



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: October 14, 2021

SUBJECT: September 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.

***September 2021 Returns and Tracking Errors***

		<b><u>Fixed Income</u></b>	<b><u>Large Cap</u></b>	<b><u>Small Mid Cap</u></b>	<b><u>International</u></b>
		<b><u>(F Fund)</u></b>	<b><u>(C Fund)</u></b>	<b><u>(S Fund)</u></b>	<b><u>(I Fund)</u></b>
<b>Return (%)</b>	<b>Index</b>	-0.87	-4.65	-4.01	-2.90
	<b>BlackRock</b>	-0.85	-4.65	-4.00	-2.81
	<b>State Street</b>	-0.85	-4.65	-3.98	n/a
	<b>TSP Fund (Net)</b>	-0.86	-4.65	-4.00	-2.81
<b>Tracking Error vs Index (%)</b>	<b>BlackRock</b>	0.01	0.00	0.01	0.09
	<b>State Street</b>	0.02	0.00	0.02	n/a
	<b>TSP Fund</b>	0.01	0.00	0.01	0.09

BlackRock's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month. Its performance for the I Fund exceeded that of the International Index by 9 basis points, primarily due to tax advantage.

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

## 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>
<b>Return (%)</b>	<b>Index</b>	-1.55	15.92	11.61	8.35
	<b>BlackRock</b>	-1.36	15.94	11.70	8.59
	<b>State Street</b>	n/a	n/a	n/a	n/a
	<b>TSP Fund (Net)</b>	-1.40	15.90	11.66	8.56
<b>Tracking Error vs Index (%)</b>	<b>BlackRock</b>	0.19	0.02	0.09	0.24
	<b>State Street</b>	n/a	n/a	n/a	n/a
	<b>TSP Fund</b>	0.15	-0.02	0.05	0.21

BlackRock's year-to-date performance for the F Fund exceeded the Fixed Income Index by 19 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 outperformed the Small Mid Cap Index by 9 basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by 24 basis points, primarily due to tax advantage.

***TSP Net Returns as of September 30, 2021***

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>G Fund</b>	1.20%	1.66%	1.98%	1.94%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>F Fund</b>	-0.71%	5.41%	3.06%	3.25%
<b>Bloomberg Barclays US Agg Bond Index</b>	-0.90%	5.36%	2.94%	3.01%
<b>Tracking Error</b>	0.19%	0.05%	0.12%	0.24%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>C Fund</b>	29.98%	15.95%	16.86%	16.66%
<b>S&amp;P 500 Index</b>	30.00%	15.99%	16.90%	16.63%
<b>Tracking Error</b>	-0.02%	-0.04%	-0.04%	0.03%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>S Fund</b>	42.32%	15.53%	16.39%	16.44%
<b>Dow Jones US Completion TSM Index</b>	42.19%	15.53%	16.30%	16.16%
<b>Tracking Error</b>	0.13%	0.00%	0.09%	0.28%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>I Fund</b>	26.04%	7.96%	9.17%	8.58%
<b>MSCI EAFE Index</b>	25.73%	7.62%	8.81%	8.10%
<b>Tracking Error</b>	0.31%	0.34%	0.36%	0.48%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>L Income Fund</b>	7.15%	4.64%	4.76%	4.65%
<b>L 2025 Fund</b>	14.45%	N/A	N/A	N/A
<b>L 2030 Fund</b>	18.00%	9.06%	9.67%	9.98%
<b>L 2035 Fund</b>	19.75%	N/A	N/A	N/A
<b>L 2040 Fund</b>	21.54%	10.39%	11.07%	11.30%
<b>L 2045 Fund</b>	23.11%	N/A	N/A	N/A
<b>L 2050 Fund</b>	24.70%	11.50%	12.29%	12.44%
<b>L 2055 Fund</b>	30.36%	N/A	N/A	N/A
<b>L 2060 Fund</b>	30.36%	N/A	N/A	N/A
<b>L 2065 Fund</b>	30.36%	N/A	N/A	N/A
<b>Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020</b>				

### **PROXY VOTING – SECOND QUARTER 2021**

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the second quarter of 2021. Likewise, an audit of State Street's proxy voting conducted by ISS found no exceptions to State Street's established guidelines during the second quarter of 2021. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the third quarter of 2021 are not yet available.

### **CLASS ACTION SETTLEMENTS – SECOND QUARTER 2021**

BlackRock began the second quarter with 71 open claims. Three claims were opened in the C Fund and ten claims were opened in the S Fund during the quarter. Overall, fifteen claims were settled for a total of \$2,113,951. One claim was settled in the C Fund for \$165,358 and fourteen claims were settled in the S Fund for a total of \$1,948,593. Two claims in the S Fund were closed due to administrator action, bringing total closed claims to seventeen for the quarter. Sixty-seven claims remained open across the four funds at the end of the quarter. State Street did not report any securities litigation activity during the quarter.

	<b><u>Open at Start of Quarter</u></b>	<b><u>Opened During Quarter</u></b>	<b><u>Closed During Quarter</u></b>	<b><u>Open Claims Outstanding</u></b>	<b><u>Total of Settled Claims in 2021</u></b>
F Fund	-	-	-	-	\$0
C Fund	15	3	1	17	\$165,358
S Fund	55	10	16	49	\$2,292,682
I Fund	1	-	-	1	\$0
Total	71	13	17	67	\$2,458,040

### **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.

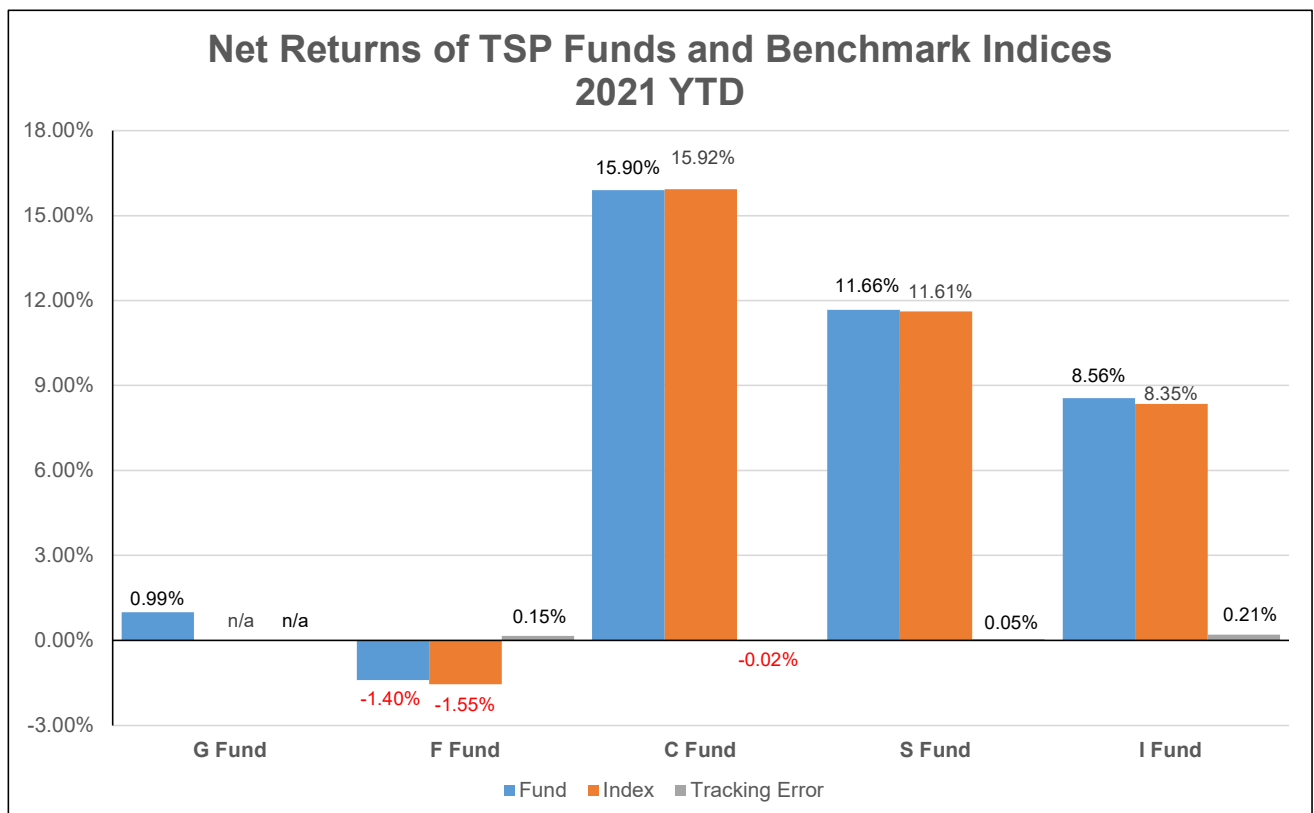
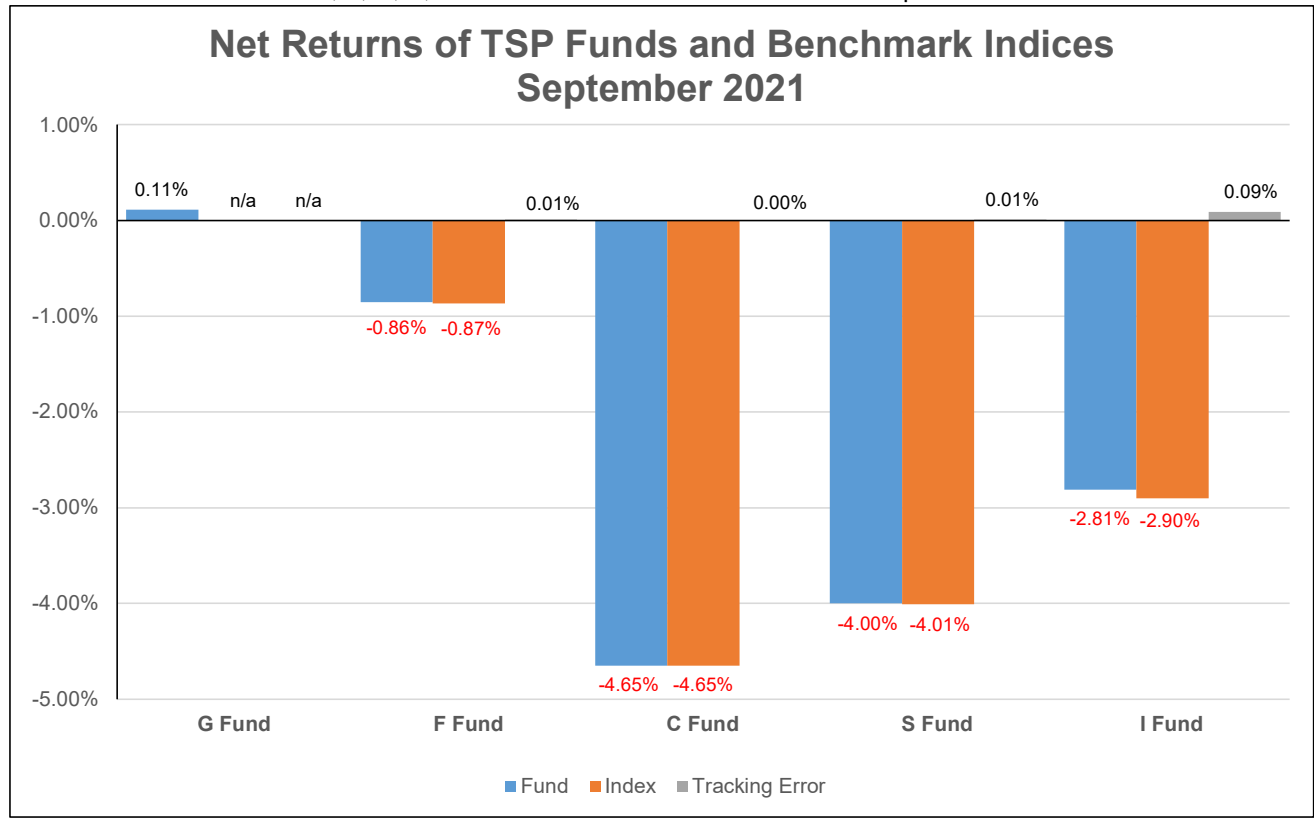
### **ATTACHMENTS**

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

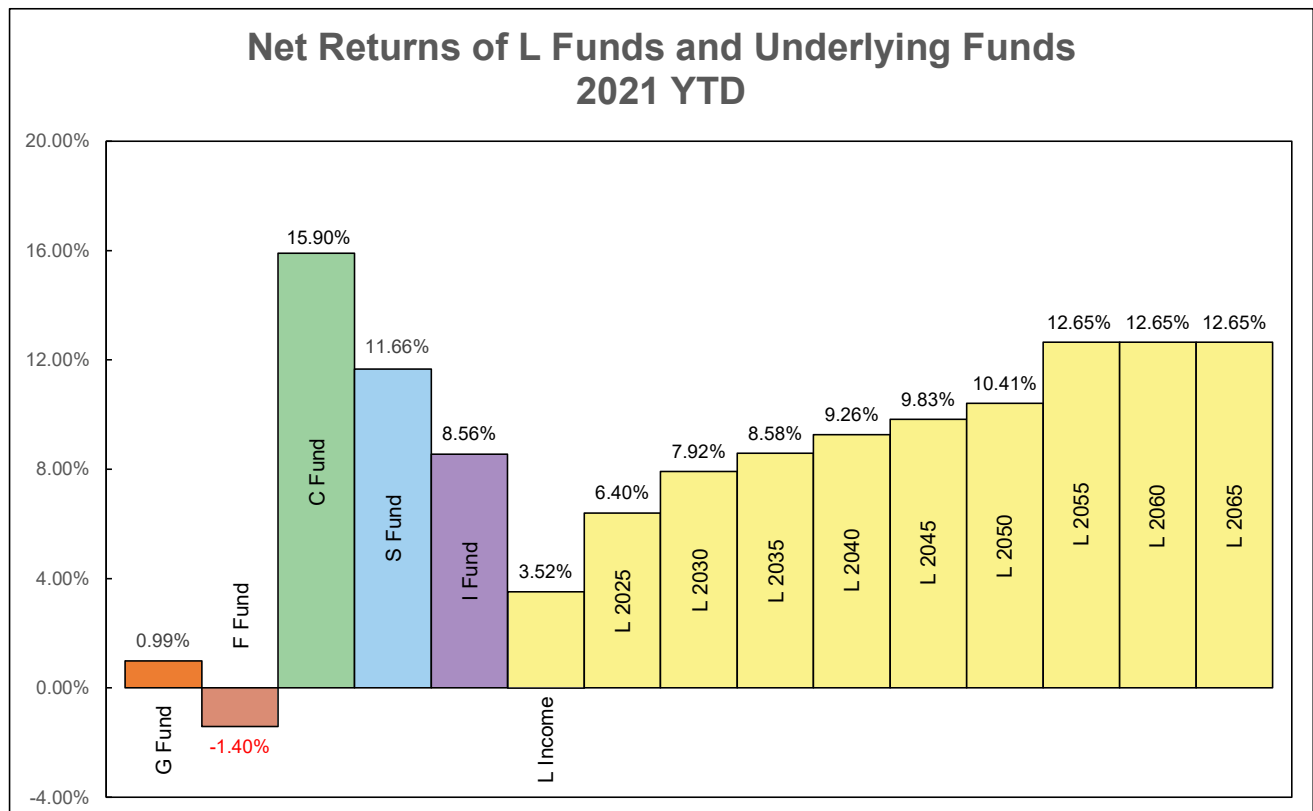
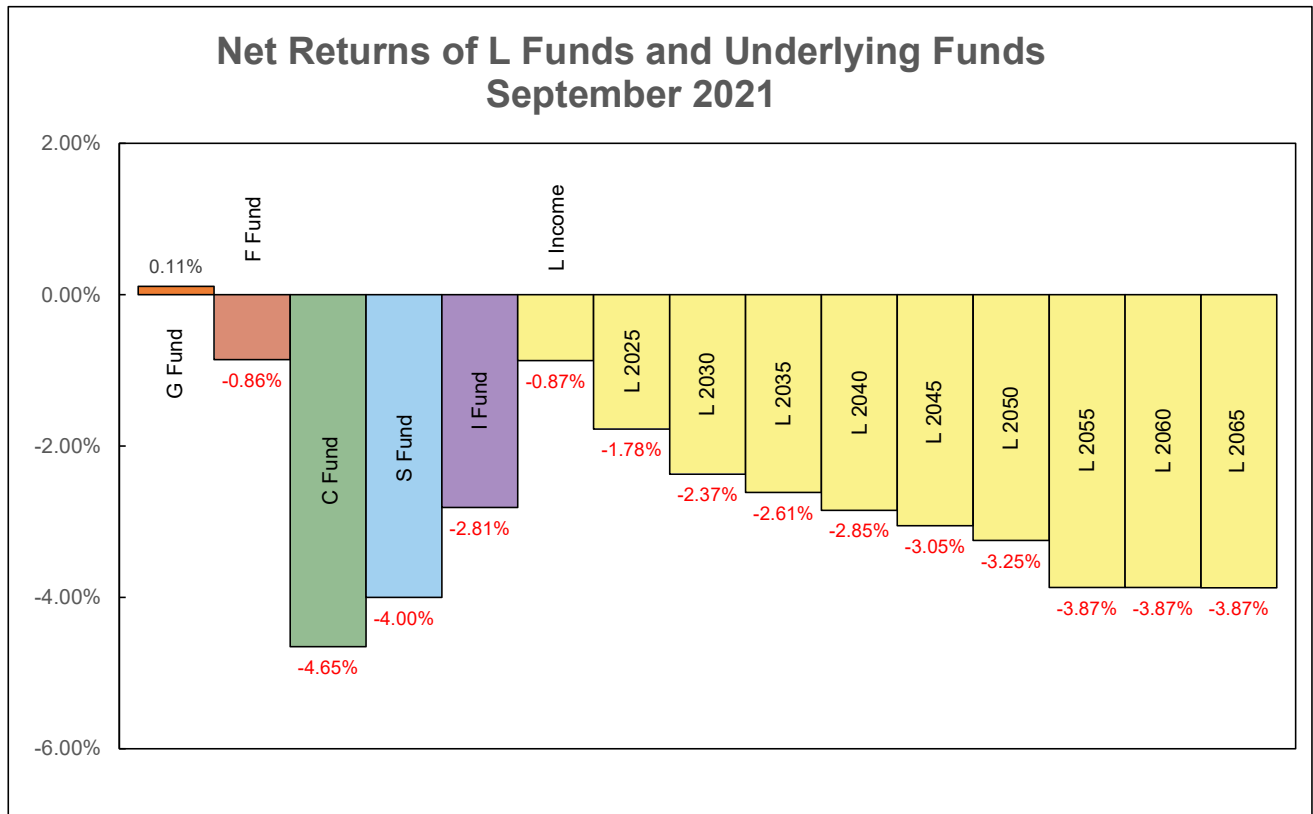
Attachment 2: Audit Report on State Street's Proxy Voting in the Second Quarter of 2021

## 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.

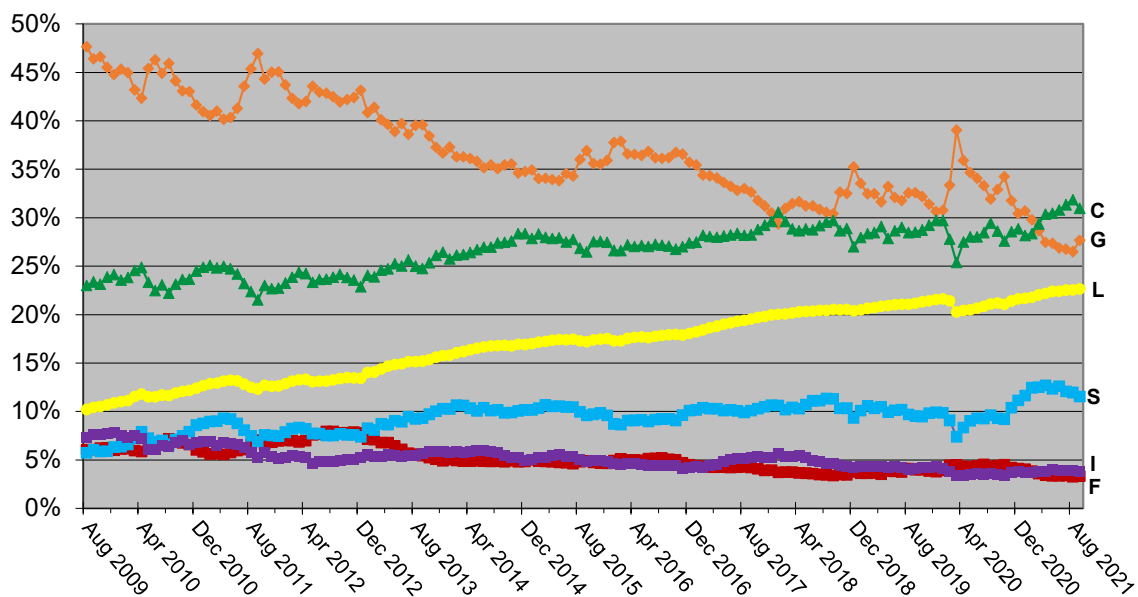


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



## Asset Allocation

### Participant Asset Allocation History

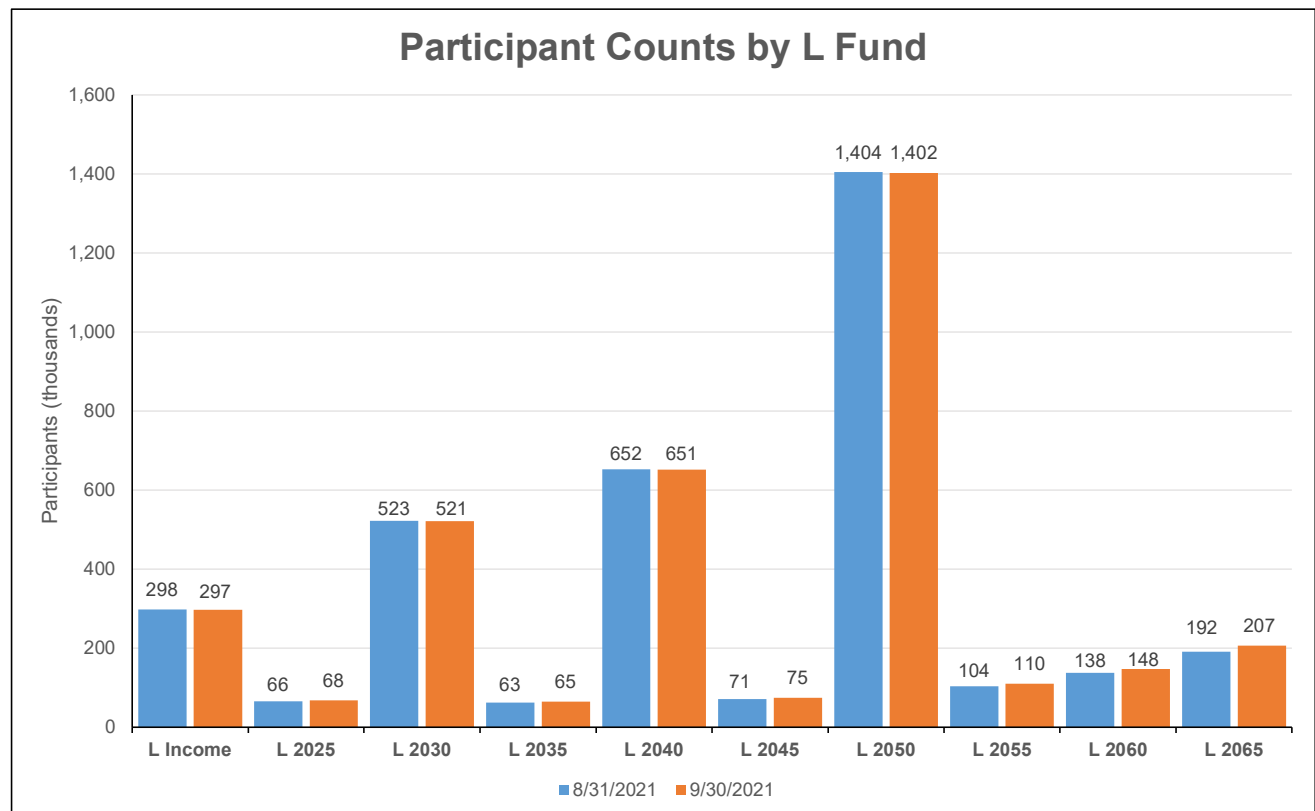
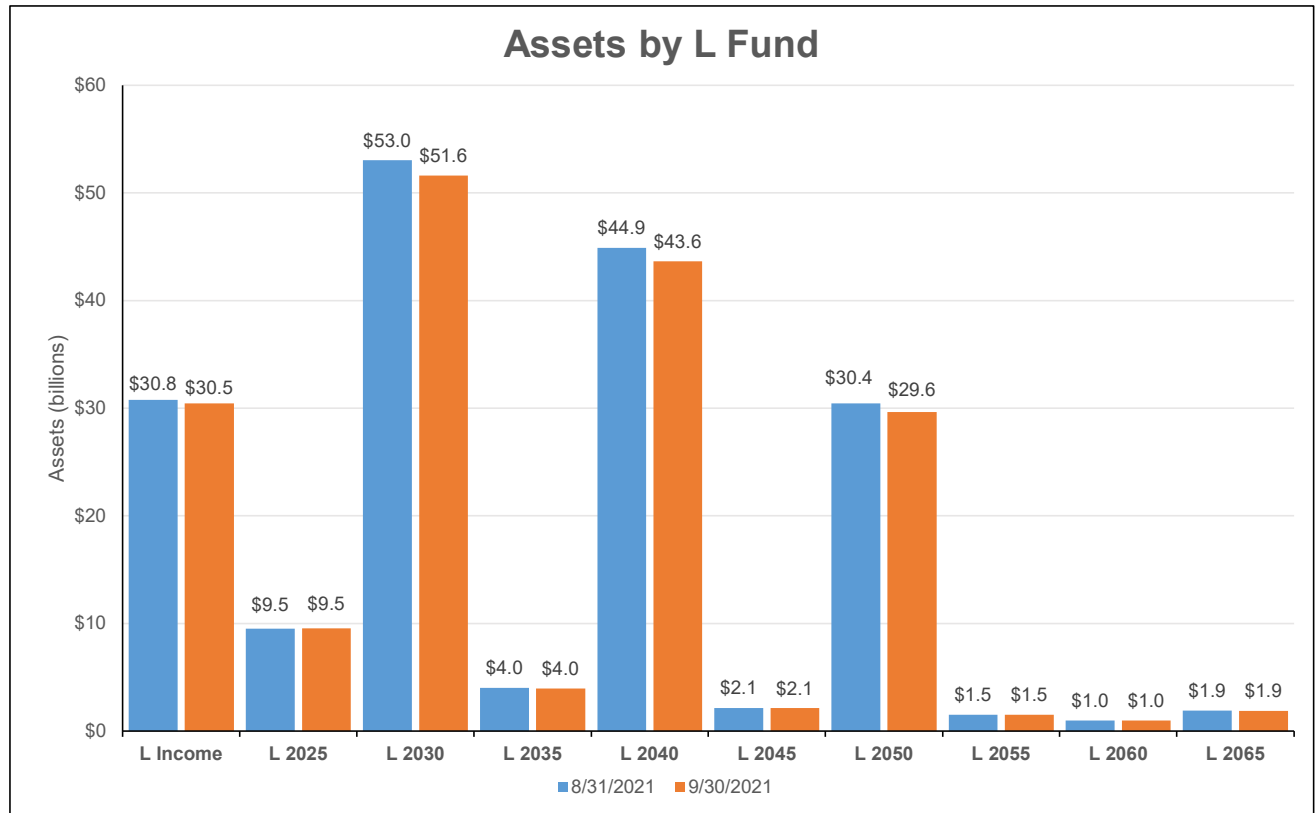


### Asset Allocation as of September 30, 2021

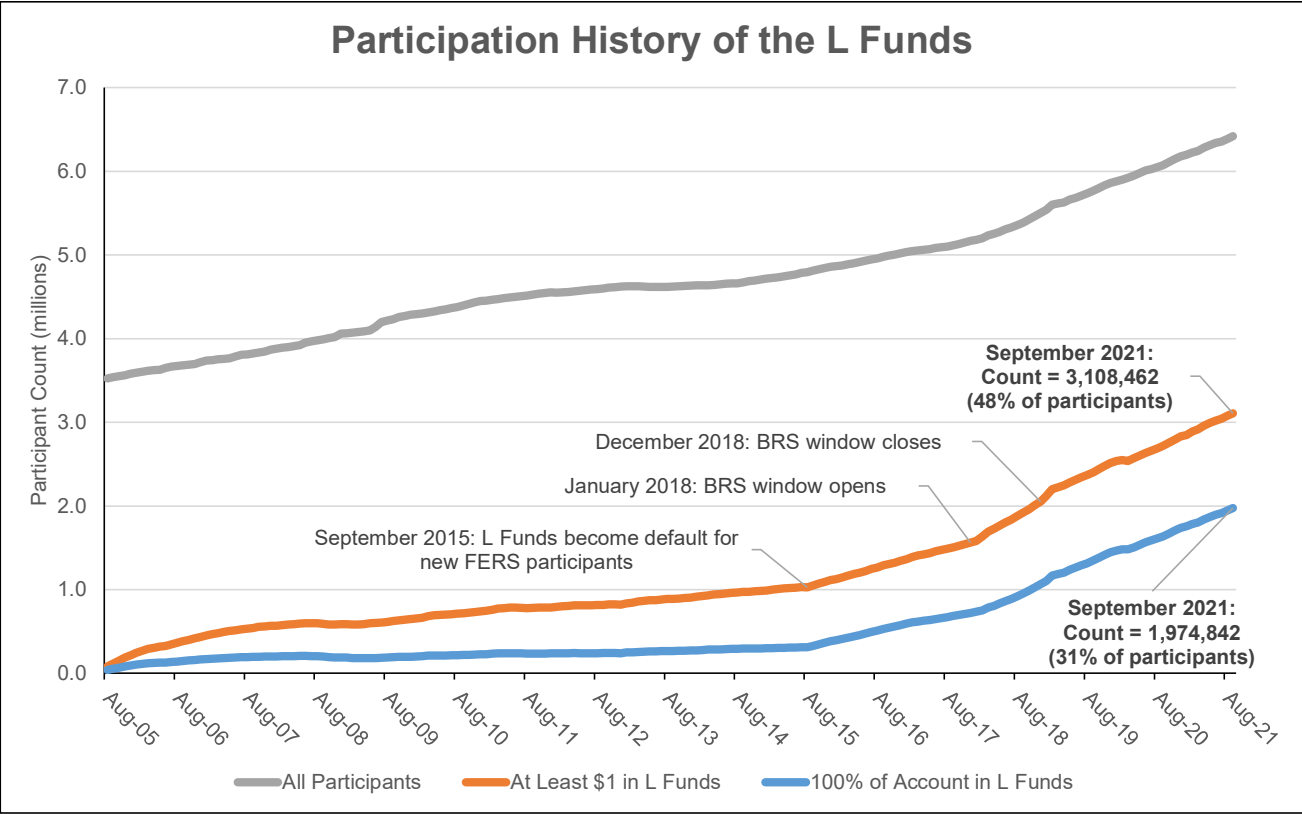
	<u>Participant Allocation</u>		<u>Core TSP Funds</u>	
	<u>Assets</u> (Billions)	<u>Share of</u> <u>Total</u>	<u>Assets</u> (Billions)	<u>Share of</u> <u>Total</u>
<b>G Fund</b>	\$214.2	27.7%	\$271.4	35.1%
<b>F Fund</b>	\$25.7	3.3%	\$37.6	4.9%
<b>C Fund</b>	\$239.7	31.0%	\$293.8	37.9%
<b>S Fund</b>	\$89.5	11.6%	\$104.3	13.5%
<b>I Fund</b>	\$29.7	3.8%	\$67.1	8.7%
<b><u>L Funds</u></b>	<u>\$175.4</u>	<u>22.7%</u>	<u>n/a</u>	<u>n/a</u>
<b>Total</b>	<b>\$774.2</b>	<b>100%</b>	<b>\$774.2</b>	<b>100%</b>

\*Components may not sum to totals because of rounding.

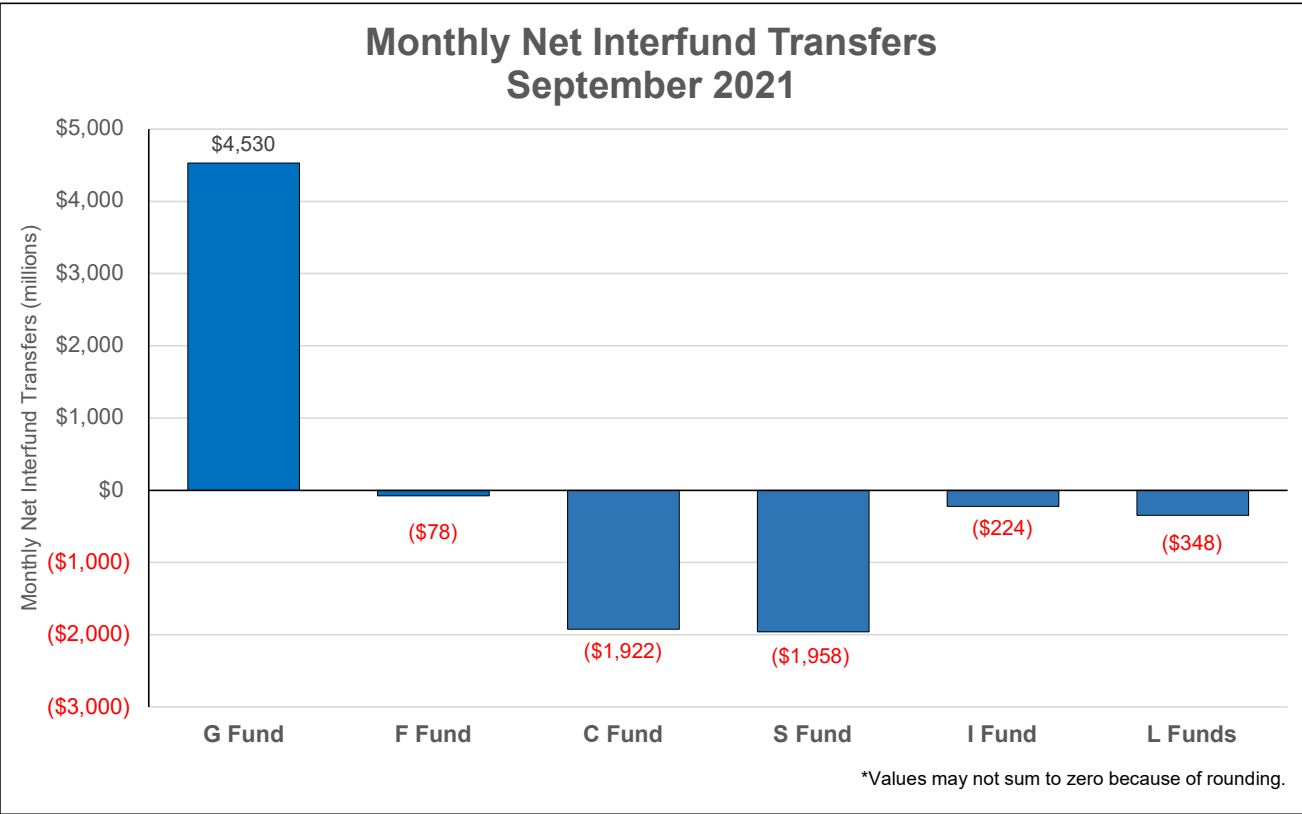
## Lifecycle (L) Funds







**Interfund Transfer Activity**



July 23, 2021

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

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 2<sup>nd</sup> quarter of 2021. Our review found that there were no exceptions to policy over this period.

Best regards,



Recoverable Signature

**X** Andrew E. Linberg

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Andrew E. Linberg

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

Andrew E. Linberg  
Head of Custom Research – Americas

## MEMORANDUM

The results of our review of BlackRock's 2<sup>nd</sup> quarter proxy voting for US meetings are as follows:

- Votes at 306 meetings were examined.
- Votes at 172 of the 306 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 134 remaining meetings, there were 168 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	64
Non-executive stock plan	1
Employee share purchase plan	5
Issue restricted stock units to non-executive directors	1
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	24
Reverse stock split	6
Reduce authorized common stock	1
Increase authorized common stock	10
Authorize new class of preferred stock	1
Conversion of securities	1
Issue shares for private placement	1
Approve merger agreement	3
Issue shares in connection with merger	2
Approve plan of reorganization	1
Adjourn meeting	9
Declassify board of directors	1
Adopt majority voting for uncontested election of directors	3
Provide right to act by written consent	1
Adopt majority voting requirement for all matters requiring shareholder approval	1
Eliminate supermajority vote requirements	6
Change company name	1
Amend certificate of incorporation	1
Other business	3
Shareholder proposal	18
<b>Total:</b>	<b>168</b>

- There were 64 votes cast on executive stock plans:
  - a) 60 votes were cast in favor of the plans (93.8 percent);
  - b) 4 votes were cast against the plans (6.2 percent);
    - i.) 2 plans were opposed due to the presence of an evergreen provision;
    - ii.) 1 plan was opposed due to the ability to reprice options without prior shareholder approval;
    - iii.) 1 plan was opposed as it does not align with performance and peers.
- There was 1 vote cast on a non-executive stock plan; the vote was cast in favor of the plan.
- There were 5 votes cast on employee share purchase plans; the votes were cast in favor of the plans.
- There were 6 votes cast on mergers, acquisitions and/or major corporate transactions, including 2 issuances of shares pursuant to a merger agreement, and a plan of reorganization; the votes were cast in favor of the transactions.
- There were 10 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
- There were 18 votes cast on shareholder proposals which included:
  - a) 1 shareholder proposal to require independent board chairman; the vote was cast against the proposal.
  - b) 2 shareholder proposals to require majority vote for the election of directors; the votes were cast in favor of the proposals.
  - c) 2 shareholder proposals to provide right to act by written consent:
    - i.) 1 vote was cast in favor of the proposals (50 percent);
    - ii.) 1 vote was cast against the proposals (50 percent).
  - d) 2 shareholder proposals to provide right to call special meeting:
    - i.) 1 vote was cast in favor of the proposals (50 percent);
    - ii.) 1 vote was cast against the proposals (50 percent).
  - e) 2 shareholder proposals to reduce ownership threshold to call special meeting; the votes were cast against the proposals.
  - f) 1 shareholder proposal to amend proxy access right; the vote was cast against the proposal.
  - g) 1 shareholder proposal to adopt simple majority vote; the vote was cast in favor of the proposal.
  - h) 1 shareholder proposal to report on lobbying payments; the vote was cast against the proposal.
  - i) 2 shareholder proposals to report on political contributions; the votes were cast against the proposals.
  - j) 2 shareholder proposals to report on cost and benefits of environment-related activities; the votes were cast against the proposals.
  - k) 2 shareholder proposals to report on pay disparity; the votes were cast against the proposals.
- There were 211 votes cast on management advisory votes on executive compensation:
  - a) 208 votes were cast in favor of the advisory votes (98.6 percent);
  - b) 3 votes were cast against the advisory votes (1.4 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 no exceptions to policy this period.

September 10, 2021

Benjamin Colton  
Global Co-Head of Asset Stewardship  
State Street Global Advisors  
One Iron Street  
Boston, MA 02210

Dear Benjamin,

In connection with the proxy voting services provided by Institutional Shareholder Services Inc. ("ISS") to State Street Global Advisors, I certify that:

- a.) ISS has completed a review of a sampling of proxy research reports issued by ISS during the second quarter of 2021 to ascertain whether the reports and the vote recommendations therein were made in accordance with ISS' "benchmark" proxy voting policy framework; and
- b.) There were no material issues identified during the review.

Sincerely,



Dan Lantz  
Chief Compliance Officer  
Institutional Shareholder Services