



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD  
1250 H Street, NW Washington, DC 20005

October 8, 2010

MEMORANDUM FOR BOARD MEMBERS SAUL, SANCHEZ, DUFFY,  
KENNEDY, AND BILYEU

FROM: GREGORY T. LONG  
EXECUTIVE DIRECTOR

A handwritten signature in black ink, appearing to be "GTL", written over the printed name of Gregory T. Long.

SUBJECT: September 2010 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 through September 2010, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

**TRACKING ERROR - BlackRock Funds (BTC)**

***September Tracking Error***

| <b><u>Fund</u></b> | <b><u>% BTC Fund<br/>Performance</u></b> | <b><u>% Index<br/>Performance</u></b> | <b><u>Tracking<br/>Error</u></b> |
|--------------------|--|---------------------------------------|----------------------------------|
| Fixed Income       | 0.17                                     | 0.11                                  | 0.06                             |
| Large Cap          | 8.93                                     | 8.92                                  | 0.01                             |
| Small Mid Cap      | 11.46                                    | 11.38                                 | 0.08                             |
| International      | 9.81                                     | 9.80                                  | 0.01                             |

***2010 Tracking Error***

| <b><u>Fund</u></b> | <b><u>% BTC Fund<br/>Performance</u></b> | <b><u>% Index<br/>Performance</u></b> | <b><u>Tracking<br/>Error</u></b> |
|--------------------|--|---------------------------------------|----------------------------------|
| Fixed Income       | 8.09                                     | 7.94                                  | 0.15                             |
| Large Cap          | 3.91                                     | 3.89                                  | 0.02                             |
| Small Mid Cap      | 11.67                                    | 11.37                                 | 0.30                             |
| International      | 1.26                                     | 1.07                                  | 0.19                             |

The **BlackRock US Debt Index Fund E** outperformed by 6 basis points in September and 15 basis points year to date primarily as a result of the optimization process. The **BlackRock Extended Equity Market Fund E** outperformed by 8 basis points in September and 30 basis points year to date primarily as a result of the optimization process. The **BlackRock EAFE Equity Index Fund E** outperformed by 19 basis points year to date primarily as a result of the tax effect.

**Trading Costs**

|                | <u>Dollar Amount Traded</u> | <u>Trading Costs</u> |                     |
|----------------|-----------------------------|----------------------|---------------------|
|                |                             | <u>\$</u>            | <u>Basis Points</u> |
| <u>F Fund</u>  |                             |                      |                     |
| September 2010 | 453,224,545                 | 174,313              | 3.8                 |
| Year-to-Date   | 3,840,870,358               | 2,094,804            | 5.5                 |
| <u>C Fund</u>  |                             |                      |                     |
| September 2010 | 522,064,901                 | (45,781)             | (0.9)               |
| Year-to-Date   | 7,757,387,312               | 453,517              | 0.6                 |
| <u>S Fund</u>  |                             |                      |                     |
| September 2010 | 281,640,645                 | 110,699              | 3.9                 |
| Year-to-Date   | 6,783,216,054               | 847,301              | 1.2                 |
| <u>I Fund</u>  |                             |                      |                     |
| September 2010 | 490,712,193                 | 172,273              | 3.5                 |
| Year-to-Date   | 5,903,986,012               | 10,277,323           | 17.4                |

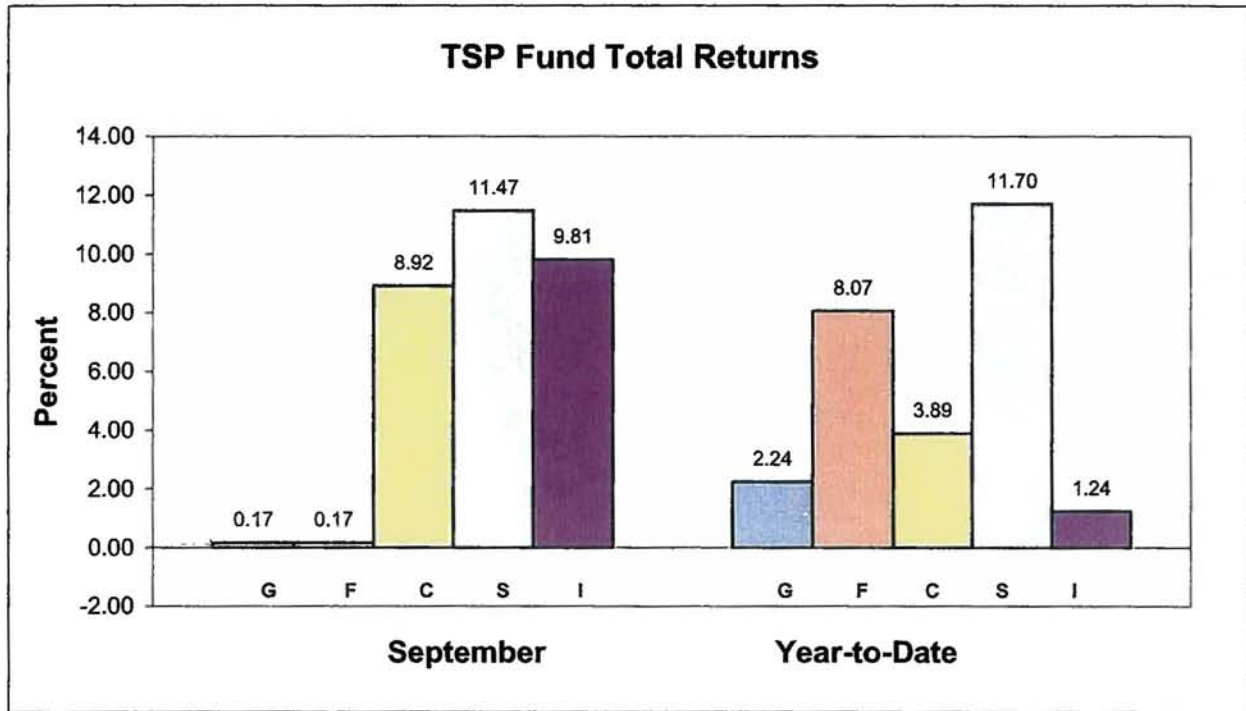
**G Fund**

The following table compares the G Fund rate to be paid in the month noted to the 3 month Treasury bill, the 10 year Treasury note and the 30 year Treasury bond at the time the rate was set.

|                    | <b><u>G Fund</u></b> | <b><u>3-month T-bill</u></b> | <b><u>10 year T-note</u></b> | <b><u>30 year T-bond</u></b> |
|--------------------|----------------------|------------------------------|------------------------------|------------------------------|
| <b><u>2010</u></b> |                      |                              |                              |                              |
| October            | 2.13%                | 0.16%                        | 2.51%                        | 3.69%                        |
| September          | 2.13                 | 0.14                         | 2.47                         | 3.52                         |
| August             | 2.50                 | 0.15                         | 2.91                         | 3.99                         |
| July               | 2.63                 | 0.17                         | 2.93                         | 3.89                         |
| June               | 2.88                 | 0.16                         | 3.29                         | 4.21                         |
| May                | 3.25                 | 0.16                         | 3.66                         | 4.52                         |
| April              | 3.38                 | 0.14                         | 3.83                         | 4.71                         |
| March              | 3.13                 | 0.13                         | 3.61                         | 4.56                         |
| February           | 3.13                 | 0.08                         | 3.59                         | 4.49                         |
| January            | 3.50                 | 0.08                         | 3.84                         | 4.64                         |
| <b><u>2009</u></b> |                      |                              |                              |                              |
| December           | 2.88                 | 0.05                         | 3.20                         | 4.19                         |
| November           | 3.13                 | 0.06                         | 3.39                         | 4.23                         |
| October            | 3.00                 | 0.08                         | 3.31                         | 4.05                         |
| September          | 3.25                 | 0.13                         | 3.40                         | 4.18                         |
| August             | 3.25                 | 0.18                         | 3.48                         | 4.30                         |
| July               | 3.25                 | 0.19                         | 3.54                         | 4.33                         |
| June               | 3.25                 | 0.14                         | 3.46                         | 4.34                         |
| May                | 2.88                 | 0.15                         | 3.12                         | 4.03                         |
| April              | 2.50                 | 0.20                         | 2.67                         | 3.54                         |
| March              | 2.88                 | 0.27                         | 3.02                         | 3.71                         |
| February           | 2.75                 | 0.13                         | 2.84                         | 3.60                         |
| January            | 2.13                 | 0.02                         | 2.21                         | 2.68                         |

### Performance of TSP Funds

The chart below shows the G, F, C, S, and I Fund net rates of return.



The table below compares the net rates of return for the F, C, S, and I Funds to the returns of the corresponding BlackRock funds.

#### **September 2010**

##### **Total Return %**

| <u>Fund</u>   | <u>TSP</u> | <u>BTC</u> | <u>Difference</u> | <u>Index</u> |
|---------------|------------|------------|-------------------|--------------|
| Fixed Income  | 0.17       | 0.17       | 0.00              | 0.11         |
| Large Cap     | 8.92       | 8.93       | -0.01             | 8.92         |
| Small Cap     | 11.47      | 11.46      | 0.01              | 11.38        |
| International | 9.81       | 9.81       | 0.00              | 9.80         |

#### **2010**

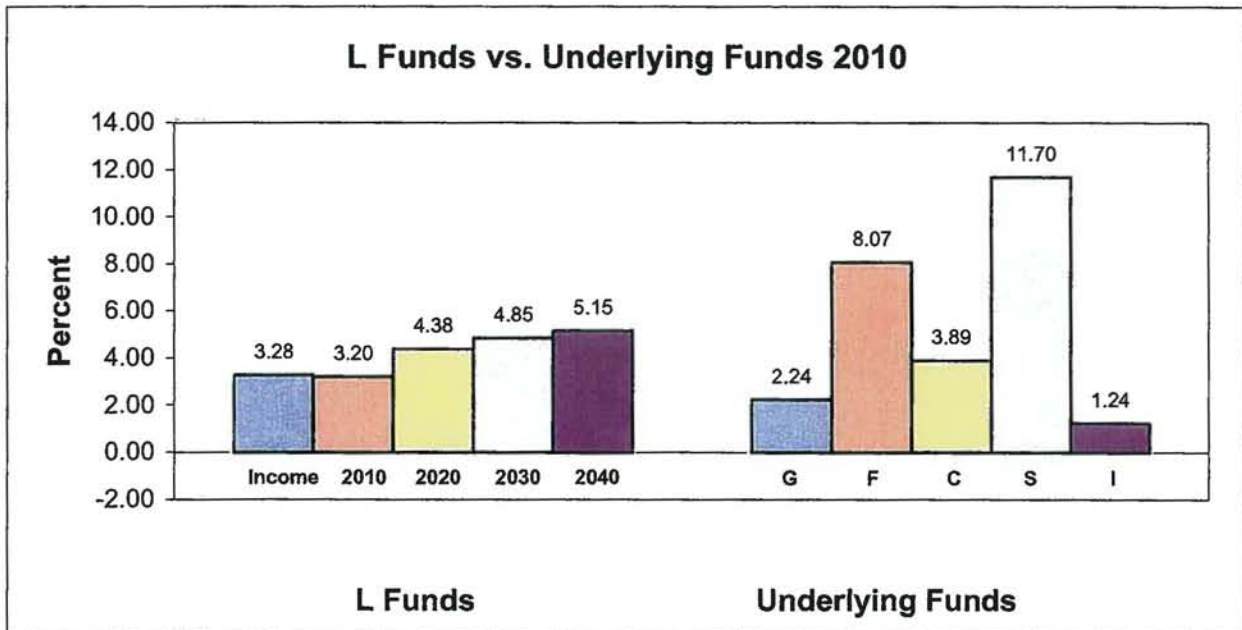
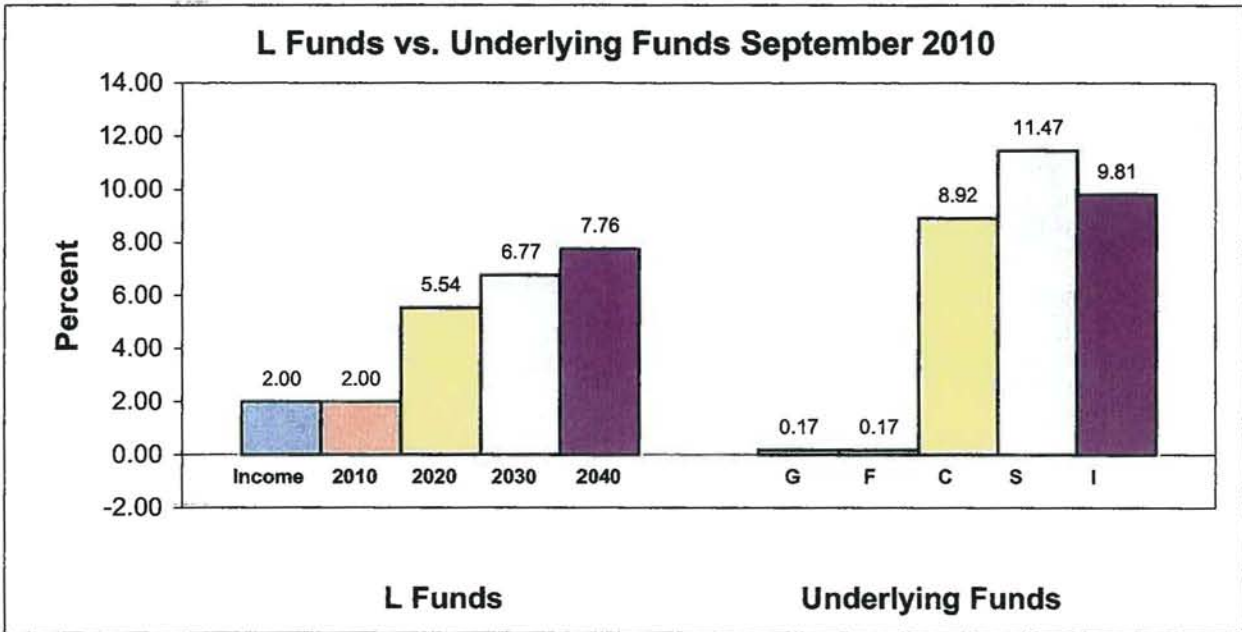
##### **Total Return %**

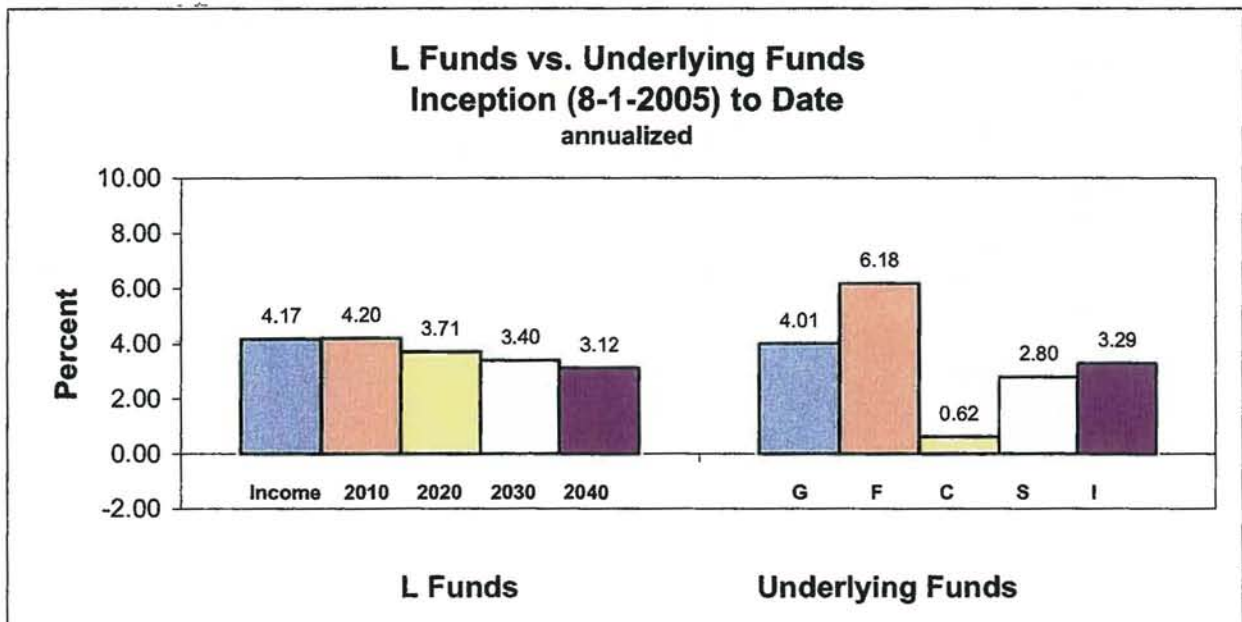
| <u>Fund</u>   | <u>TSP</u> | <u>BTC</u> | <u>Difference</u> | <u>Index</u> |
|---------------|------------|------------|-------------------|--------------|
| Fixed Income  | 8.07       | 8.09       | -0.02             | 7.94         |
| Large Cap     | 3.89       | 3.91       | -0.02             | 3.89         |
| Small Cap     | 11.70      | 11.67      | 0.03              | 11.37        |
| International | 1.24       | 1.26       | -0.02             | 1.07         |

The TSP Funds closely tracked the BTC Funds for the month and year-to-date.

### 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.

- Total investment balance in the L Funds exceeded \$30 billion in September. (p. 9)
- The number of participants with L Fund balances increased to 716,566. (p. 11)

#### **PROXY VOTING**

An audit of BTC's proxy votes voting conducted by RiskMetrics Group found no exceptions to BTC's established guidelines during the second quarter of 2010. A copy of the audit report is provided as Attachment 2. RiskMetrics' audit report for the third quarter of 2010 is not yet available.

## **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 BlackRock U.S. Debt Index Fund E, Equity Index Fund E, Extended Market Index Fund E, and EAFE Equity Index Fund E have tracked their respective indices and have incurred low trading costs. Based on the performance of these funds, and the F, C, S, and I Funds' performance discussed above, 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 that 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.

Attachment



**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**Contributions and Interfund Transfers**

|            | Monthly TSP Contributions |            |            |            |            |             |               | Interfund Transfer Activity |                |                |                |                |                 |           |
|------------|---------------------------|------------|------------|------------|------------|-------------|---------------|-----------------------------|----------------|----------------|----------------|----------------|-----------------|-----------|
| Month end  | G Fund (%)                | F Fund (%) | C Fund (%) | S Fund (%) | I Fund (%) | L Funds (%) | Total (\$Mil) | G Fund (\$Mil)              | F Fund (\$Mil) | C Fund (\$Mil) | S Fund (\$Mil) | I Fund (\$Mil) | L Funds (\$Mil) | # of IFTs |
| 12/31/2004 | 40%                       | 7%         | 39%        | 8%         | 6%         | N/A         | 1,560         | (637)                       | (1,550)        | (2,387)        | 1,515          | 3,059          | N/A             | 1,409,778 |
| 12/31/2005 | 36%                       | 6%         | 35%        | 9%         | 8%         | 6%          | 1,560         | (1,169)                     | (1,159)        | (7,602)        | 516            | 1,975          | 7,439           | 1,739,695 |
| 12/31/2006 | 33%                       | 5%         | 30%        | 9%         | 11%        | 11%         | 1,569         | (700)                       | (936)          | (7,149)        | (774)          | 3,704          | 5,855           | 2,112,668 |
| 12/31/2007 | 33%                       | 4%         | 27%        | 9%         | 13%        | 14%         | 1,619         | 3,073                       | 33             | (6,652)        | (1,505)        | 1,520          | 3,531           | 2,379,207 |
| 12/31/2008 | 43%                       | 4%         | 23%        | 7%         | 9%         | 13%         | 1,936         | 19,691                      | 349            | (7,573)        | (2,952)        | (6,791)        | (2,724)         | 1,637,711 |
| 1/31/2009  | 43%                       | 5%         | 22%        | 7%         | 9%         | 13%         | 1,706         | (155)                       | 200            | (71)           | 58             | 50             | (82)            | 95,683    |
| 2/28/2009  | 44%                       | 5%         | 22%        | 7%         | 9%         | 13%         | 1,749         | 2,011                       | (104)          | (819)          | (204)          | (366)          | (518)           | 121,203   |
| 3/31/2009  | 47%                       | 5%         | 21%        | 6%         | 8%         | 13%         | 1,757         | 1,449                       | (238)          | (565)          | (110)          | (218)          | (318)           | 160,299   |
| 4/30/2009  | 47%                       | 5%         | 21%        | 6%         | 8%         | 13%         | 2,091         | (602)                       | (62)           | 143            | 185            | 148            | 188             | 92,651    |
| 5/31/2009  | 46%                       | 5%         | 21%        | 7%         | 8%         | 13%         | 1,837         | (1,507)                     | (80)           | 320            | 394            | 567            | 306             | 95,675    |
| 6/30/2009  | 45%                       | 5%         | 22%        | 7%         | 8%         | 13%         | 2,097         | (948)                       | (36)           | 74             | 143            | 533            | 234             | 90,730    |
| 7/31/2009  | 45%                       | 5%         | 21%        | 7%         | 8%         | 13%         | 1,774         | (288)                       | 166            | (120)          | 82             | 27             | 133             | 89,172    |
| 8/31/2009  | 45%                       | 5%         | 21%        | 7%         | 9%         | 14%         | 1,768         | (1,462)                     | 68             | 218            | 323            | 525            | 328             | 112,852   |
| 9/30/2009  | 45%                       | 5%         | 21%        | 7%         | 9%         | 14%         | 1,907         | (894)                       | 142            | (61)           | 174            | 433            | 206             | 101,509   |
| 10/31/2009 | 44%                       | 5%         | 21%        | 7%         | 9%         | 14%         | 2,117         | (658)                       | 172            | (104)          | 143            | 221            | 226             | 107,237   |
| 11/30/2009 | 43%                       | 5%         | 21%        | 7%         | 9%         | 14%         | 1,847         | (150)                       | 201            | (172)          | (119)          | 104            | 136             | 89,240    |
| 12/31/2009 | 43%                       | 5%         | 21%        | 7%         | 9%         | 15%         | 2,019         | (614)                       | (99)           | 106            | 225            | 63             | 319             | 81,386    |
| 1/31/2010  | 43%                       | 5%         | 21%        | 7%         | 9%         | 15%         | 1,818         | (439)                       | (104)          | (31)           | 276            | (19)           | 317             | 106,109   |
| 2/28/2010  | 42%                       | 5%         | 21%        | 7%         | 9%         | 15%         | 1,862         | 518                         | 200            | (379)          | (34)           | (431)          | 126             | 93,229    |
| 3/31/2010  | 42%                       | 5%         | 21%        | 8%         | 9%         | 15%         | 1,900         | (1,317)                     | (56)           | 51             | 799            | (146)          | 669             | 120,856   |
| 4/30/2010  | 42%                       | 5%         | 21%        | 8%         | 9%         | 16%         | 2,366         | (1,310)                     | (277)          | 316            | 958            | (186)          | 499             | 125,817   |
| 5/31/2010  | 41%                       | 5%         | 21%        | 8%         | 9%         | 16%         | 1,977         | 3,228                       | 512            | (1,085)        | (865)          | (1,345)        | (445)           | 165,061   |
| 6/30/2010  | 41%                       | 5%         | 21%        | 8%         | 9%         | 16%         | 2,175         | (15)                        | 382            | (224)          | 12             | (175)          | 20              | 90,660    |
| 7/31/2010  | 42%                       | 5%         | 20%        | 8%         | 8%         | 16%         | 1,897         | 291                         | 532            | (408)          | (312)          | (65)           | (38)            | 97,944    |
| 8/31/2010  | 42%                       | 5%         | 20%        | 8%         | 8%         | 16%         | 1,895         | 506                         | 601            | (566)          | (354)          | (92)           | (95)            | 96,986    |
| 9/30/2010  | 42%                       | 5%         | 20%        | 8%         | 8%         | 16%         | 2,159         | (5)                         | 112            | (234)          | 34             | (20)           | 113             | 87,245    |



**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**L Fund Investment Balances and Investment Allocations**

| Month end  | L Fund Investment Balances |              |              |              |              |               | Allocation of L Fund Balances       |                                     |   |
|------------|----------------------------|--------------|--------------|--------------|--------------|---------------|-------------------------------------|-------------------------------------|---|
|            | Income (\$Mil)             | 2010 (\$Mil) | 2020 (\$Mil) | 2030 (\$Mil) | 2040 (\$Mil) | Total (\$Mil) | FERS (%)<br>Inc/2010/2020/2030/2040 | CSRS (%)<br>Inc/2010/2020/2030/2040 | Uniformed Services (%)<br>Inc/2010/2020/2030/2040 |
| 12/31/2005 | 542                        | 2,235        | 3,092        | 1,362        | 664          | 7,895         | 6 / 24 / 41 / 20 / 9                | 13 / 50 / 30 / 4 / 3                | 2 / 8 / 23 / 36 / 31                              |
| 12/31/2006 | 917                        | 4,081        | 6,418        | 3,335        | 2,126        | 16,877        | 4 / 21 / 40 / 22 / 13               | 11 / 45 / 32 / 6 / 6                | 2 / 7 / 22 / 35 / 34                              |
| 12/31/2007 | 1,237                      | 5,326        | 8,801        | 4,970        | 3,547        | 23,881        | 4 / 19 / 39 / 23 / 15               | 10 / 42 / 34 / 7 / 7                | 2 / 6 / 21 / 34 / 37                              |
| 12/31/2008 | 968                        | 4,001        | 6,593        | 4,031        | 2,725        | 18,318        | 5 / 19 / 37 / 24 / 15               | 11 / 44 / 33 / 7 / 5                | 2 / 7 / 20 / 34 / 37                              |
| 1/31/2009  | 936                        | 3,874        | 6,257        | 3,817        | 2,571        | 17,455        | 5 / 19 / 37 / 24 / 15               | 11 / 45 / 33 / 6 / 5                | 2 / 7 / 20 / 34 / 37                              |
| 2/28/2009  | 882                        | 3,606        | 5,731        | 3,529        | 2,365        | 16,113        | 5 / 19 / 37 / 24 / 15               | 11 / 45 / 33 / 6 / 5                | 2 / 7 / 20 / 34 / 37                              |
| 3/31/2009  | 884                        | 3,580        | 5,959        | 3,777        | 2,571        | 16,771        | 4 / 19 / 38 / 24 / 15               | 11 / 45 / 33 / 6 / 5                | 2 / 7 / 20 / 34 / 37                              |
| 4/30/2009  | 913                        | 3,741        | 6,526        | 4,207        | 2,912        | 18,299        | 4 / 18 / 37 / 25 / 16               | 11 / 43 / 33 / 7 / 6                | 2 / 6 / 19 / 34 / 39                              |
| 5/31/2009  | 953                        | 3,905        | 7,022        | 4,564        | 3,200        | 19,644        | 4 / 17 / 38 / 25 / 16               | 11 / 42 / 34 / 7 / 6                | 2 / 6 / 19 / 34 / 39                              |
| 6/30/2009  | 976                        | 3,959        | 7,207        | 4,691        | 3,311        | 20,144        | 4 / 17 / 38 / 25 / 16               | 11 / 42 / 34 / 7 / 6                | 2 / 6 / 19 / 34 / 39                              |
| 7/31/2009  | 1,007                      | 4,094        | 7,714        | 5,069        | 3,615        | 21,499        | 4 / 17 / 37 / 25 / 17               | 10 / 42 / 35 / 7 / 6                | 2 / 6 / 19 / 34 / 39                              |
| 8/31/2009  | 1,040                      | 4,199        | 8,135        | 5,347        | 3,852        | 22,573        | 4 / 16 / 37 / 26 / 17               | 10 / 41 / 36 / 7 / 6                | 2 / 6 / 19 / 34 / 39                              |
| 9/30/2009  | 1,081                      | 4,283        | 8,500        | 5,635        | 4,090        | 23,589        | 4 / 16 / 37 / 26 / 17               | 10 / 41 / 36 / 7 / 6                | 2 / 5 / 19 / 34 / 40                              |
| 10/31/2009 | 1,118                      | 4,317        | 8,545        | 5,659        | 4,092        | 23,731        | 4 / 16 / 37 / 26 / 17               | 10 / 41 / 36 / 7 / 6                | 2 / 5 / 19 / 34 / 40                              |
| 11/30/2009 | 1,151                      | 4,410        | 8,945        | 5,960        | 4,337        | 24,803        | 4 / 15 / 38 / 26 / 17               | 10 / 40 / 37 / 7 / 6                | 2 / 5 / 19 / 34 / 40                              |
| 12/31/2009 | 1,205                      | 4,479        | 9,290        | 6,219        | 4,558        | 25,751        | 4 / 15 / 37 / 26 / 18               | 11 / 39 / 36 / 8 / 6                | 2 / 5 / 19 / 34 / 40                              |
| 1/31/2010  | 1,250                      | 4,467        | 9,310        | 6,197        | 4,534        | 25,758        | 4 / 15 / 38 / 26 / 17               | 11 / 38 / 37 / 8 / 6                | 2 / 5 / 19 / 34 / 40                              |
| 2/28/2010  | 1,275                      | 4,511        | 9,585        | 6,449        | 4,705        | 26,525        | 4 / 15 / 37 / 26 / 18               | 11 / 38 / 37 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 3/31/2010  | 1,374                      | 4,646        | 10,317       | 6,964        | 5,113        | 28,414        | 4 / 14 / 38 / 26 / 18               | 11 / 37 / 38 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 4/30/2010  | 1,439                      | 4,673        | 10,727       | 7,247        | 5,344        | 29,430        | 4 / 14 / 38 / 26 / 18               | 11 / 36 / 39 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 5/31/2010  | 1,381                      | 4,533        | 10,093       | 6,819        | 4,950        | 27,776        | 4 / 14 / 38 / 26 / 18               | 11 / 37 / 38 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 6/30/2010  | 1,374                      | 4,521        | 9,938        | 6,724        | 4,867        | 27,424        | 4 / 14 / 38 / 26 / 18               | 12 / 37 / 37 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 7/31/2010  | 1,392                      | 4,610        | 10,468       | 7,205        | 5,256        | 28,931        | 4 / 14 / 37 / 27 / 18               | 11 / 36 / 39 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 8/31/2010  | 1,378                      | 4,577        | 10,258       | 7,046        | 5,142        | 28,401        | 4 / 14 / 37 / 27 / 18               | 11 / 37 / 38 / 8 / 6                | 2 / 5 / 18 / 34 / 41                              |
| 9/30/2010  | 1,426                      | 4,645        | 10,988       | 7,664        | 5,651        | 30,374        | 4 / 13 / 37 / 27 / 19               | 11 / 36 / 39 / 8 / 6                | 2 / 4 / 18 / 34 / 42                              |

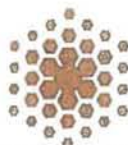
**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**

**Allocation of Account Balances**

| Month end  | Number of TSP Participants<br>with Entire Account Balance Invested in One Lifecycle Fund |    |        |    |                    |    | Allocation of Account Balances (G/F/C/S/I/L Fund) |               |                        |
|------------|--|----|--------|----|--------------------|----|---|---------------|------------------------|
|            | FERS   |    | CSRS   |    | Uniformed Services |    | FERS (%)  | CSRS (%)      | Uniformed Services (%) |
|            | #  | %  | #      | %  | #                  | %  | (G/F/C/S/I/L)                                     | (G/F/C/S/I/L) | (G/F/C/S/I/L)          |
| 12/31/2004 | -  | -  | -      | -  | -                  | -  | 37/7/44/7/5/-                                     | 43/6/42/5/4/- | 49/6/23/14/8/-         |
| 12/31/2005 | 55,386   | 2% | 17,220 | 2% | 14,404             | 2% | 35/6/39/8/7/5                                     | 40/6/38/6/6/4 | 44/5/21/15/10/5        |
| 12/31/2006 | 94,323   | 4% | 25,860 | 4% | 30,921             | 4% | 32/5/36/8/10/9                                    | 38/5/35/6/8/8 | 38/4/20/14/13/11       |
| 12/31/2007 | 116,157  | 5% | 28,753 | 5% | 40,046             | 5% | 32/5/33/7/12/11                                   | 39/5/32/6/9/9 | 36/4/18/13/15/14       |
| 12/31/2008 | 108,130  | 4% | 21,470 | 4% | 42,267             | 5% | 50/7/22/5/6/10                                    | 58/6/21/3/4/8 | 48/5/14/9/10/14        |
| 1/31/2009  | 107,944  | 4% | 21,032 | 4% | 42,344             | 5% | 53/7/22/4/5/9                                     | 60/6/19/3/4/8 | 50/5/13/9/9/14         |
| 2/28/2009  | 105,490  | 4% | 19,855 | 3% | 42,133             | 4% | 56/7/19/4/5/9                                     | 62/7/18/3/3/7 | 53/5/12/8/9/13         |
| 3/31/2009  | 102,689  | 4% | 18,823 | 3% | 41,884             | 4% | 55/7/20/4/5/9                                     | 63/6/18/3/3/7 | 50/5/13/9/9/14         |
| 4/30/2009  | 103,465  | 4% | 18,839 | 3% | 41,888             | 4% | 53/6/22/5/5/9                                     | 60/6/20/3/4/7 | 48/5/13/10/10/14       |
| 5/31/2009  | 104,877  | 4% | 18,995 | 3% | 42,056             | 4% | 51/6/22/5/6/10                                    | 59/6/20/4/4/7 | 46/5/13/10/11/15       |
| 6/30/2009  | 106,146  | 4% | 19,152 | 3% | 42,279             | 4% | 50/6/22/5/7/10                                    | 57/6/20/4/5/8 | 45/5/14/10/11/15       |
| 7/31/2009  | 107,596  | 4% | 19,281 | 3% | 42,386             | 4% | 48/6/23/6/7/10                                    | 56/6/21/4/5/8 | 45/4/14/10/11/16       |
| 8/31/2009  | 110,025  | 4% | 19,513 | 3% | 42,730             | 4% | 47/6/24/6/7/10                                    | 55/6/22/4/5/8 | 43/4/14/11/12/16       |
| 9/30/2009  | 111,413  | 4% | 19,650 | 3% | 42,983             | 4% | 45/6/24/6/8/11                                    | 53/6/23/4/6/8 | 43/4/14/11/12/16       |
| 10/31/2009 | 113,061  | 4% | 19,823 | 3% | 43,248             | 4% | 45/6/24/6/8/11                                    | 54/6/22/4/6/8 | 44/4/14/10/12/16       |
| 11/30/2009 | 114,474  | 4% | 19,897 | 4% | 43,502             | 4% | 44/6/25/6/8/11                                    | 53/6/23/4/6/8 | 42/4/15/11/12/16       |
| 12/31/2009 | 116,137  | 4% | 20,090 | 4% | 43,720             | 4% | 44/6/25/6/8/11                                    | 53/6/23/4/6/8 | 42/4/15/11/12/16       |
| 1/31/2010  | 118,281  | 4% | 20,351 | 4% | 44,205             | 4% | 45/6/24/6/8/11                                    | 52/6/23/5/6/8 | 43/4/15/11/11/16       |
| 2/28/2010  | 119,943  | 4% | 20,445 | 4% | 44,599             | 4% | 44/6/25/7/7/11                                    | 52/6/23/5/5/9 | 43/4/15/11/11/16       |
| 3/31/2010  | 123,912  | 5% | 21,145 | 4% | 45,460             | 4% | 42/6/25/7/8/12                                    | 49/6/24/6/6/9 | 41/4/15/12/11/17       |
| 4/30/2010  | 126,152  | 5% | 21,536 | 4% | 45,889             | 4% | 41/6/26/8/7/12                                    | 50/6/24/6/5/9 | 41/4/15/12/11/17       |
| 5/31/2010  | 125,730  | 5% | 21,106 | 4% | 46,075             | 4% | 45/6/24/7/6/12                                    | 52/6/23/6/4/9 | 42/5/14/12/10/17       |
| 6/30/2010  | 126,459  | 5% | 21,035 | 4% | 46,356             | 4% | 45/7/23/7/6/12                                    | 53/7/22/5/4/9 | 43/5/14/11/10/17       |
| 7/31/2010  | 127,315  | 5% | 20,945 | 4% | 46,633             | 4% | 43/7/24/7/7/12                                    | 51/7/23/5/5/9 | 41/5/14/12/11/17       |
| 8/31/2010  | 127,879  | 5% | 20,808 | 4% | 46,882             | 4% | 44/7/23/7/7/12                                    | 52/7/22/5/5/9 | 42/5/14/11/11/17       |
| 9/30/2010  | 128,918  | 5% | 20,780 | 4% | 47,045             | 4% | 43/7/24/7/7/12                                    | 51/7/23/5/5/9 | 41/5/14/12/11/17       |

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY**  
**L Fund Participation**

| Month end  | Participants with Balances in the L Funds |     |                |     |                              |     | Number of Participant Accounts with L Fund Balances |         |         |         |         |            |
|------------|---|-----|----------------|-----|------------------------------|-----|---|---------|---------|---------|---------|------------|
|            | FERS<br>(000s)                            | %   | CSRS<br>(000s) | %   | Uniformed Services<br>(000s) | %   | Income  | 2010    | 2020    | 2030    | 2040    | Any L Fund |
| 12/31/2005 | 138                                       | 6%  | 33             | 5%  | 44                           | 7%  | 16,915  | 46,517  | 67,777  | 55,164  | 50,848  | 214,779    |
| 12/31/2006 | 273                                       | 12% | 57             | 9%  | 103                          | 14% | 34,698  | 87,845  | 137,155 | 124,086 | 132,325 | 433,025    |
| 12/31/2007 | 359                                       | 15% | 68             | 11% | 139                          | 17% | 45,093  | 108,073 | 175,838 | 168,215 | 196,888 | 566,232    |
| 12/31/2008 | 373                                       | 15% | 57             | 10% | 154                          | 17% | 48,139  | 103,507 | 174,922 | 179,855 | 211,196 | 584,468    |
| 1/31/2009  | 375                                       | 15% | 56             | 10% | 155                          | 17% | 48,283  | 103,812 | 175,057 | 180,440 | 212,115 | 585,781    |
| 2/28/2009  | 371                                       | 15% | 54             | 9%  | 155                          | 17% | 48,249  | 102,518 | 172,157 | 179,328 | 210,798 | 580,588    |
| 3/31/2009  | 372                                       | 15% | 53             | 9%  | 155                          | 16% | 48,493  | 102,097 | 171,406 | 180,065 | 211,682 | 581,045    |
| 4/30/2009  | 378                                       | 15% | 54             | 9%  | 157                          | 16% | 49,177  | 104,066 | 174,862 | 183,280 | 215,109 | 588,039    |
| 5/31/2009  | 383                                       | 15% | 54             | 9%  | 158                          | 17% | 50,011  | 105,967 | 177,921 | 186,083 | 218,449 | 595,315    |
| 6/30/2009  | 388                                       | 15% | 55             | 9%  | 159                          | 17% | 50,498  | 107,099 | 180,519 | 188,490 | 221,364 | 601,850    |
| 7/31/2009  | 392                                       | 15% | 55             | 10% | 160                          | 17% | 50,842  | 107,948 | 182,661 | 190,481 | 223,997 | 606,828    |
| 8/31/2009  | 399                                       | 15% | 56             | 10% | 161                          | 17% | 51,363  | 108,847 | 185,678 | 193,500 | 228,299 | 615,835    |
| 9/30/2009  | 404                                       | 15% | 56             | 10% | 162                          | 17% | 51,823  | 109,315 | 187,915 | 196,265 | 232,005 | 623,066    |
| 10/31/2009 | 412                                       | 15% | 57             | 10% | 163                          | 17% | 52,676  | 110,046 | 190,475 | 199,246 | 236,077 | 631,869    |
| 11/30/2009 | 418                                       | 15% | 57             | 10% | 164                          | 17% | 53,156  | 110,474 | 192,795 | 202,022 | 239,947 | 639,034    |
| 12/31/2009 | 424                                       | 16% | 57             | 10% | 165                          | 17% | 53,770  | 110,879 | 195,500 | 204,995 | 244,145 | 647,040    |
| 1/31/2010  | 431                                       | 16% | 58             | 10% | 167                          | 17% | 54,564  | 111,110 | 198,178 | 207,844 | 247,913 | 657,364    |
| 2/28/2010  | 437                                       | 16% | 58             | 10% | 168                          | 17% | 55,141  | 111,453 | 200,516 | 211,250 | 251,769 | 663,525    |
| 3/31/2010  | 450                                       | 16% | 60             | 11% | 171                          | 17% | 56,528  | 112,319 | 206,175 | 217,167 | 259,339 | 680,887    |
| 4/30/2010  | 461                                       | 17% | 61             | 11% | 173                          | 17% | 57,508  | 112,719 | 210,898 | 222,205 | 266,152 | 694,763    |
| 5/31/2010  | 462                                       | 17% | 60             | 11% | 174                          | 17% | 57,553  | 112,025 | 210,310 | 223,248 | 267,491 | 696,912    |
| 6/30/2010  | 467                                       | 17% | 60             | 11% | 176                          | 17% | 58,038  | 112,576 | 212,081 | 225,655 | 270,697 | 702,440    |
| 7/31/2010  | 470                                       | 17% | 59             | 11% | 177                          | 17% | 58,209  | 112,455 | 213,419 | 227,855 | 273,785 | 706,538    |
| 8/31/2010  | 473                                       | 17% | 59             | 11% | 178                          | 17% | 58,331  | 112,294 | 214,020 | 229,224 | 276,075 | 710,207    |
| 9/30/2010  | 479                                       | 17% | 59             | 11% | 179                          | 17% | 58,689  | 111,773 | 216,367 | 232,162 | 280,138 | 716,566    |



**RiskMetrics Group**

2099 Gaither Road  
Rockville, MD 20850

July 13, 2010

Mr. Chad Spittler  
Director  
PMG – Corporate Governance  
BlackRock  
400 Howard Street  
San Francisco, CA 94105

Dear Chad,

Enclosed are the results of our review of proxy votes by BlackRock for the 2nd quarter of 2010. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in dark ink, appearing to read 'SEF', is positioned above the printed name.

Steven E. Friedman  
Chief Legal Officer

sef/awk/encl.

cc: Richard Reynics, Ryan Myers, Cassie Traeger, Adrian Kosinda

## MEMORANDUM

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

- Votes at 312 meetings were examined.
- Votes at 157 of the 312 meetings were for directors and/or auditor only.
- At the 155 remaining meetings, there were 254 non-director/auditor proposals. The following table illustrates the votes involved by proposal type:

| Proposal  | Votes      |
|---|------------|
| Executive stock option plan                               | 68         |
| Non-employee stock option plan                            | 5          |
| Employee share purchase plan                              | 17         |
| Section 162(m)  | 19         |
| Advisory resolution on compensation committee reports     | 22         |
| Stock option exchange program                             | 2          |
| Reverse stock split                                       | 2          |
| Increase in common stock                                  | 13         |
| Private placement   | 2          |
| Issue warrants/convertible debentures                     | 2          |
| Change state of incorporation                             | 1          |
| Merger and/or reorganization                              | 8          |
| Adjourn meeting   | 9          |
| Reduce supermajority vote requirement                     | 3          |
| Adopt majority voting for non-contested director election | 4          |
| Declassify board of directors                             | 6          |
| Fix number of directors                                   | 4          |
| Reduce board size   | 1          |
| Provide right to call special meeting                     | 1          |
| Change company name                                       | 1          |
| Other business  | 9          |
| Shareholder proposal                                      | 55         |
| <b>Total:</b>   | <b>254</b> |



- There were 68 votes cast on executive stock option plans:
  - a) 63 votes were cast in favor of the plans (92.6 percent)
  - b) 5 votes were cast against the plans (7.4 percent); all executive stock option plans were opposed as plans permit repricing without shareholder approval.
  
- There were 5 votes cast on non-employee stock option plans:
  - a) 4 votes were cast in favor of the plans (80 percent)
  - b) 1 vote was cast against the plans (10 percent); the plan was opposed as it permits repricing without shareholder approval.
  
- There were 2 votes cast on proposals to approve stock option exchange programs; both votes were cast in favor of the programs (100 percent).
  
- There were 13 votes cast on proposals to increase authorized common stock:
  - a) 12 votes were cast in favor of the increases (92.3 percent)
  - b) 1 vote was cast against the increases; the increase was opposed as it is intended to fund a non-shareholder approved rights plan (7.7 percent).
  
- There were 8 votes cast on mergers or major corporate transactions; all votes were cast in favor of the mergers.
  
- There were 55 votes cast on shareholder proposals which included:
  - a) 5 shareholder proposals to declassify the board of directors; the votes were cast in favor of the proposals.
  - b) 5 shareholder proposals to adopt majority voting for the election of directors; the votes were cast in favor of the proposals.
  - c) 5 shareholder proposals to reduce supermajority vote requirements; the votes were cast in favor the proposals.
  - d) 4 shareholder proposals to provide the right to act by written consent; the votes were cast in favor of the proposals.
  - e) 3 shareholder proposals to approve advisory vote on executive compensation; the votes were cast against the proposals.
  - f) 3 shareholder proposals to require independent board chair; the votes were cast against the proposals.



- g) 3 shareholder proposals to authorize shareholders to call special meeting; the votes were cast against the proposals.
- h) 3 shareholder proposals to seek sale of company assets; the votes were cast against the proposals.
- i) 2 shareholder proposals to reimburse expenses incurred by shareholders in contest election of directors; the votes were cast against the proposals.
- j) 2 shareholder proposal to increase disclosure executive compensation; the vote were cast against the proposals.
- k) 2 shareholder proposals to prepare sustainability report; the votes were cast against the proposals.
- m) 1 shareholder proposal to report on political contributions; the vote was cast against the proposal.
- n) 1 shareholder proposal to report on space-based weapons program; the vote was cast against the proposal.
- o) 1 shareholder proposal to report on climate change; the vote was cast against the proposal.
- p) 1 shareholder proposal to report on overdraft policies and practices, and impact to borrowers; the vote was cast against the proposal.
- q) 1 shareholder proposal to report on political contributions; the vote was cast against the proposal.
- r) 1 shareholder proposal to amend non-discrimination policy; the vote was cast against the proposal.
- s) 1 shareholder proposal to report and set goals related to animal testing; the vote was cast against the proposal.
- t) 1 shareholder proposal to adopt sustainable purchasing policy; the vote was cast against the proposal.
- u) 1 shareholder proposal to restrict severance agreements; the vote was cast against the proposal.
- v) 1 shareholder proposal to report on global warming lobbying activities; the vote was cast against the proposal.
- w) 1 shareholder proposal to establish stock retention/holding period policy; the vote was cast against the proposal.
- x) 1 shareholder proposal to adopt policy to retain shares following termination of employment; the vote was cast against the proposal;
- y) 1 shareholder proposal to review and assess human rights policies; the vote was cast against the proposal.
- z) 1 shareholder proposal to amend EEO policy to prohibit discrimination; the vote was cast against the proposal.
- aa) 1 shareholder proposal establish pay for superior performance; the vote was cast against the proposal.
- bb) 1 shareholder proposal to report on public policy advocacy process; the vote was cast against the proposal.
- cc) 1 shareholder proposal to report on the effect of marketing practices on the poor; the vote was cast against the proposal.

dd) 1 shareholder proposal to establish supplier human rights purchasing protocol; the vote was cast against the proposal.

There were no exceptions to policy this period.