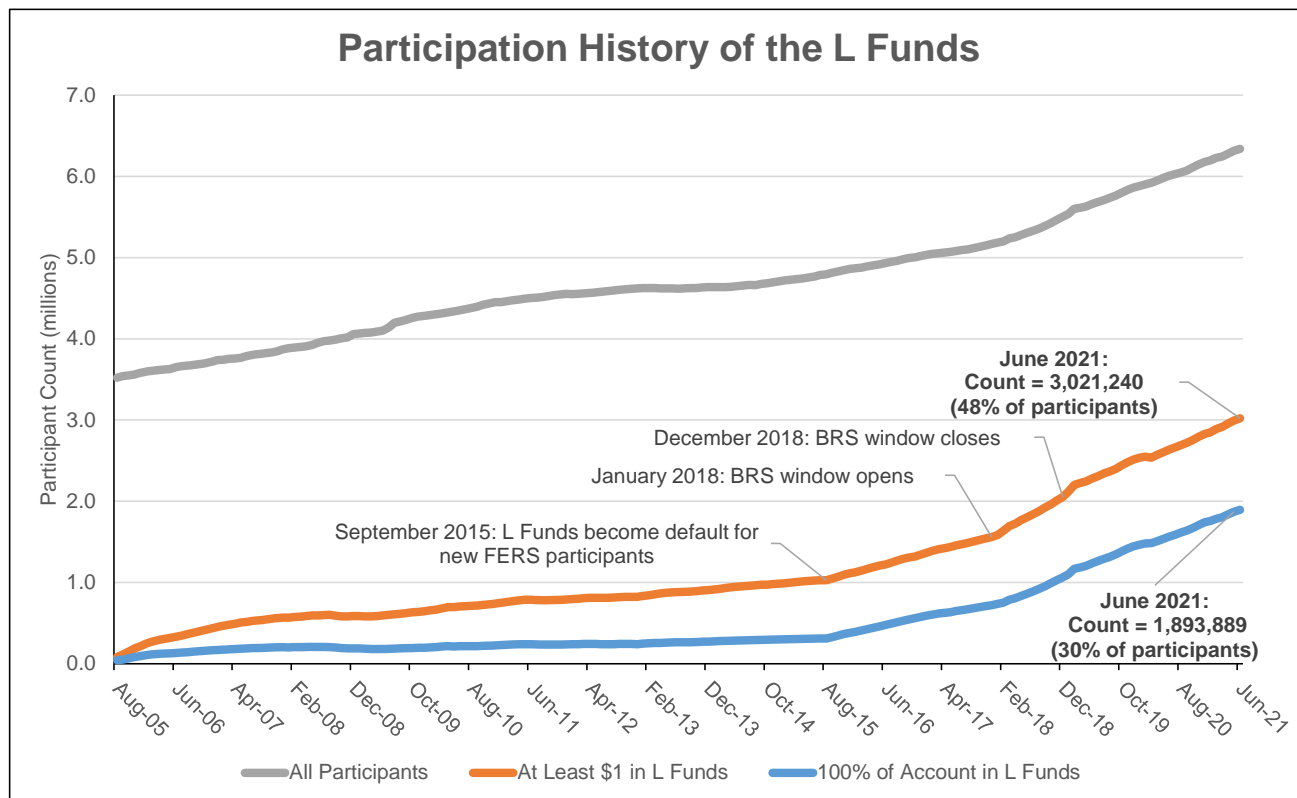
Asset Allocation as of June 30, 2021

	<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	\$207.9	26.9%	\$264.5	34.2%
F Fund	\$26.0	3.4%	\$37.9	4.9%
C Fund	\$238.1	30.8%	\$292.0	37.8%
S Fund	\$97.6	12.6%	\$112.2	14.5%
I Fund	\$30.2	3.9%	\$66.7	8.6%
<u>L Funds</u>	<u>\$173.4</u>	<u>22.4%</u>	<u>n/a</u>	<u>n/a</u>
Total	\$773.3	100%	\$773.3	100%

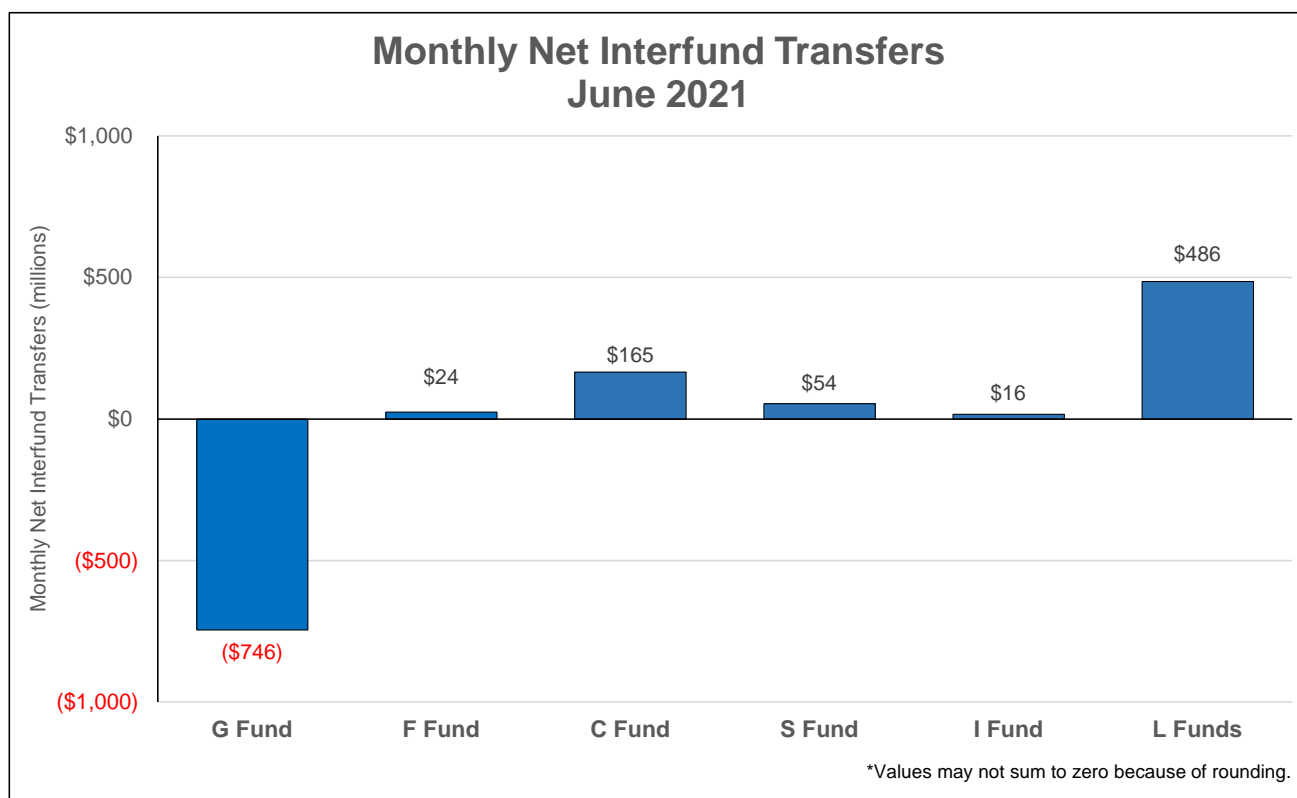
*Components may not sum to totals because of rounding.

Lifecycle (L) Funds





Interfund Transfer Activity



April 22, 2021

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 2021. Our review found that there were no exceptions to policy over this period.

Best regards,

 Recoverable Signature

X Andrew E. Linberg

Andrew E. Linberg

Signed by: 161923fe-1fa1-4c5e-a954-b052a253edf1

Andrew E. Linberg
Head of Custom Research - Americas

INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

ISSGOVERNANCE.COM

MEMORANDUM

The results of our review of BlackRock's 1st quarter proxy voting for US meetings are as follows:

- Votes at 30 meetings were examined.
- Votes at 7 of the 30 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 23 remaining meetings, there were 42 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	9
Non-executive stock plan	1
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	1
Increase authorized common stock	1
Approve SPAC transaction	1
Approve issuance of shares pursuant to merger	3
Approve merger agreement	5
Adjourn meeting	8
Provide right to call special meeting	2
Eliminate supermajority vote requirement	2
Change company name	1
Shareholder proposal	5
Total:	42

- There were 9 votes cast on executive stock plans; the votes were cast in favor of the plans.
- There was 1 vote cast on a non-executive stock plan; the vote was cast in favor of the plan.
- There were 9 votes cast on mergers, acquisitions and/or major corporate transactions, including a SPAC transaction and 3 issuances of shares pursuant to a merger; the votes were cast in favor of the transactions.

INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

ISSGOVERNANCE.COM

- There was 1 vote cast on an increase in authorized common stock; the vote was cast in favor of the increase.
- There were 5 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to require independent board chair; the vote was cast against the proposal.
 - b) 1 shareholder proposal to provide right to call special meeting; the vote was cast against the proposal.
 - c) 1 shareholder proposal to amend proxy access right; the vote was cast against the proposal.
 - d) 1 shareholder proposal to report on lobbying payments; the vote was cast in favor of the proposal.
 - e) 1 shareholder proposal to amend principles of executive compensation program; the vote was cast against the proposal.
- There were 20 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 3 votes cast on management advisory vote on golden parachute compensation; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.