



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

October 9, 2020

MEMORANDUM FOR BOARD MEMBERS

JONES, BILYEU,
McCRAV, AND JASIEN

FROM: RAVINDRA DEO, EXECUTIVE DIRECTOR

SUBJECT: September 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 Fund participation.

RETURNS AND TRACKING ERROR

The tables below contain the monthly and year-to-date (YTD) returns and tracking errors for the separate accounts managed by BlackRock.

September 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	-0.05	-3.80	-2.99	-2.60
	BlackRock	-0.03	-3.80	-3.04	-2.59
	TSP Fund (Net)	-0.03	-3.80	-3.04	-2.60
Tracking Error vs Index (%)	BlackRock	0.02	0.00	-0.05	0.01
	TSP Fund	0.02	0.00	-0.05	0.00

BlackRock's performance for the F, C, and I Funds was in line with the Funds' respective indices for the month. Its performance for the S Fund lagged that of the Small Mid Cap Index by 5 basis points, primarily due to securities sampling.

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

2020 YTD 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	6.79	5.57	3.74	-7.09
	BlackRock	6.79	5.58	3.52	-6.76
	TSP Fund (Net)	6.75	5.50	3.45	-6.83
Tracking Error vs Index (%)	BlackRock	0.00	0.01	-0.22	0.33
	TSP Fund	-0.04	-0.07	-0.29	0.26

BlackRock's performance for the F and C Funds was in line with the Funds' respective indices for the year-to-date. Its performance for the S Fund lagged the Small Mid Cap Index by 22 basis points, primarily due to securities sampling and futures mistracking related to market volatility. BlackRock's performance was ahead of the International Index by 33 basis points, primarily due to tax advantage and futures mistracking.

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

TSP Net Returns (as of September 30, 2020)

	1-Year	3-Year	5-Year	10-Year
G Fund	1.21%	2.16%	2.12%	2.08%
F Fund	6.91%	5.28%	4.31%	3.86%
Bloomberg Barclays US Agg Bond Index	6.98%	5.24%	4.18%	3.64%
Tracking Error	-0.07%	0.04%	0.13%	0.22%
C Fund	15.05%	12.23%	14.13%	13.76%
S&P 500 Index	15.15%	12.28%	14.15%	13.74%
Tracking Error	-0.10%	-0.05%	-0.02%	0.02%
S Fund	12.60%	7.99%	11.27%	12.22%
Dow Jones US Completion TSM Index	12.93%	7.96%	11.08%	11.93%
Tracking Error	-0.33%	0.03%	0.19%	0.29%
I Fund	0.79%	0.99%	5.64%	4.97%
MSCI EAFE Index	0.49%	0.62%	5.26%	4.62%
Tracking Error	0.30%	0.37%	0.38%	0.35%
L Income Fund	3.79%	3.80%	4.22%	4.15%
L 2025 Fund*	N/A	N/A	N/A	N/A
L 2030 Fund	7.22%	6.16%	7.97%	8.14%
L 2035 Fund*	N/A	N/A	N/A	N/A
L 2040 Fund	8.17%	6.77%	8.91%	9.05%
L 2045 Fund*	N/A	N/A	N/A	N/A
L 2050 Fund**	8.92%	7.26%	9.73%	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 -- SECOND QUARTER 2020

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

CLASS ACTION SETTLEMENTS -- SECOND QUARTER 2020

BlackRock began the second quarter with fifty-seven open claims. One claim was opened in the C Fund and eleven claims were opened in the S Fund during the quarter. For the C Fund, one claim was closed due to Administrator action and one claim was settled for \$19,873. For the S Fund, two claims were closed due to Administrator action and four claims were settled for a total of \$150,565. Sixty-one claims remained open across the four funds at the end of the quarter. For the year, nineteen claims were settled for a total of \$641,117.

	<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	10	1	2	9	\$48,296
S Fund	44	11	6	49	\$592,821
I Fund	2	-	-	2	\$0
Total	57	12	8	61	\$641,117

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;

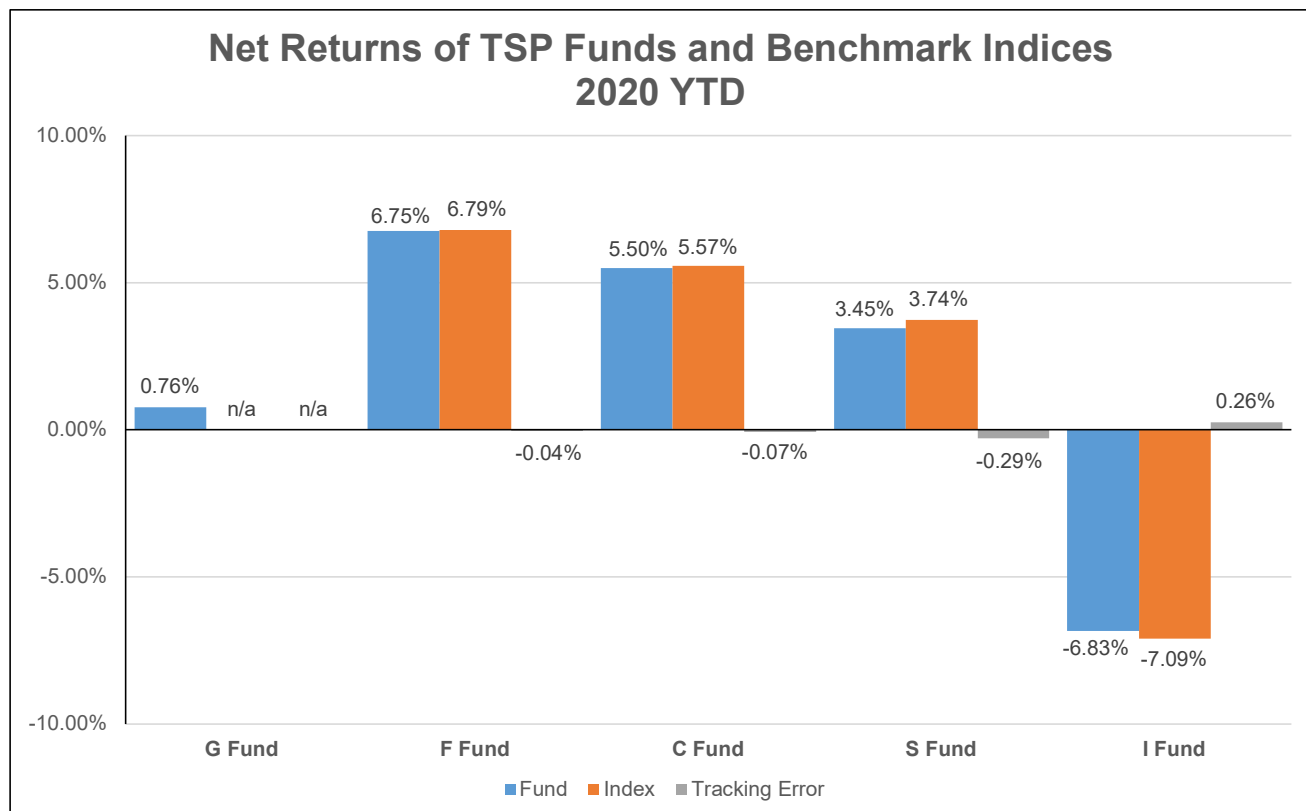
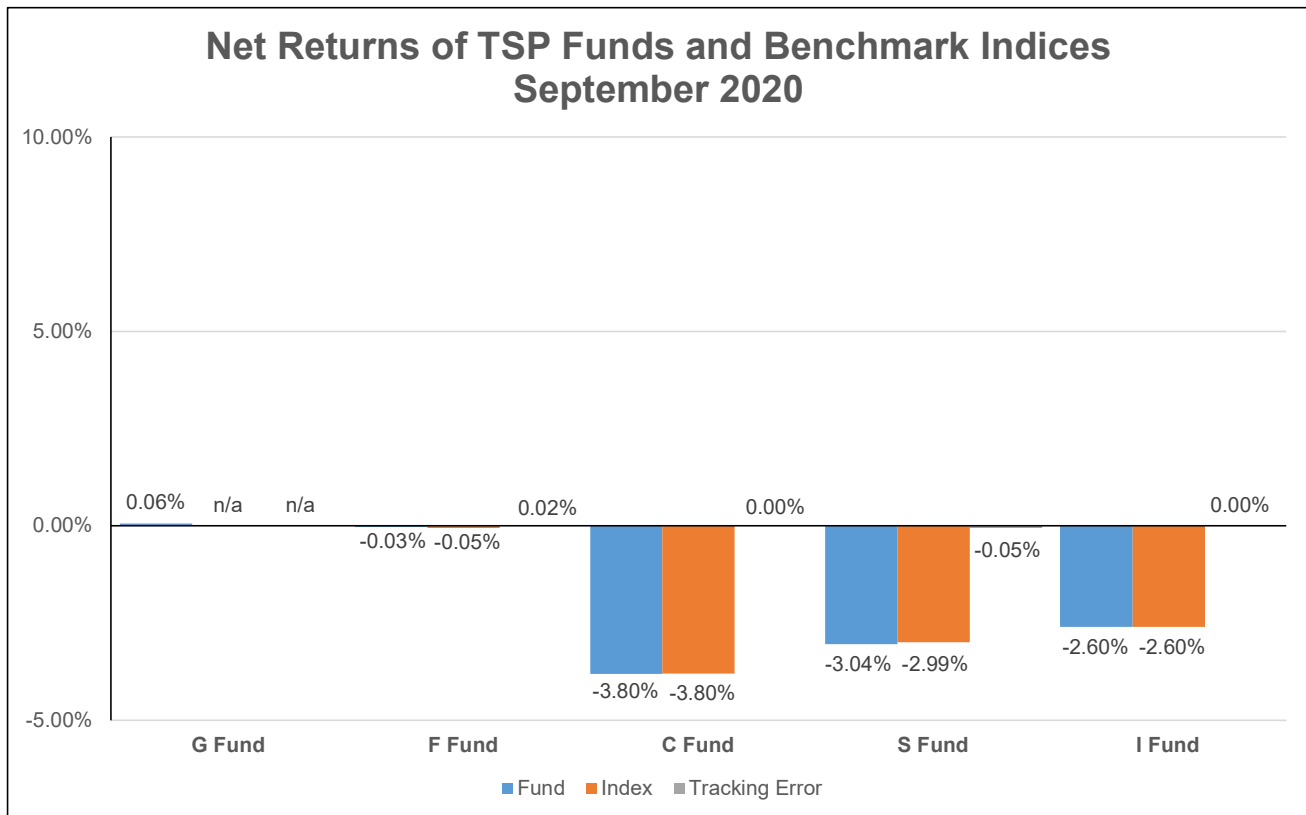
NOW THEREFORE BE IT RESOLVED that the current investment policies for the Government Securities Investment Fund, the Common Stock Index Investment Fund, the Fixed Income Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International Stock Index Investment Fund are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

Attachments

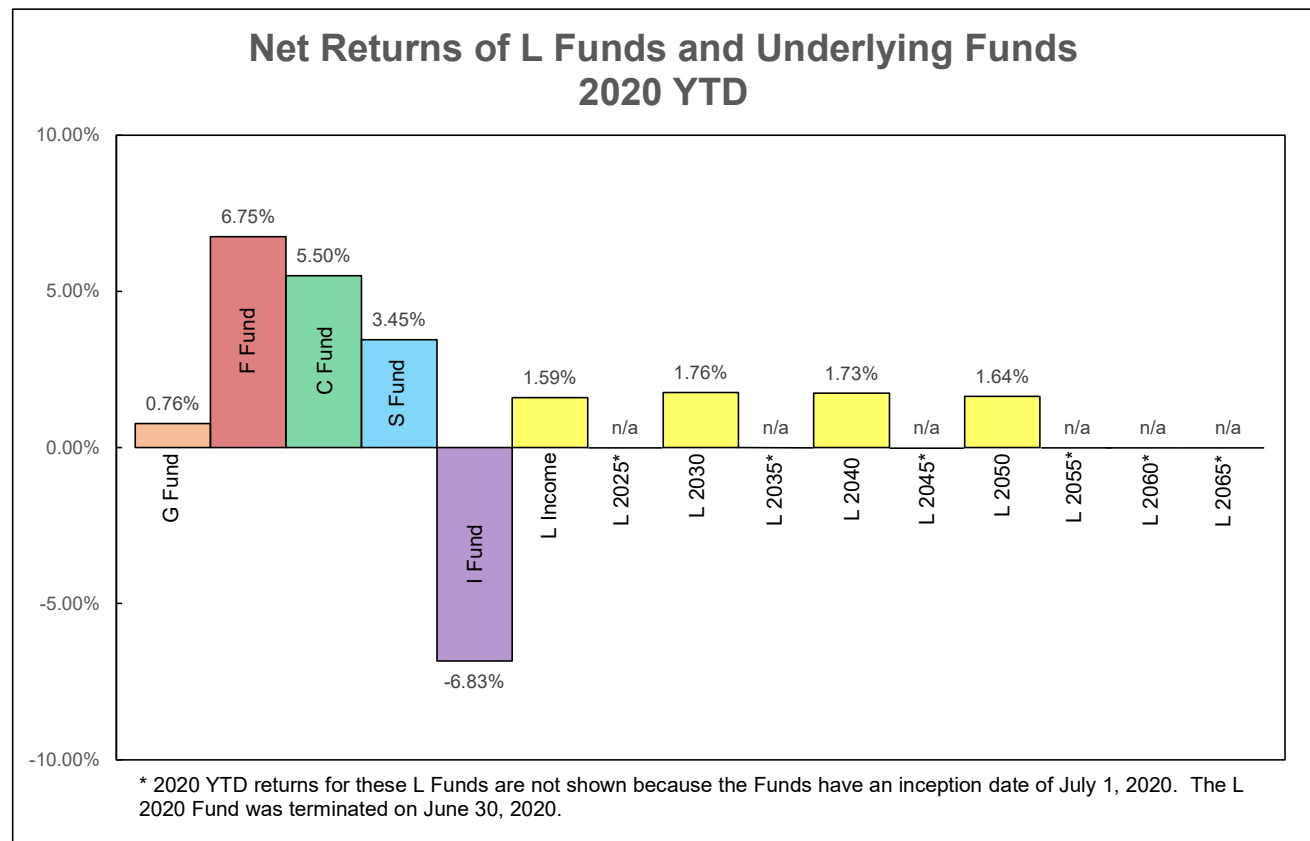
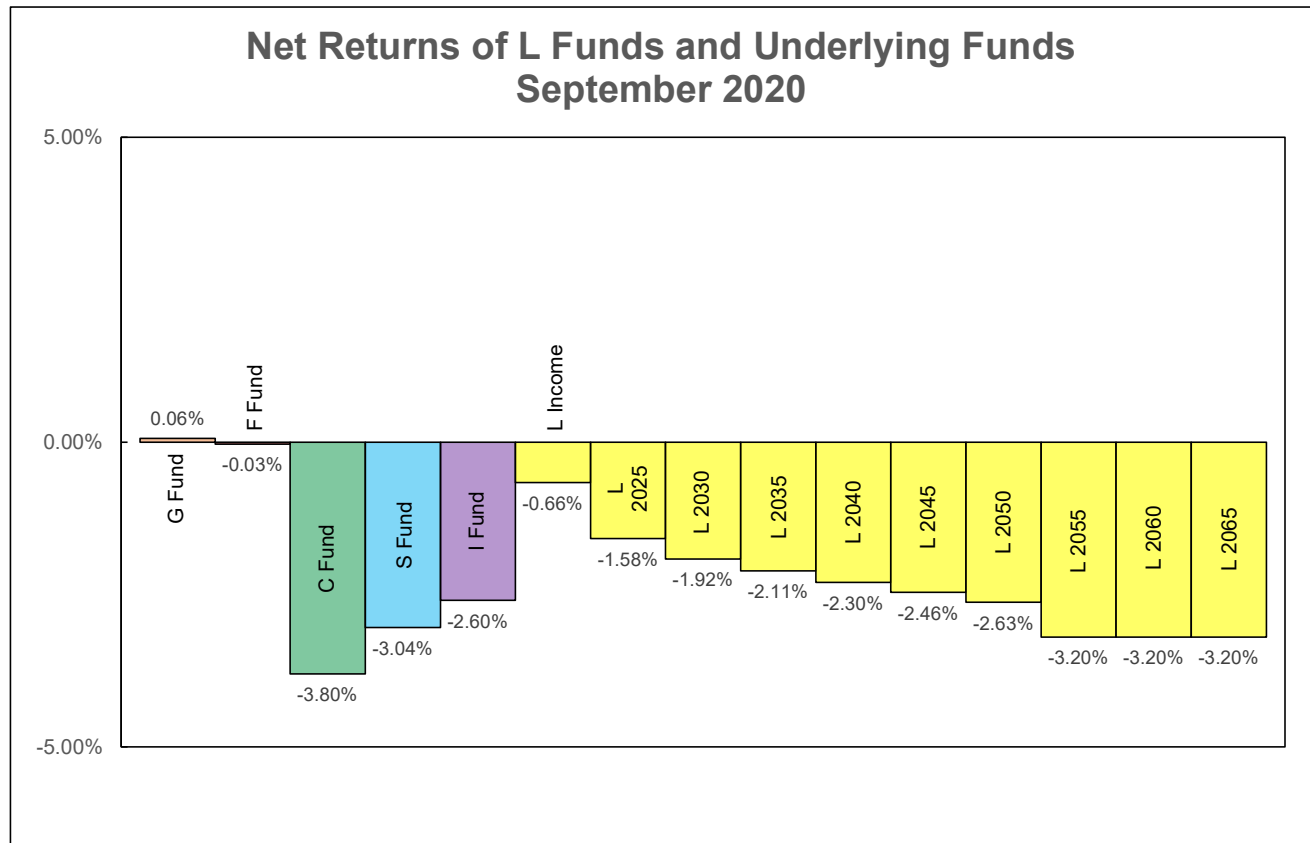
Attachment 1: Audit Report on BlackRock Proxy Voting in the Second Quarter of 2020

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.

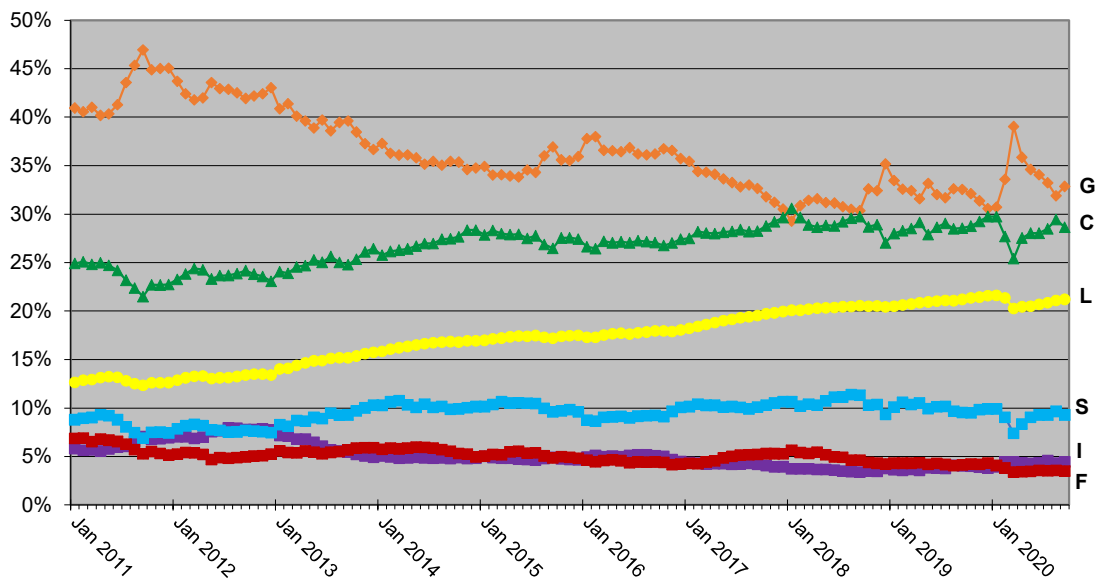


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History

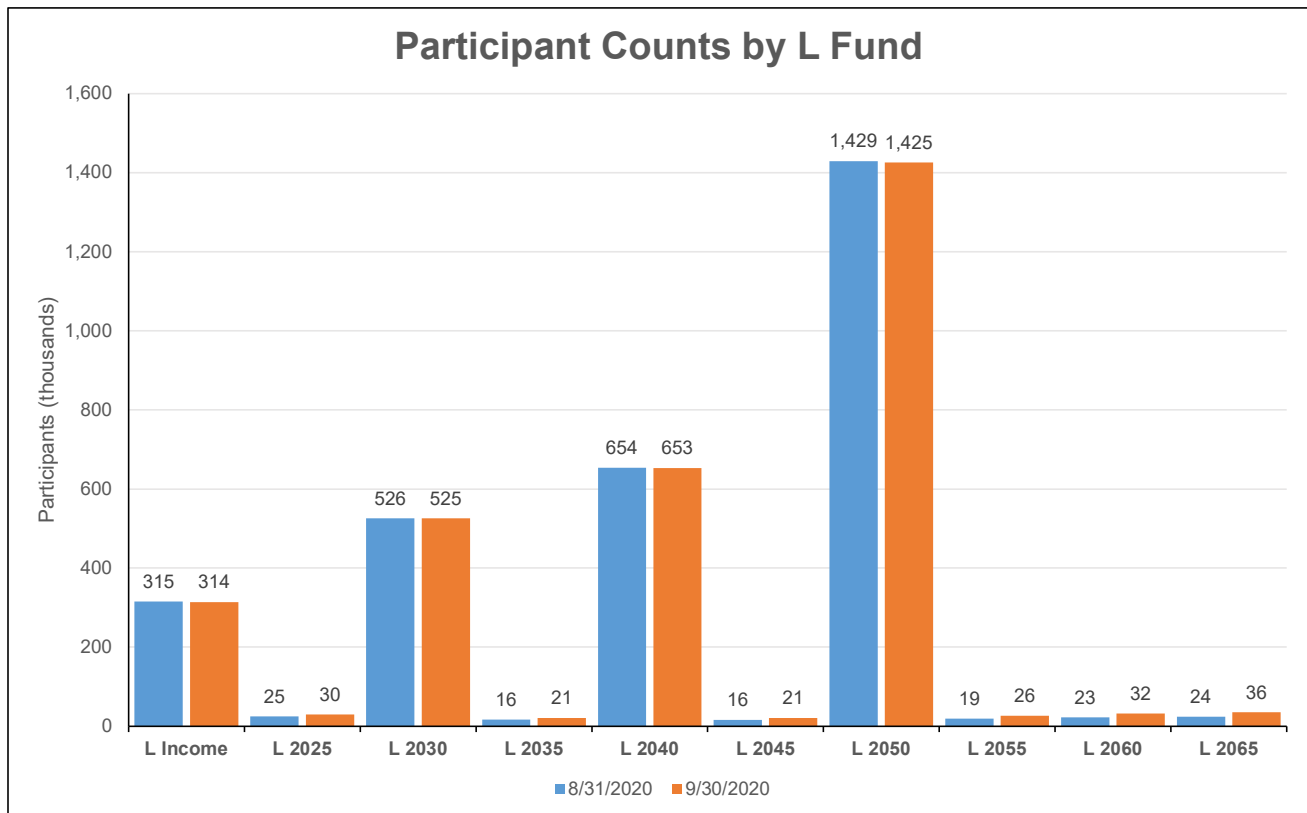
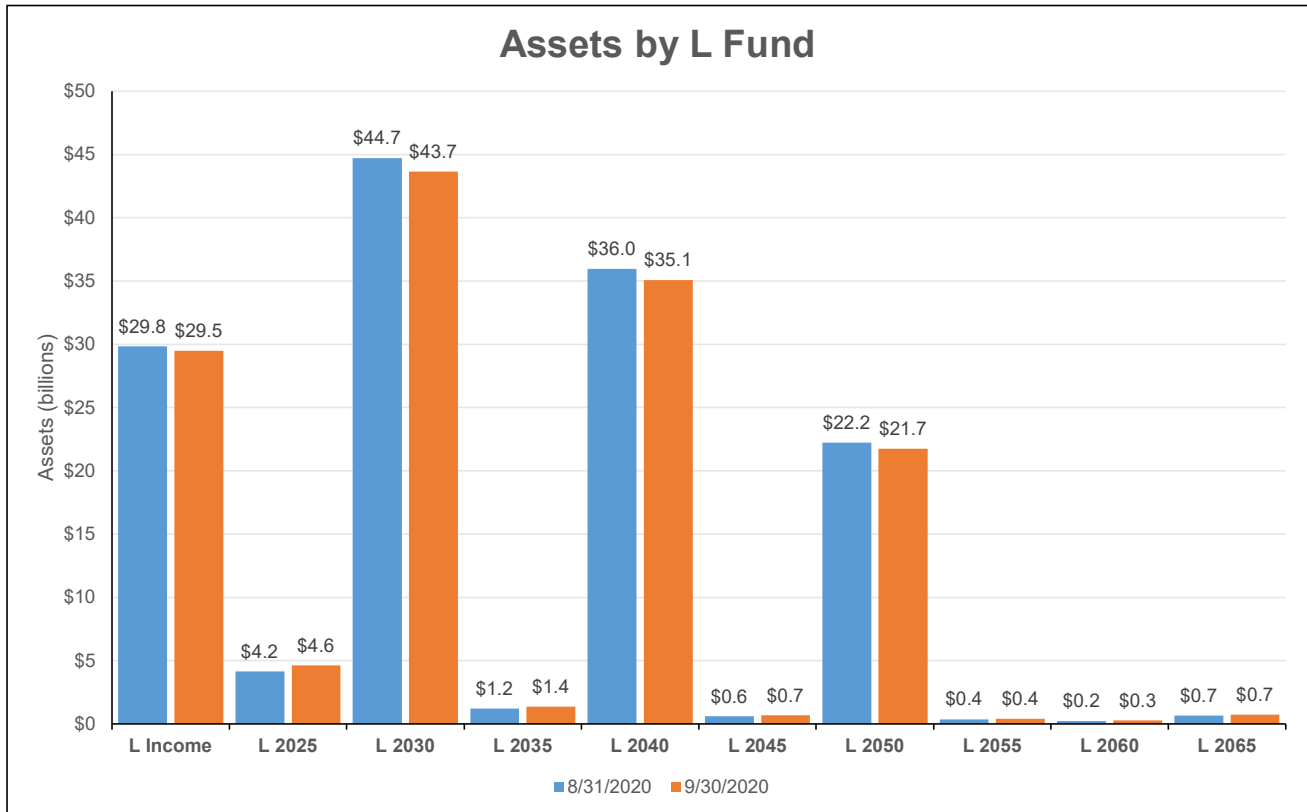


Asset Allocation as of September 30, 2020

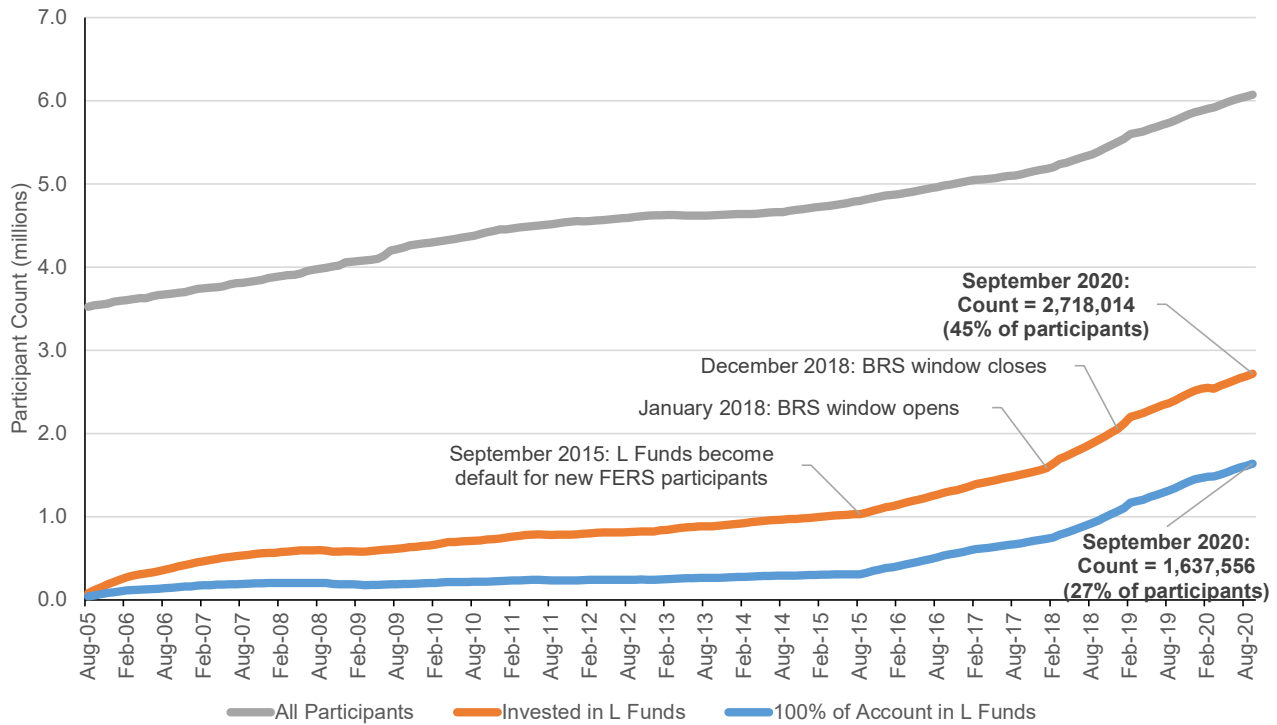
	<u>Participant Allocation</u>		<u>Core TSP Funds</u>	
	Assets (\$B)	Share of Total	Assets (\$B)	Share of Total
G Fund	\$214.3	32.9%	\$261.7	40.2%
F Fund	\$28.8	4.4%	\$38.5	5.9%
C Fund	\$186.5	28.6%	\$227.7	35.0%
S Fund	\$60.6	9.3%	\$72.4	11.1%
I Fund	\$22.8	3.5%	\$50.9	7.8%
<u>L Funds</u>	<u>\$138.1</u>	<u>21.2%</u>	<u>n/a</u>	<u>n/a</u>
Total	\$651.1	100%	\$651.1	100%

*Components may not sum to totals because of rounding.

Lifecycle (L) Funds

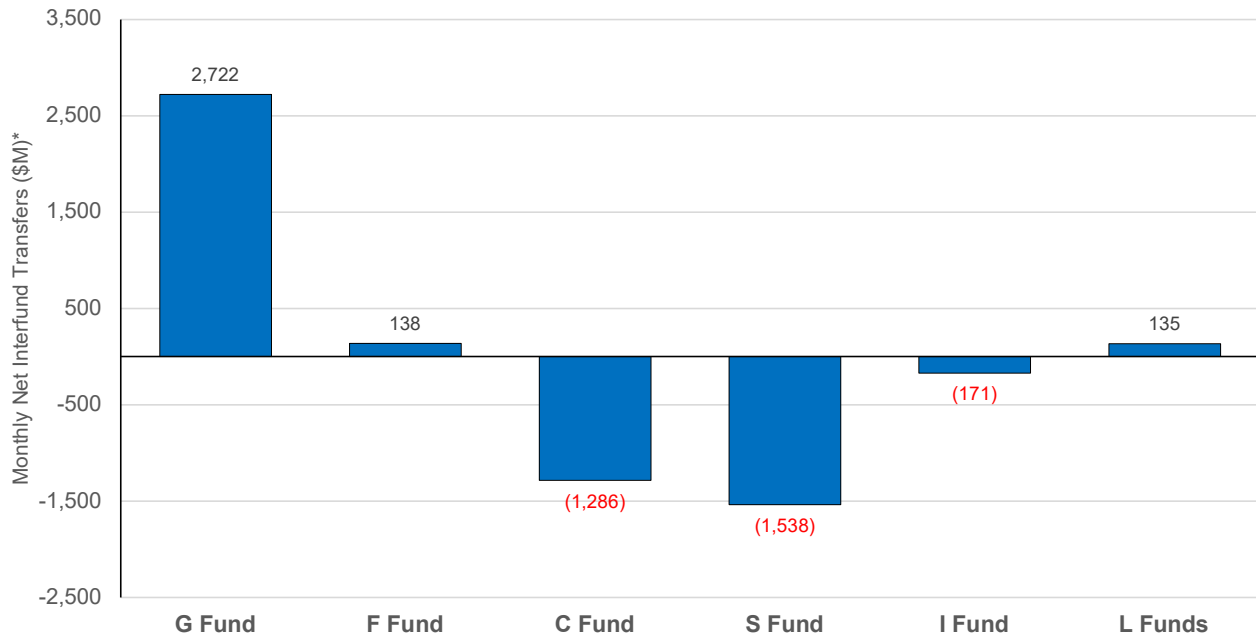


Participation History of the L Funds



Interfund Transfer Activity

Monthly Net Interfund Transfers September 2020



*Values may not sum to zero due to rounding



July 23, 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 2nd 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.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

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MEMORANDUM

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

- Votes at 279 meetings were examined.
- Votes at 173 of the 279 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 106 remaining meetings, there were 171 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	56
Non-executive stock plan	1
Employee share purchase plan	9
Section 162(m)	1
Option exchange program	2
Approve payment of bonuses	1
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	20
Reverse stock split	6
Increase authorized common stock	7
Reduce authorized common stock	1
Issue shares for private placement	1
Approve merger agreement	2
Issue shares in connection with merger	1
Approve formation of holding company	1
Adjourn meeting	6
Adopt shareholder rights plan	1
Declassify board of directors	10
Fix number of directors	1
Provide right to act by written consent	1
Provide right to call special meeting	2
Provide proxy access right	2
Eliminate supermajority vote requirements	4
Amend articles/bylaws	1
Amend certificate of incorporation	8
Other business	2
Shareholder proposal	21
Total:	171

INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

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- There were 56 votes cast on executive stock plans:
 - a) 50 votes were cast in favor of the plans (89.3 percent);
 - b) 6 votes were cast against the plans (10.7 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.) 3 plans were opposed solely due to the ability to reprice options without prior shareholder approval;
 - iii.) 2 plans were 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 9 votes cast on employee share purchase plans; the votes were cast in favor of the plans.
- There were 3 votes cast on mergers, acquisitions and/or major corporate transactions, including an issuance of shares pursuant to a merger agreement; the votes were cast in favor of the transactions.
- There were 7 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
- There were 21 votes cast on shareholder proposals which included:
 - a) 2 shareholder proposals to require independent board chairman; the votes were cast against the proposals.
 - b) 1 shareholder proposal to require majority vote for the election of directors; the vote was cast in favor of the proposal.
 - c) 1 shareholder proposal to report on non-management employee representation on the board of directors; the vote was cast against the proposal.
 - d) 1 shareholder proposal to adopt policy on board diversity; the vote was cast against the proposal.
 - e) 4 shareholder proposals to provide right to act by written consent; the votes were cast against the proposals.
 - f) 1 shareholder proposal to adopt simple majority vote; the vote was cast in favor of the proposal.
 - g) 2 shareholder proposals to require shareholder approval of bylaw amendments adopted by the board of directors; the votes were cast against the proposals.
 - h) 1 shareholder proposal to limit accelerate vesting of equity awards upon a change in control; the vote was cast in favor of the proposal.
 - i) 1 shareholder proposal to adopt policy to annually disclose EEO-1 data; the vote was cast against the proposal.
 - j) 1 shareholder proposal to engage an investment banking firm to effectuate spin-off of business unit; the vote was cast against the proposal.
 - k) 3 shareholder proposals to report on lobbying payments; the votes were cast against the proposals.
 - l) 1 shareholder proposal to report on integrating community impacts into executive compensation program; the vote was cast against the proposal.
 - m) 1 shareholder proposal to report on sustainability; the vote was cast in favor of the proposal.
 - n) 1 shareholder proposal to report on underage tobacco prevention policies; the vote was cast against the proposal.

- There were 214 votes cast on management advisory votes on executive compensation:
 - a) 208 votes were cast in favor of the advisory votes (97.2 percent);
 - b) 6 votes were cast against the advisory votes (2.8 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.