



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

April 19, 2019

MEMORANDUM FOR BOARD MEMBERS

KENNEDY, BILYEU, McCRAY,
JONES AND JASIEN

FROM: RAVINDRA DEO
EXECUTIVE DIRECTOR

A handwritten signature in blue ink, appearing to be "RD" or "Ravindra Deo", written over a light blue circular stamp.

SUBJECT: March 2019 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, TSP fund performance, and L Fund participation.

TRACKING ERROR - TSP Separate Accounts at BlackRock (BTC)

Monthly 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 | 1.93 | 1.93 | 1.92 | 0.01 | 0.00 |
| Large Cap | 1.95 | 1.95 | 1.94 | 0.01 | 0.00 |
| Small Mid Cap | -1.03 | -1.03 | -0.99 | -0.04 | 0.00 |
| International | 0.71 | 0.71 | 0.63 | 0.08 | 0.00 |

2019 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 | 2.96 | 2.95 | 2.94 | 0.02 | -0.01 |
| Large Cap | 13.66 | 13.65 | 13.65 | 0.01 | -0.01 |
| Small Mid Cap | 16.00 | 15.99 | 15.99 | 0.01 | -0.01 |
| International | 10.06 | 10.09 | 9.98 | 0.08 | 0.03 |

BlackRock's performance for the F and C Funds was in-line with indices for the month. The S Fund underperformed the Small Cap Index by 4 basis points, primarily due to securities sampling. The I Fund was ahead of the International Index by 8 basis points, primarily due to tax effect. For the F, C, and S Funds year-to-date, BlackRock's performance was in-line with the Funds' respective indices. Year-to-date, BlackRock outperformed the International Index by 8 basis points, primarily due to tax effect.

The TSP Funds closely tracked the BTC Accounts for the month. Year-to-date, the F, C, and S Funds closely tracked the BTC Accounts, while the I Fund was higher by 3 basis points.

Trading Costs

| <u>F Fund</u> | <u>Dollar Amount</u> <u>Traded</u> | <u>Trading Costs</u> | |
|-------------------|---------------------------------------|----------------------|-------------------------------|
| | | <u>Dollars</u> | <u>Basis</u> <u>Points</u> |
| March | 671,380,491 | 43,254 | 0.6 |
| Year-to-Date | 2,271,100,853 | 111,987 | 0.5 |
| <u>C Fund</u> | | | |
| March | 1,481,321,976 | 188,005 | 1.3 |
| Year-to-Date | 6,721,282,952 | 499,890 | 0.7 |
| <u>S Fund</u> | | | |
| March | 1,546,243,035 | 264,302 | 1.7 |
| Year-to-Date | 4,405,578,594 | 185,817 | 0.4 |
| <u>I Fund</u> | | | |
| March | 1,389,749,212 | 589,180 | 4.2 |
| Year-to-Date | 6,455,611,756 | (21,079,607) | -32.7 |

* -- 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 Funds (as of March 31, 2019) Returns

| G Fund | Annualized (%) | | | |
|--------|----------------|--------|--------|---------|
| | 1 Year | 3 Year | 5 Year | 10 Year |
| | 2.92% | 2.41% | 2.30% | 2.30% |

| | | | | |
|--|-------|-------|-------|-------|
| F Fund | 4.63% | 2.22% | 3.06% | 4.02% |
| Bloomberg Barclays U.S. Agg Bond Index | 4.48% | 2.03% | 2.74% | 3.77% |
| Tracking Error | 0.15% | 0.19% | 0.32% | 0.25% |

| | | | | |
|----------------|--------|--------|--------|--------|
| C Fund | 9.48% | 13.51% | 10.94% | 15.96% |
| S&P 500 Index | 9.50% | 13.51% | 10.91% | 15.92% |
| Tracking Error | -0.02% | 0.00% | 0.03% | 0.04% |

| | | | | |
|------------------------------|-------|--------|-------|--------|
| S Fund | 5.13% | 13.39% | 8.08% | 16.65% |
| DJ U.S. Completion TSM Index | 4.76% | 13.12% | 7.71% | 16.36% |
| Tracking Error | 0.37% | 0.27% | 0.37% | 0.29% |

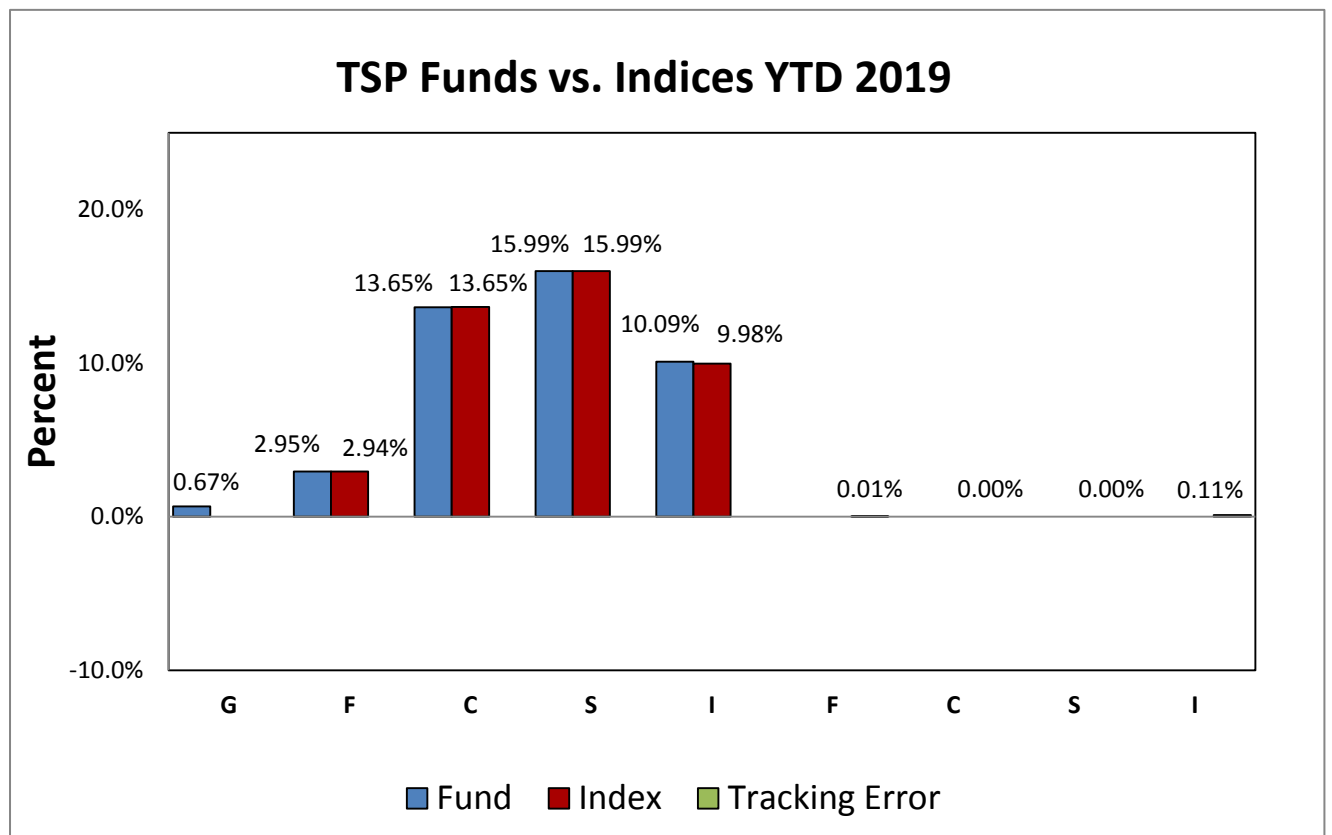
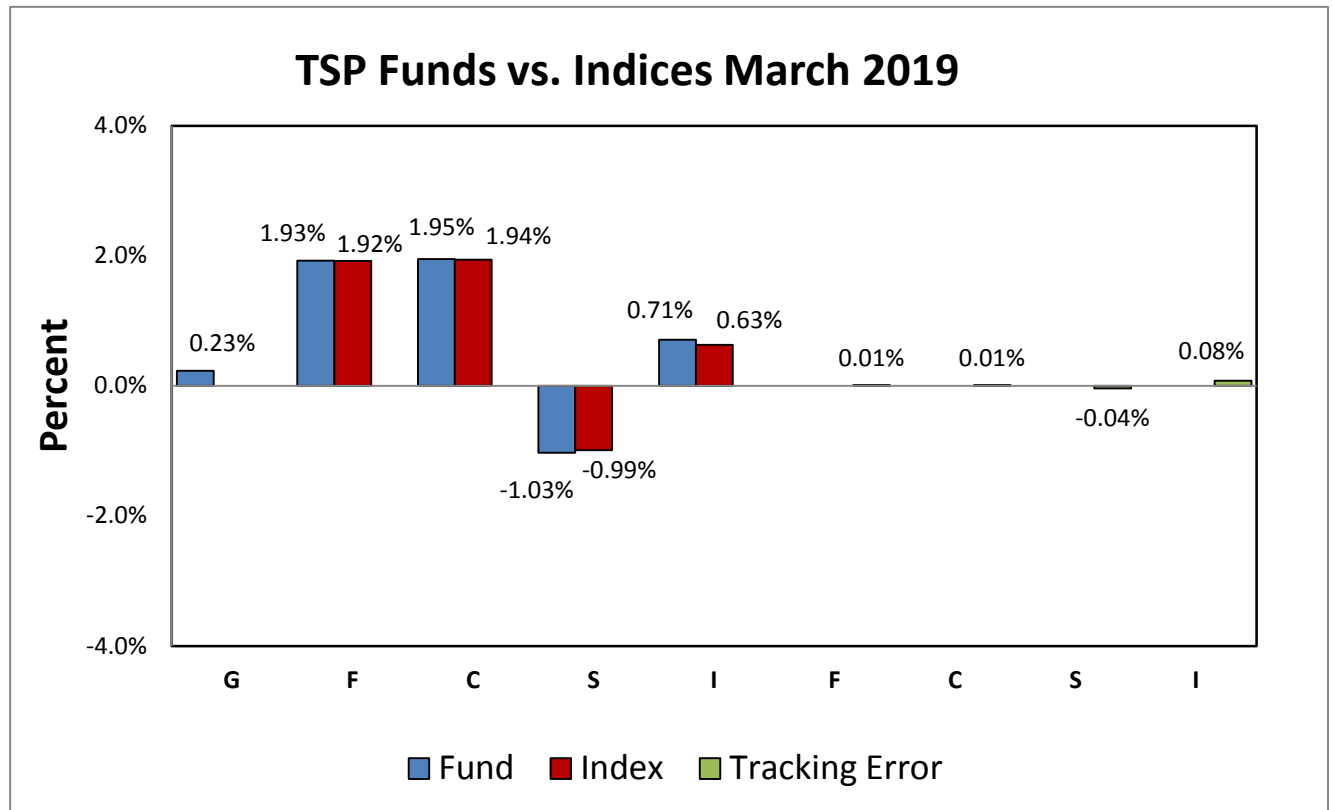
| | | | | |
|-----------------------|--------|-------|-------|-------|
| I Fund | -3.64% | 7.68% | 2.69% | 9.30% |
| MSCI EAFE (Net) Index | -3.71% | 7.27% | 2.33% | 8.96% |
| Tracking Error | 0.07% | 0.41% | 0.36% | 0.34% |

Lifecycle Funds Returns

| | | | | |
|----------|-------|--------|-------|--------|
| L Income | 3.59% | 4.34% | 3.66% | 4.92% |
| L 2020 | 3.73% | 6.20% | 4.82% | 8.82% |
| L 2030 | 4.33% | 8.34% | 6.09% | 10.69% |
| L 2040 | 4.46% | 9.34% | 6.66% | 11.92% |
| L 2050 | 4.54% | 10.26% | 7.12% | N/A |

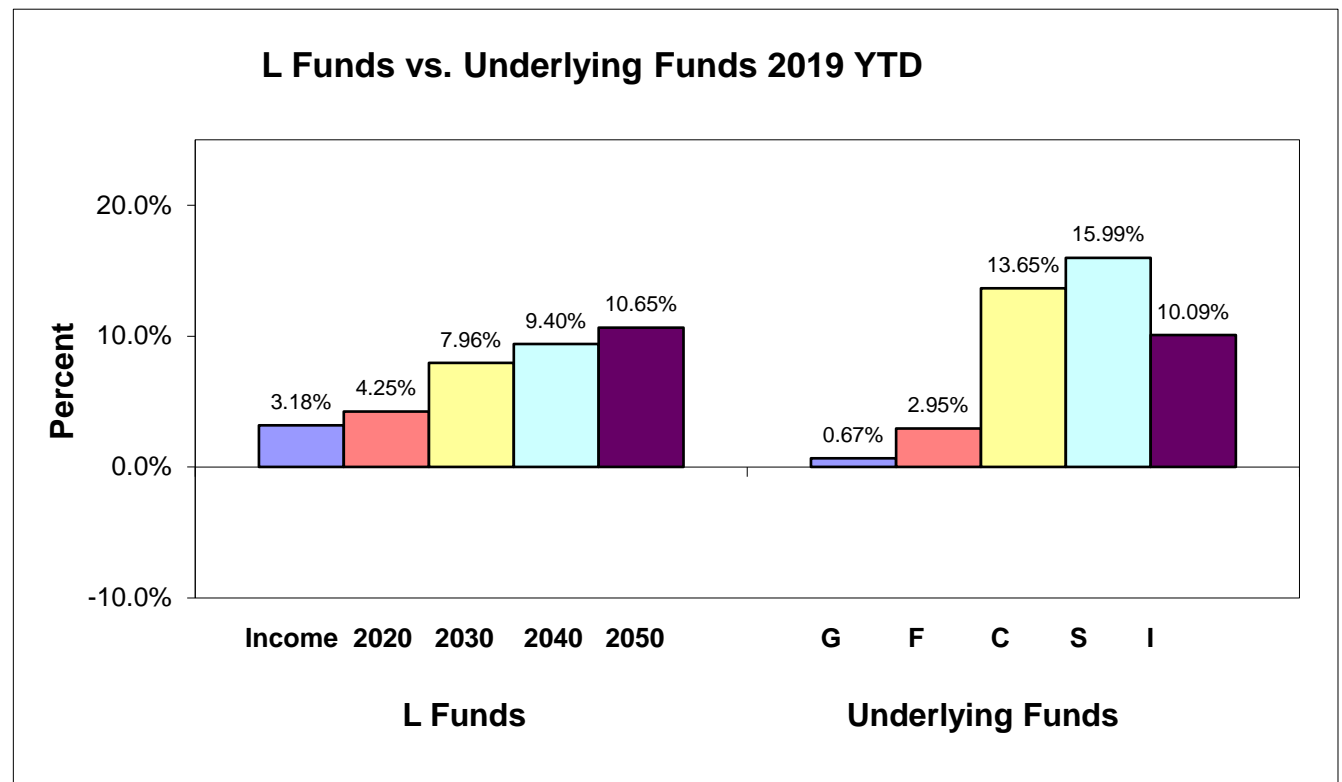
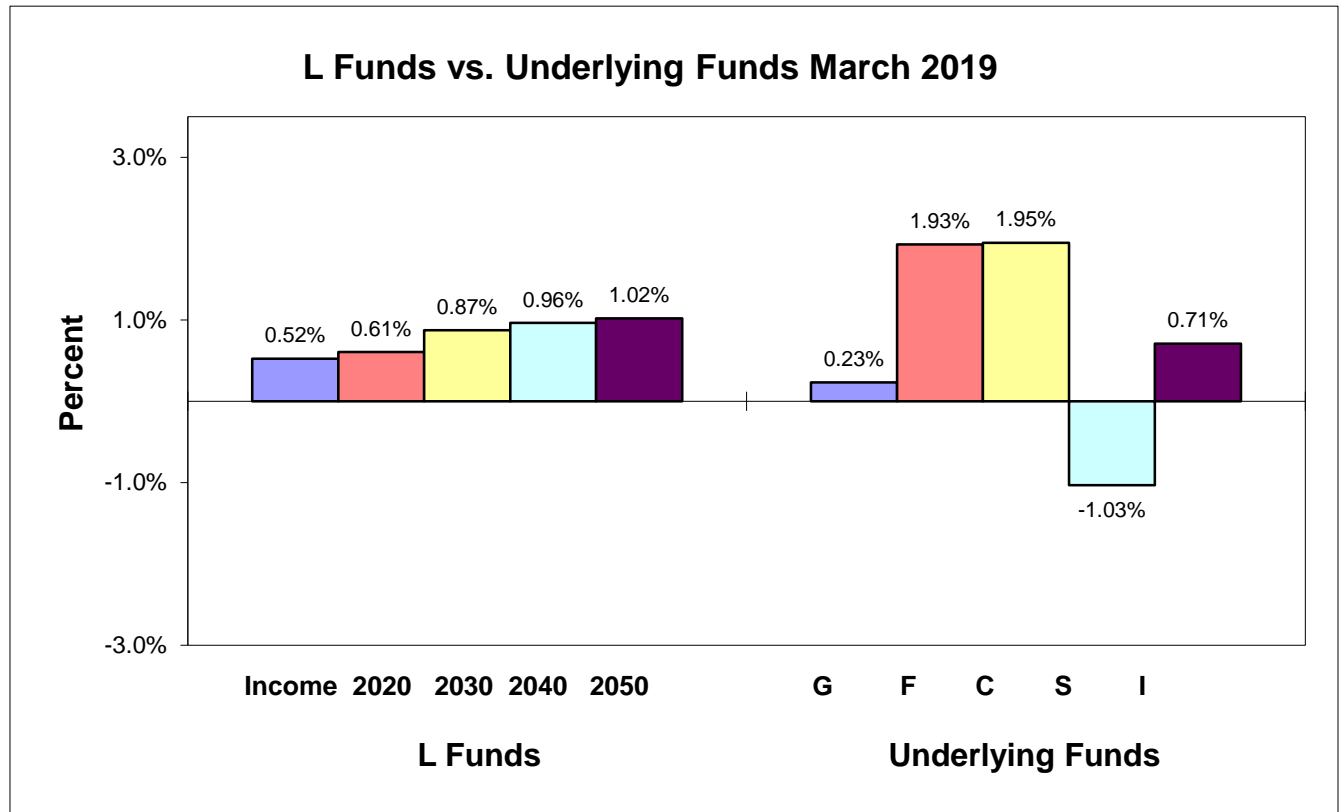
Performance of TSP Funds Total Returns

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 -- FOURTH QUARTER 2018

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the fourth quarter of 2018. A copy of the audit report is provided in this report as Attachment 2. The ISS audit report for the first quarter of 2019 is not yet available.

CLASS ACTION SETTLEMENTS -- FOURTH QUARTER 2018

The Fourth Quarter began with sixty-three open claims. One claim was opened in the C Fund and seven 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 \$25,604. Two claims were closed due to Administrator action and ten claims were settled in the S Fund for \$760,977. Fifty-seven claims remained open across the four funds at the end of the quarter. For the year, twenty-four claims were settled for \$1,177,485.

| | <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 2018 (\$)</u> |
|--------------|---|--------------------------------------|--------------------------------------|------------------------------------|--|
| F Fund | 18 | - | - | 18 | \$0 |
| C Fund | 8 | 1 | 2 | 7 | \$320,142 |
| S Fund | 37 | 7 | 12 | 32 | \$857,343 |
| I Fund | - | - | - | - | \$0 |
| Total | 63 | 8 | 14 | 57 | \$1,177,485 |

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

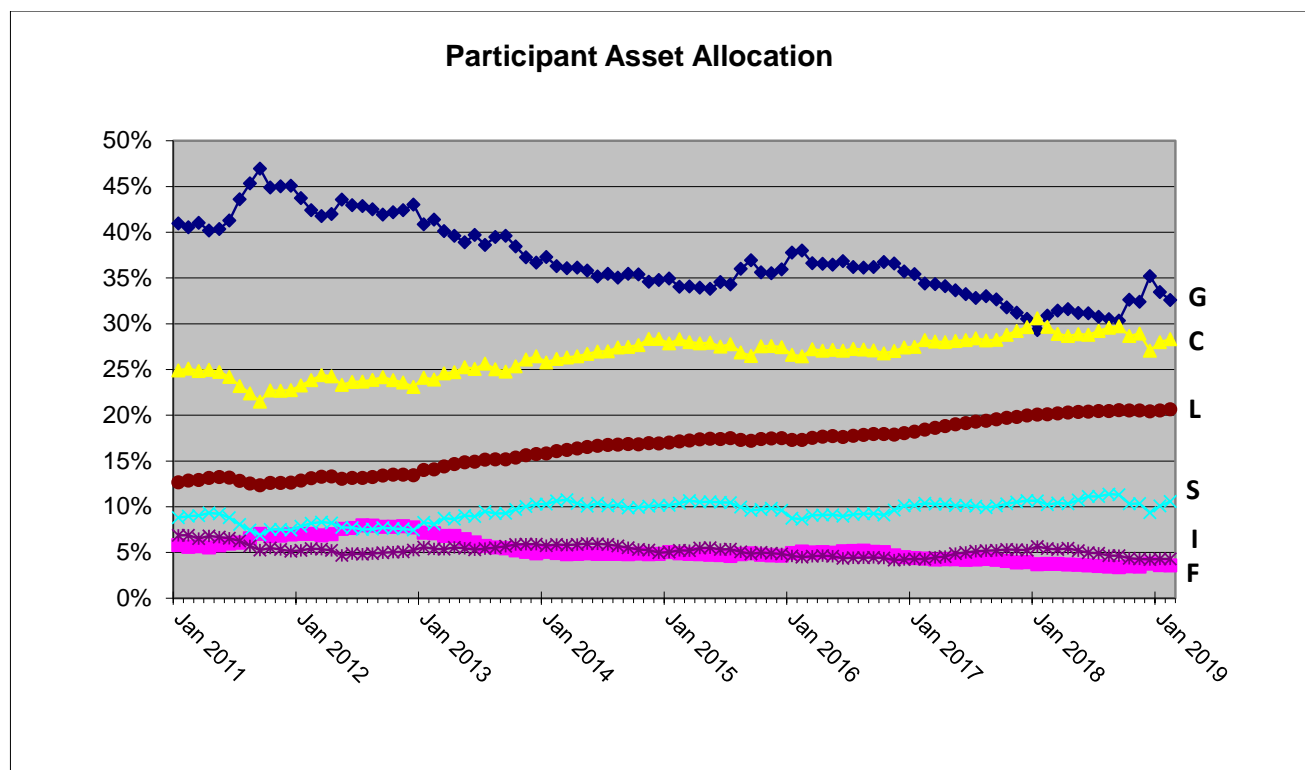
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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.

Attachments

**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
MARCH 2019**

Attachment 1

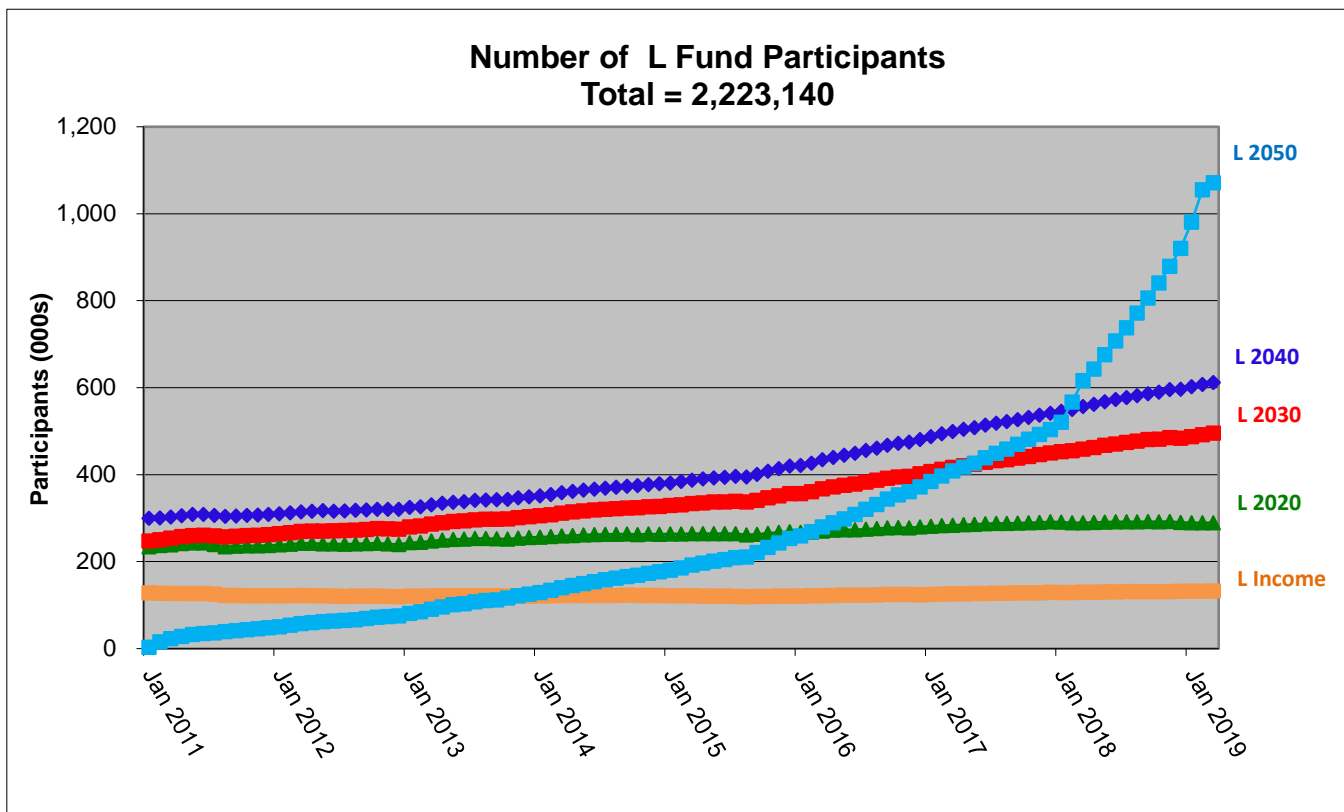
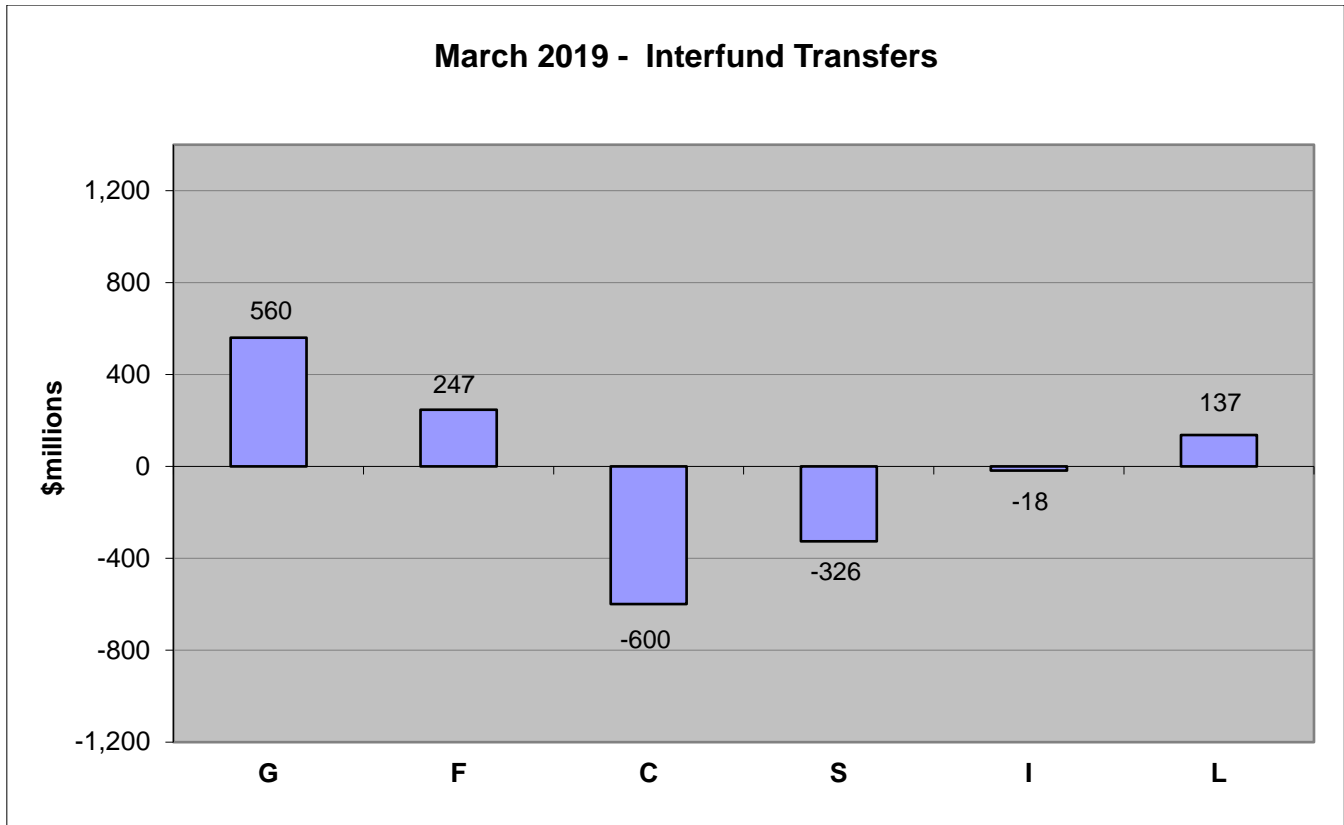


| TSP Assets -- Participant Allocation (March 31, 2019) | | |
|--|----------------------------------|----------------|
| <u>Fund</u> | <u>Dollars (Billion USD)</u> | <u>Percent</u> |
| G Fund | \$187.6 | 32.5% |
| F Fund | \$21.1 | 3.7% |
| C Fund | \$164.6 | 28.5% |
| S Fund | \$59.8 | 10.3% |
| I Fund | \$24.9 | 4.3% |
| L Funds | <u>\$119.8</u> | <u>20.7%</u> |
| Total | \$577.8 | 100% |

| TSP Assets -- By Core Funds (March 31, 2019) | | |
|---|----------------------------------|----------------|
| <u>Fund</u> | <u>Dollars (Billion USD)</u> | <u>Percent</u> |
| G Fund | \$232.4 | 40.2% |
| F Fund | \$29.3 | 5.1% |
| C Fund | \$198.2 | 34.3% |
| S Fund | \$69.6 | 12.1% |
| I Fund | <u>\$48.3</u> | <u>8.4%</u> |
| Total | \$577.8 | 100% |

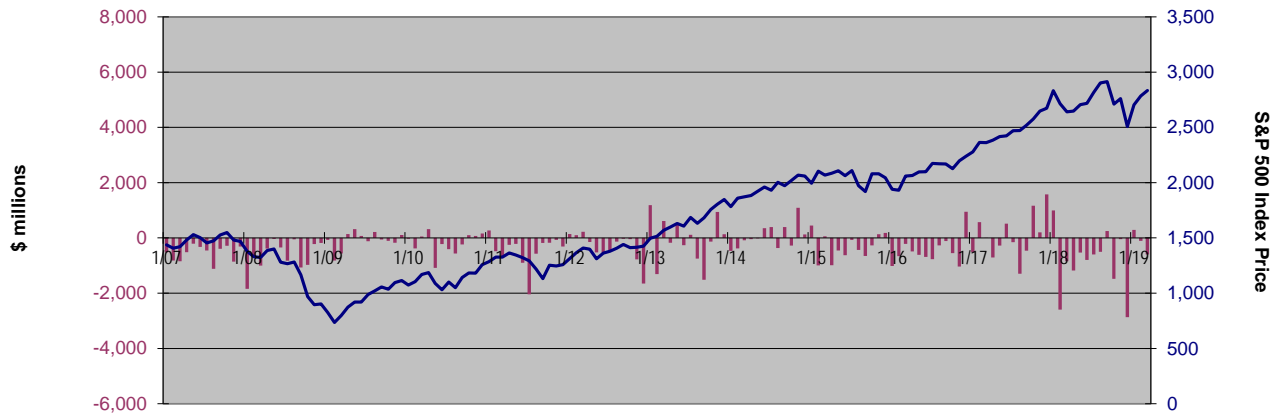
Components may not sum to totals because of rounding.

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY MARCH 2019

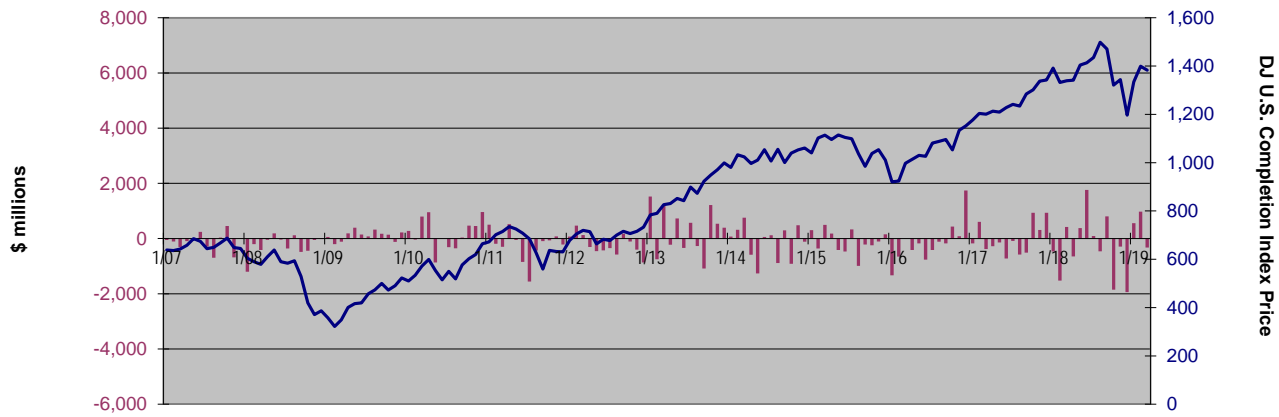


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
MARCH 2019**

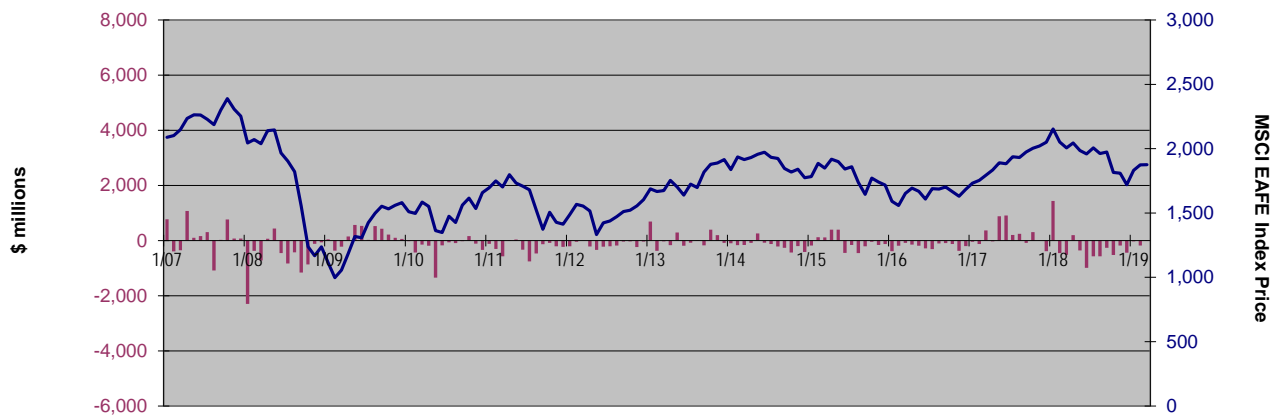
**Monthly Interfund Transfers
C Fund**



**Monthly Interfund Transfers
S Fund**

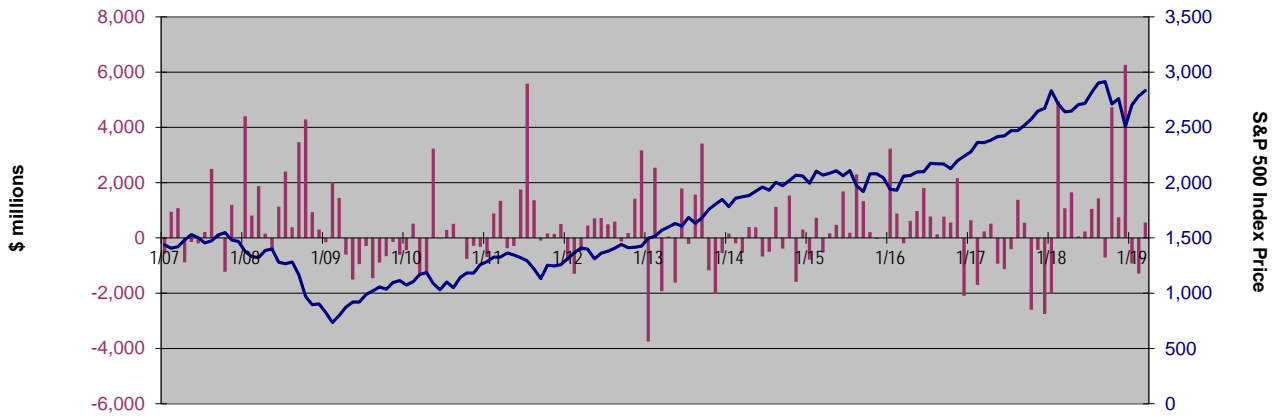


**Monthly Interfund Transfers
I Fund**

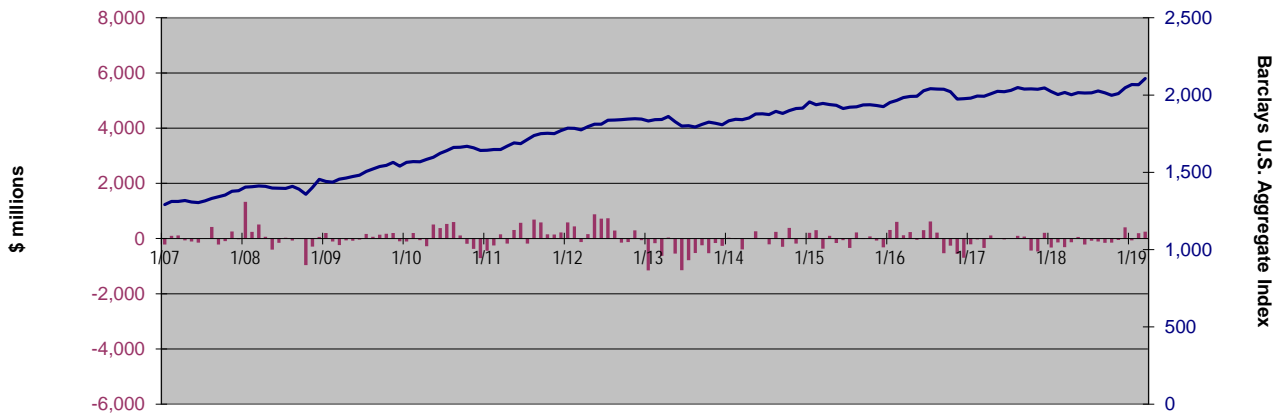


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
MARCH 2019**

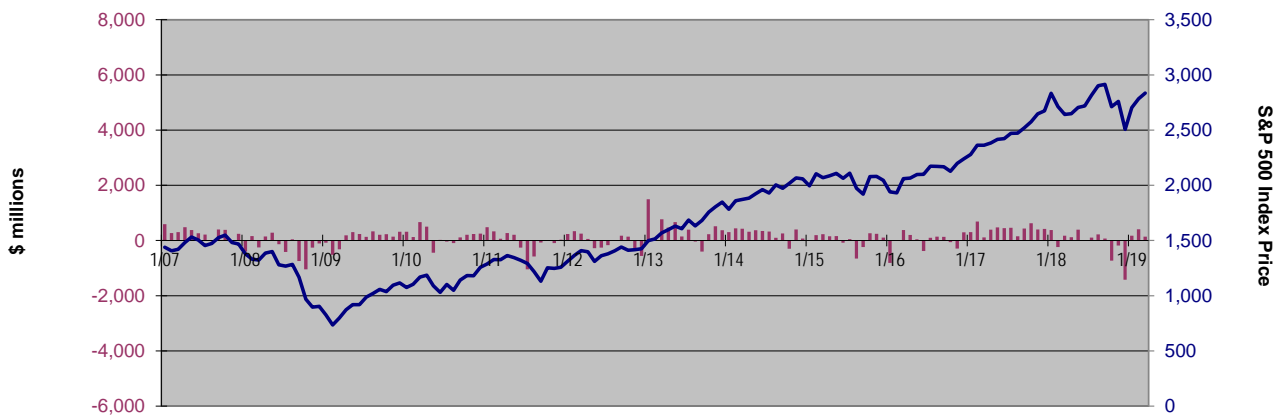
**Monthly Interfund Transfers
G Fund**



**Monthly Interfund Transfers
F Fund**



**Monthly Interfund Transfers
L Funds**



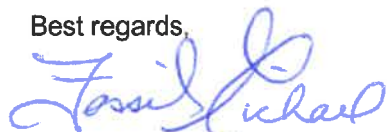
January 15, 2019

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 4th quarter of 2018. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, appearing to read "Fassil G. Michael", is written over the typed name.

Fassil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 4th quarter proxy voting for US meetings are as follows:

- Votes at 39 meetings were examined.
- Votes at 23 of the 39 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 16 remaining meetings, there were 43 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

| Proposal | Votes |
|---|-----------|
| Executive stock plan | 10 |
| Employee share purchase plan | 1 |
| Advisory vote on golden parachute compensation | 2 |
| Frequency vote on MSOP | 1 |
| Issue shares below net asset value | 1 |
| Reverse stock split | 3 |
| Approve merger agreement | 4 |
| Issue shares in connection with merger | 2 |
| Issuance of shares pursuant to an acquisition | 2 |
| Issuance of shares pursuant to purchase agreement | 1 |
| Adjourn meeting | 9 |
| Declassify board | 2 |
| Amend stock ownership limitations | 1 |
| Eliminate supermajority vote requirement | 2 |
| Approve reduction of minimum asset coverage ratio | 1 |
| Shareholder proposal | 1 |
| Total: | 43 |

- There were 10 votes cast on executive stock plans; the votes were cast in favor of the plans.
- There was 1 vote cast on an employee share purchase plan; the vote was cast in favor of the plan.
- There were 9 votes cast on mergers, acquisitions and/or major corporate transactions, including 5 issuances of shares pursuant to a merger/acquisition or purchase agreement; the votes were cast in favor of the transactions.
- There was 1 vote cast on a shareholder proposal to approve a recapitalization plan; the vote was cast in favor of the proposal.
- There were 19 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 2 votes cast on 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.