



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

July 17, 2020

MEMORANDUM FOR BOARD MEMBERS JONES, BILYEU,
McCRAV, AND JASIEN

FROM: RAVINDRA DEO
EXECUTIVE DIRECTOR

SUBJECT: June 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)

June 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	0.63	0.63	0.01	-0.01
Large Cap	1.99	1.99	1.99	0.00	0.00
Small Mid Cap	4.00	4.00	4.05	-0.05	0.00
International	3.46	3.44	3.41	0.05	-0.02

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	6.11	6.08	6.14	-0.03	-0.03
Large Cap	-3.08	-3.15	-3.08	0.00	-0.07
Small Mid Cap	-5.79	-5.85	-5.60	-0.19	-0.06
International	-11.04	-11.08	-11.34	0.30	-0.04

BlackRock's performance for the F and C Funds was in line with the Funds' respective indices for the month. Its performance for the S Fund lagged the Small Mid Cap Index by 5 basis points, primarily due to securities sampling. BlackRock's performance exceeded the International Index by 5 basis points, primarily due to futures mistracking and tax advantage. Performance YTD followed the same pattern. For the F and C Funds, BlackRock's performance was in line with the Funds' respective indices. BlackRock underperformed the Small Mid Cap Index by 19 basis points, primarily due to securities sampling and futures mistracking. Its performance for the I Fund exceeded that of the International Index by 30 basis points, primarily due to tax advantage.

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

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	2,206,520,384	260,376	1.2
Year-to-Date	15,666,520,469	89,446	0.1
<u>C Fund</u>			
June	4,992,994,873	(961,925)	-1.9
Year-to-Date	40,096,148,486	9,551,548	2.4
<u>S Fund</u>			
June	3,055,132,175	(1,059,369)	-3.5
Year-to-Date	20,131,095,614	(8,883,951)	-4.4
<u>I Fund</u>			
June	2,804,388,624	6,811,714	24.3
Year-to-Date	19,752,552,555	3,547,979	1.8

*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 Returns (as of June 30, 2020)

G Fund	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
	1.54%	2.30%	2.19%	2.12%

F Fund	8.65%	5.37%	4.47%	4.06%
Bloomberg Barclays U.S. Agg Bond Index	8.74%	5.32%	4.30%	3.82%
Tracking Error	-0.09%	0.05%	0.17%	0.24%

C Fund	7.41%	10.68%	10.72%	14.01%
S&P 500 Index	7.51%	10.73%	10.73%	13.99%
Tracking Error	-0.10%	-0.05%	-0.01%	0.02%

S Fund	0.84%	6.36%	6.82%	12.49%
DJ U.S. Completion TSM Index	1.07%	6.32%	6.60%	12.19%
Tracking Error	-0.23%	0.04%	0.22%	0.30%

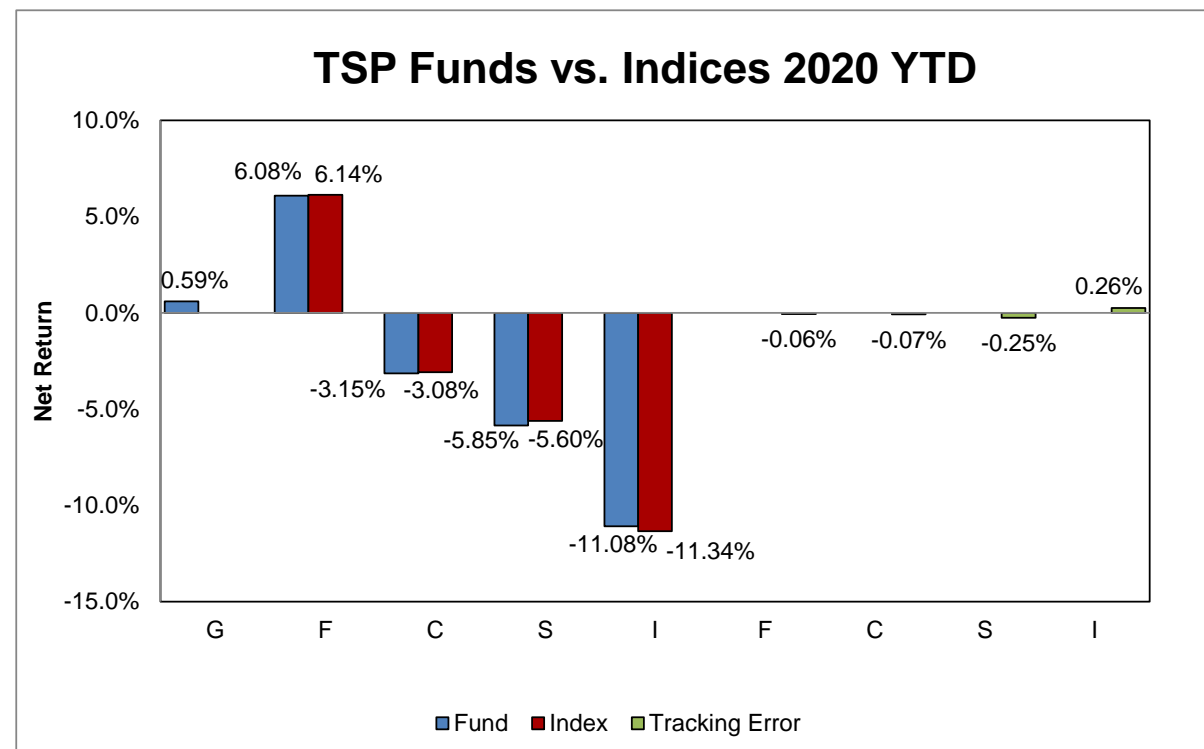
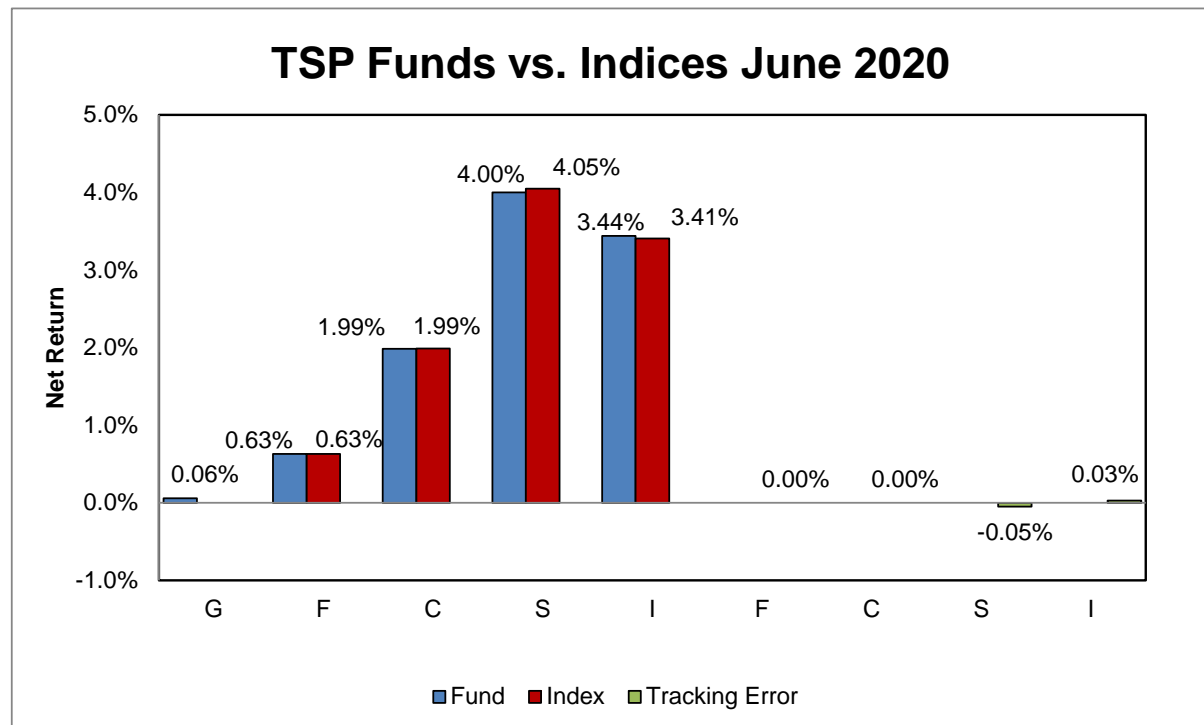
I Fund	-4.82%	1.20%	2.43%	6.21%
MSCI EAFE (Net) Index	-5.13%	0.81%	2.05%	5.73%
Tracking Error	0.31%	0.39%	0.38%	0.48%

Lifecycle Fund Returns

L Income	2.52%	3.66%	3.62%	4.29%
L 2020	2.36%	4.23%	4.44%	7.00%
L 2030	2.95%	5.66%	5.88%	8.65%
L 2040	2.96%	6.14%	6.41%	9.60%
L 2050	2.86%	6.52%	6.84%	NA

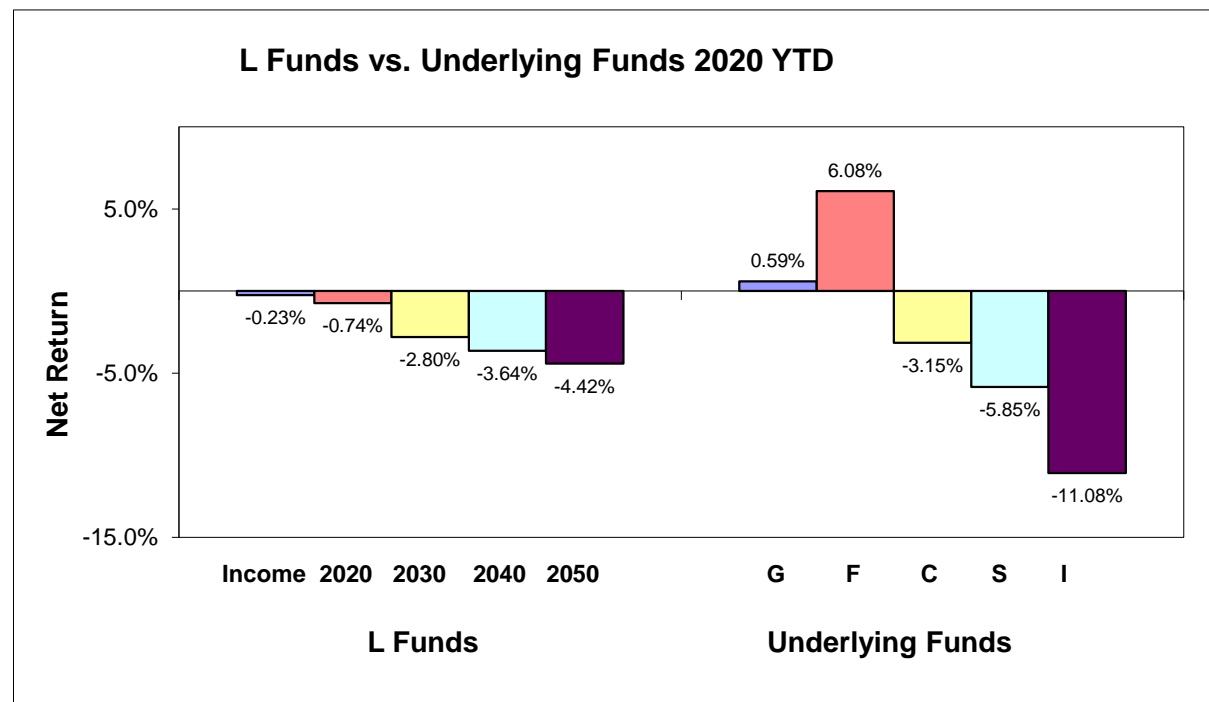
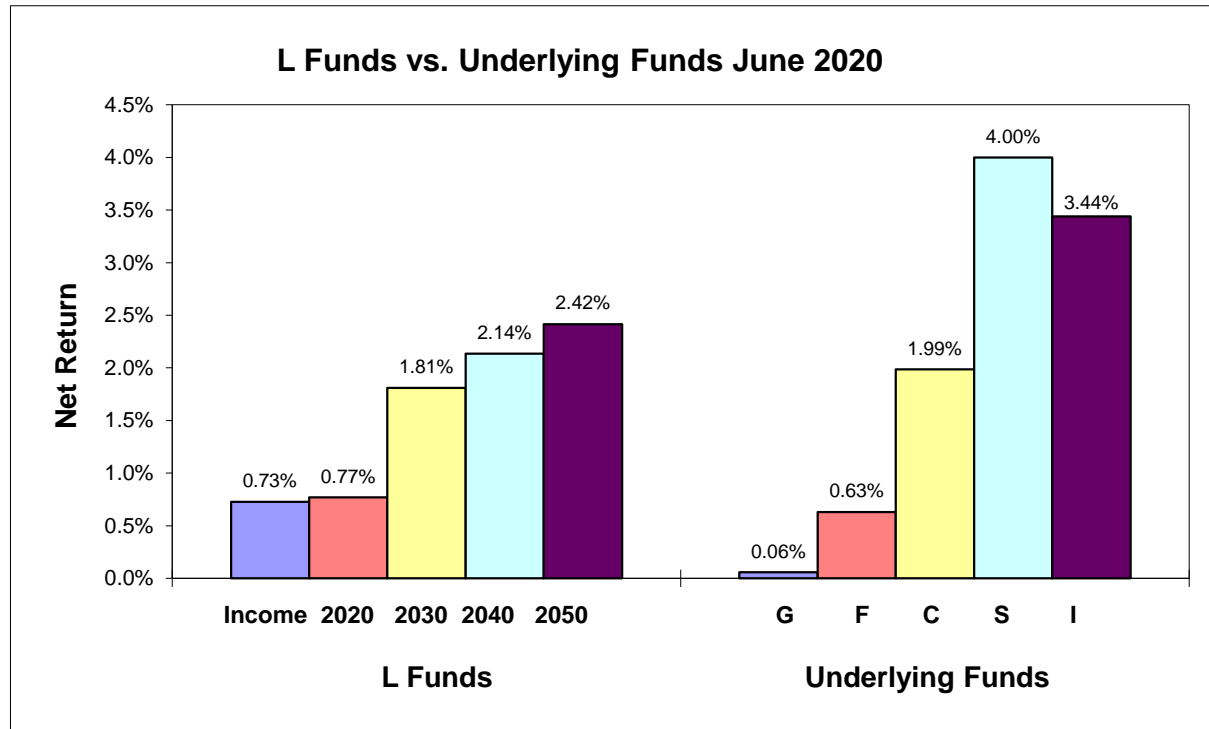
Performance of TSP Funds

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 -- FIRST QUARTER 2020

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

CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2020

The first quarter began with 54 open claims. One claim was opened in the F Fund, one claim was opened in the C Fund, and 13 claims were opened in the S Fund during the quarter. Two claims were settled in the C Fund for \$28,422. For the S Fund, three claims were closed due to administrative action and seven claims were settled for \$442,256. Fifty-seven claims remained open across the four funds at the end of the quarter. The class action settlements for the second quarter of 2020 are not yet available.

	<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	11	1	2	10	\$28,422
S Fund	41	13	10	44	\$442,256
I Fund	2	-	-	2	\$0
Total	<u>54</u>	<u>15</u>	<u>12</u>	<u>57</u>	<u>\$470,678</u>

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

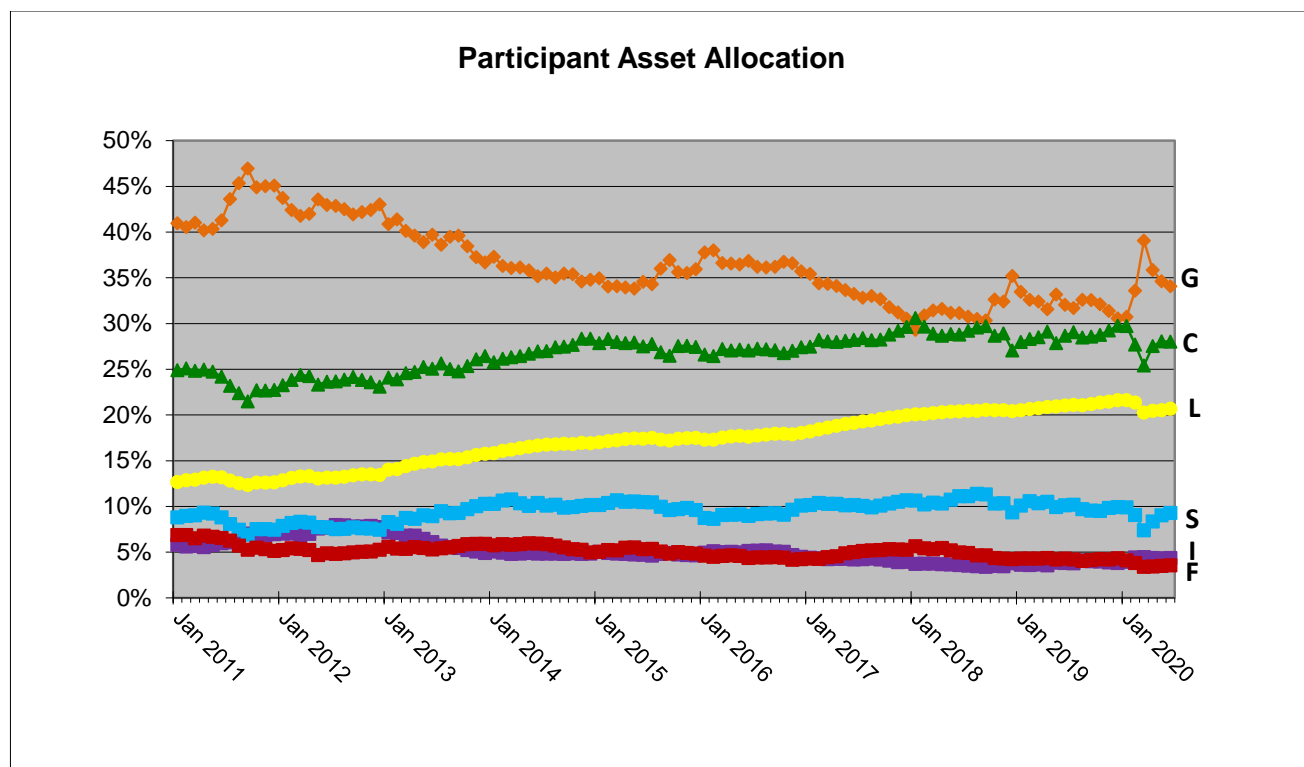
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund and the International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

Attachment 1



TSP Assets -- Participant Allocation (June 30, 2020)		
<u>Fund</u>	<u>Assets (Billion USD)</u>	<u>Percent</u>
G Fund	\$211.9	34.1%
F Fund	\$27.1	4.4%
C Fund	\$174.3	28.0%
S Fund	\$57.8	9.3%
I Fund	\$22.1	3.6%
L Funds	<u>\$128.5</u>	<u>20.7%</u>
Total	\$621.7	100%

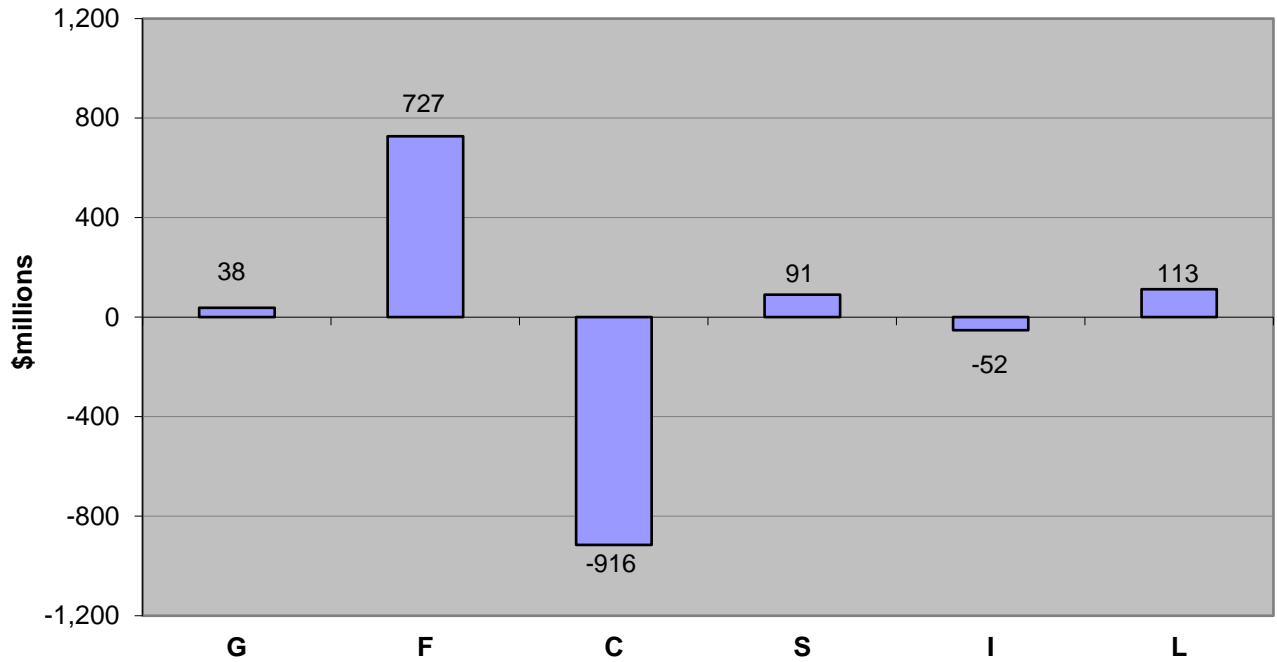
TSP Assets -- By Core Funds (June 30, 2020)		
<u>Fund</u>	<u>Assets (Billion USD)</u>	<u>Percent</u>
G Fund	\$257.2	41.4%
F Fund	\$36.2	5.8%
C Fund	\$211.7	34.1%
S Fund	\$68.8	11.1%
I Fund	<u>\$47.7</u>	<u>7.7%</u>
Total	\$621.7	100%

Components may not sum to totals because of rounding.

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY JUNE 2020

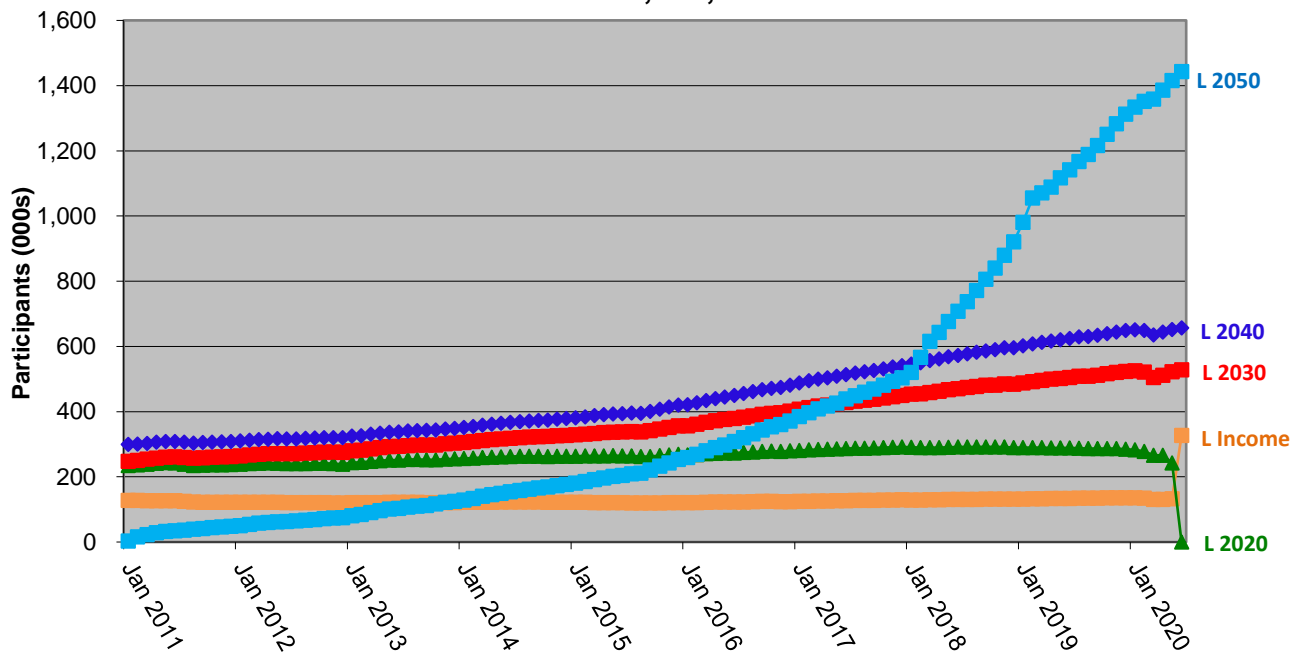
Attachment 1

Interfund Transfers June 2020

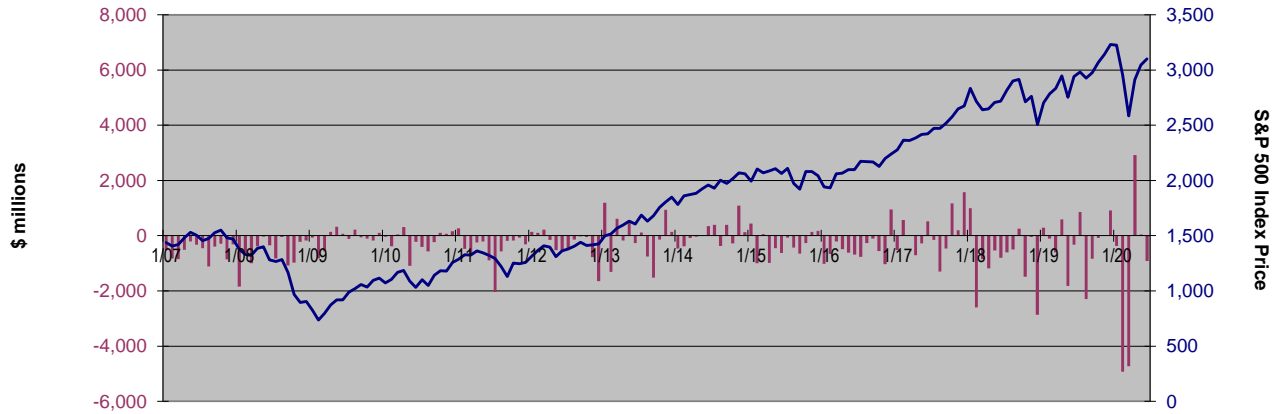


*Components may not sum to 0 because of rounding.

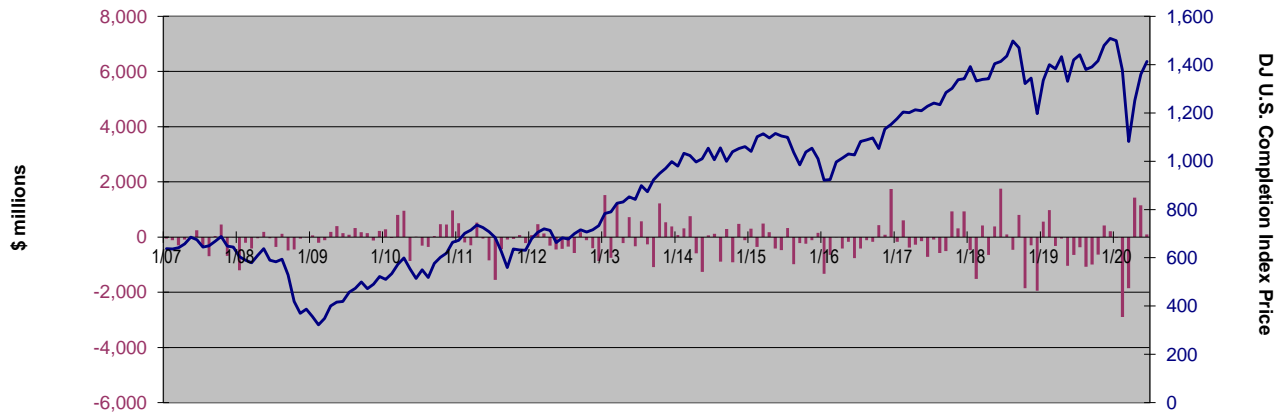
Number of L Fund Participants Total = 2,633,581



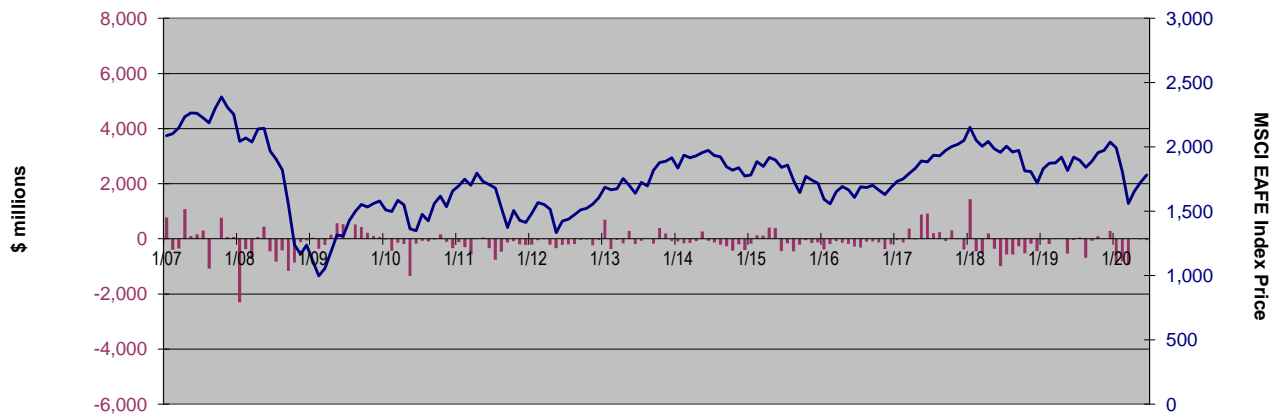
Monthly Interfund Transfers
C Fund



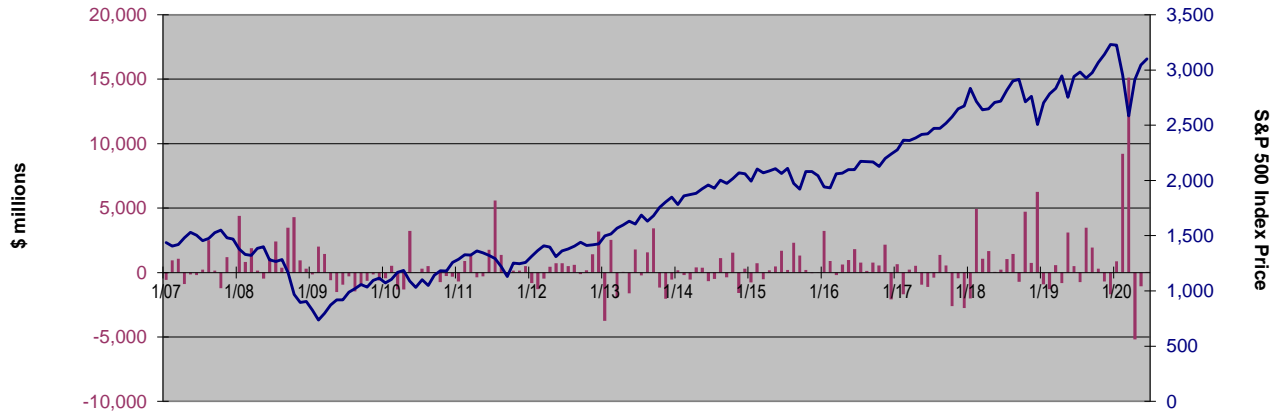
Monthly Interfund Transfers
S Fund



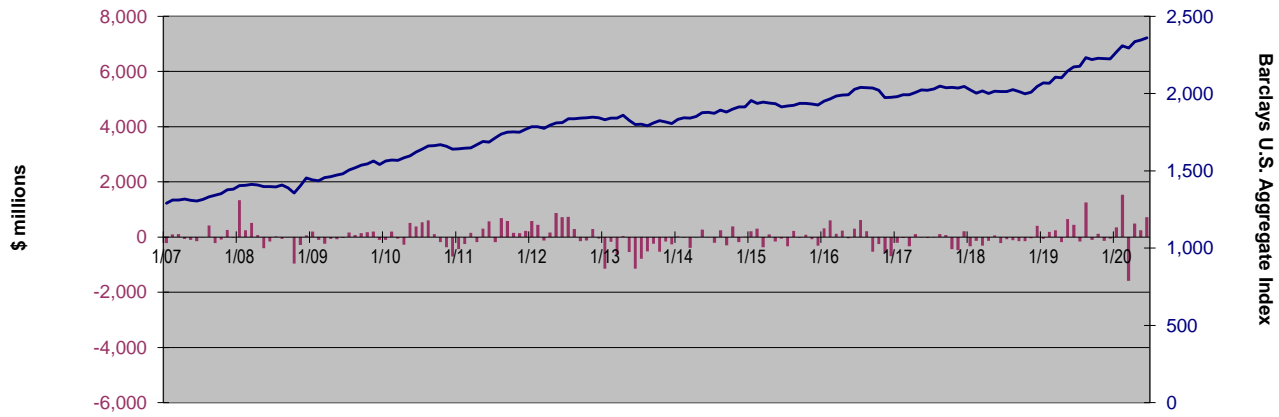
Monthly Interfund Transfers
I Fund



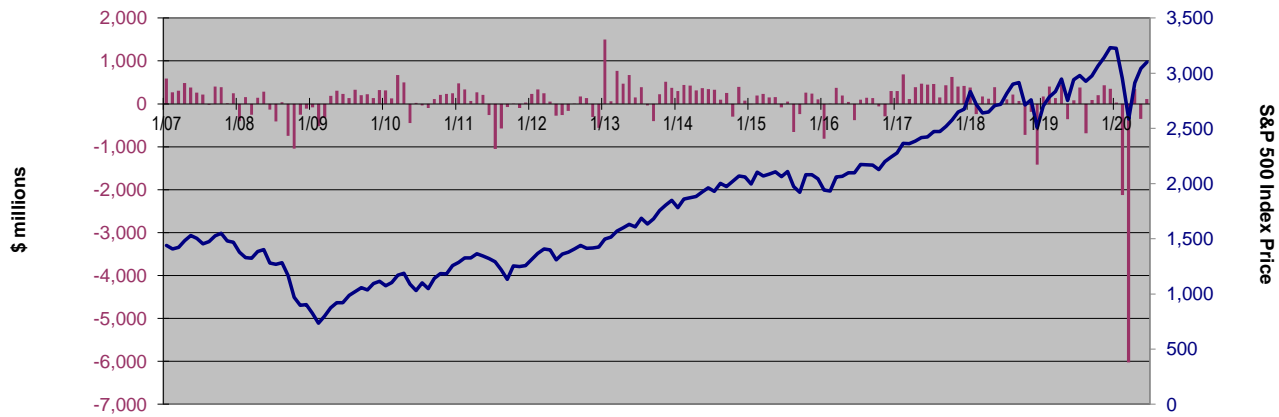
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund



Monthly Interfund Transfers
L Funds





April 14, 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 1st quarter of 2020. Our review found that there were no exceptions to policy over this period.

Best regards,

Fasil 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 1st quarter proxy voting for US meetings are as follows:

- Votes at 33 meetings were examined.
- Votes at 12 of the 33 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 21 remaining meetings, there were 44 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	7
Advisory vote on golden parachute compensation	2
Frequency vote on MSOP	7
Approve increase in common stock	2
Reverse stock split	5
Stock split	1
Approve voting of preferences shares	1
Issue shares for private placement	3
Approve merger agreement	2
Issue shares in connection with acquisition	1
Approve SPAC transaction	1
Adjourn meeting	7
Change board size	1
Change company name	1
Approve charter	1
Shareholder proposal	2
Total:	44

INSTITUTIONAL SHAREHOLDER SERVICES INC.

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Rockville, MD 20850

- There were 7 votes cast on executive stock plans:
 - a) 5 votes were cast in favor of the plans (71.4 percent);
 - b) 2 votes were cast against the plans (28.6 percent) due to the ability to reprice options without shareholder approval.
- There were 4 votes cast on mergers, acquisitions and/or major corporate transactions, including an issuance of shares pursuant to an acquisition and a SPAC transaction; the votes were cast in favor of the transactions.
- There were 2 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
- There were 2 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to report on water resource risk; the vote was cast against the proposal.
 - b) 1 shareholder proposal to report on human rights due diligence; the vote was cast against the proposal.
- There were 18 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 2 votes cast management advisory votes on golden parachute compensation:
 - a) 1 vote was cast in favor of the advisory vote (50 percent).
 - b) 1 vote was cast against the advisory vote (50 percent).

There were no exceptions to policy this period.