



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

January 7, 2014

MEMORANDUM FOR BOARD MEMBERS KENNEDY, BILYEU, McCRAY,
JONES AND JASIEN

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

A handwritten signature in black ink, appearing to be "GTL", written over a light blue background.

SUBJECT: December 2014 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 December 2014, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BlackRock Funds (BTC)

December Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.21	0.09	0.12
Large Cap	-0.24	-0.25	0.01
Small Mid Cap	0.99	0.97	0.02
International	-4.12	-3.46	-0.66

2014 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	6.76	5.97	0.79
Large Cap	13.81	13.69	0.12
Small Mid Cap	7.75	7.63	0.12
International	-5.22	-4.90	-0.32

The International Fund underperformed the index by 66 basis points for the month and by 32 basis points for the year due to a fair value pricing adjustment on December 31st. The Fixed Income Fund outperformed the index by 12 basis points for the month and by 79 basis points for the year, primarily because of securities lending and pricing differences.

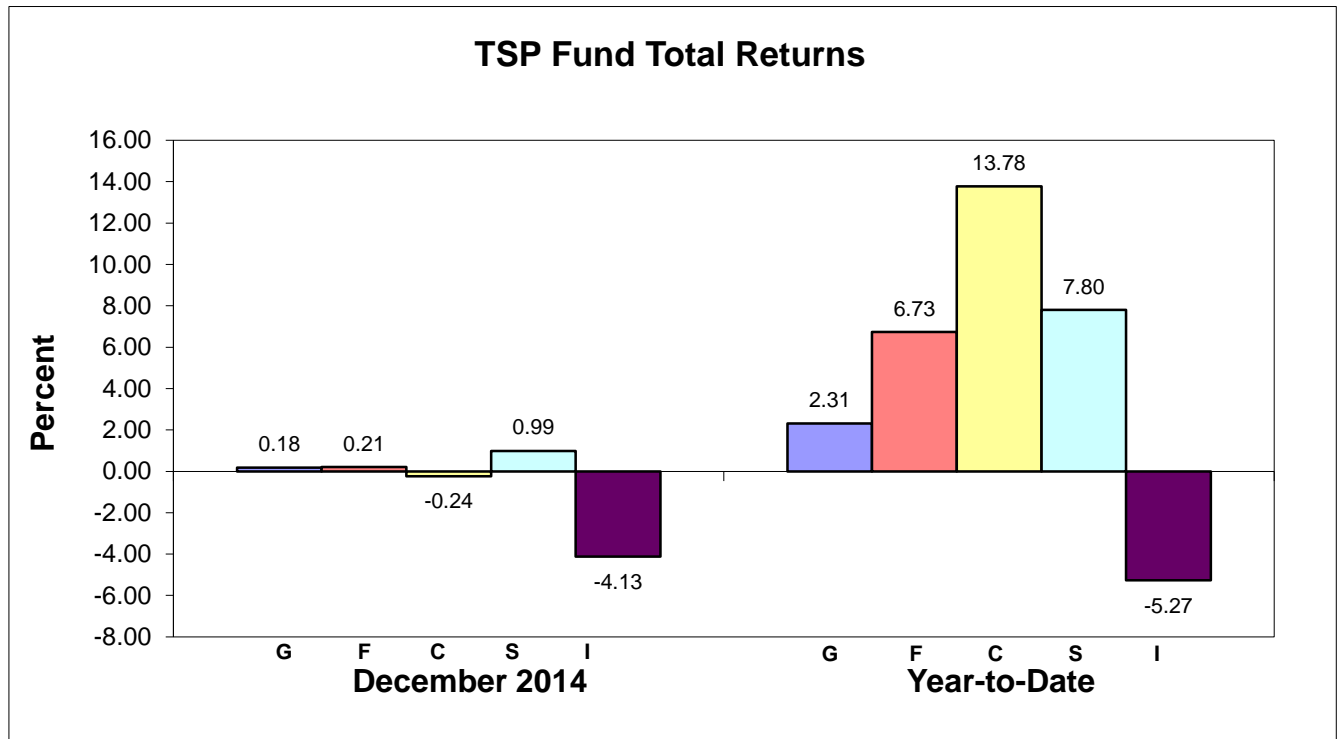
Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
December	480,554,532	95,014	2.0
Year-to-Date	8,093,469,843	272,311	0.3
<u>C Fund</u>			
December	1,980,843,650	209,380	1.1
Year-to-Date	15,817,914,660	(879,178)	-0.6
<u>S Fund</u>			
December	1,155,709,273	962,120	8.3
Year-to-Date	16,892,478,173	(88,609)	-0.1
<u>I Fund</u>			
December	1,023,082,689	(362,802)	-3.5
Year-to-Date	9,816,519,670	5,794,317	5.9

* -- Trading Costs are comprised of commissions, fees, and the difference between where a security is traded and the closing index price.

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.

December Total Return % Fund

	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.21	0.21	0.00	0.09
Large Cap	-0.24	-0.24	0.00	-0.25
Small Cap	0.99	0.99	0.00	0.97
International	-4.13	-4.12	-0.01	-3.46

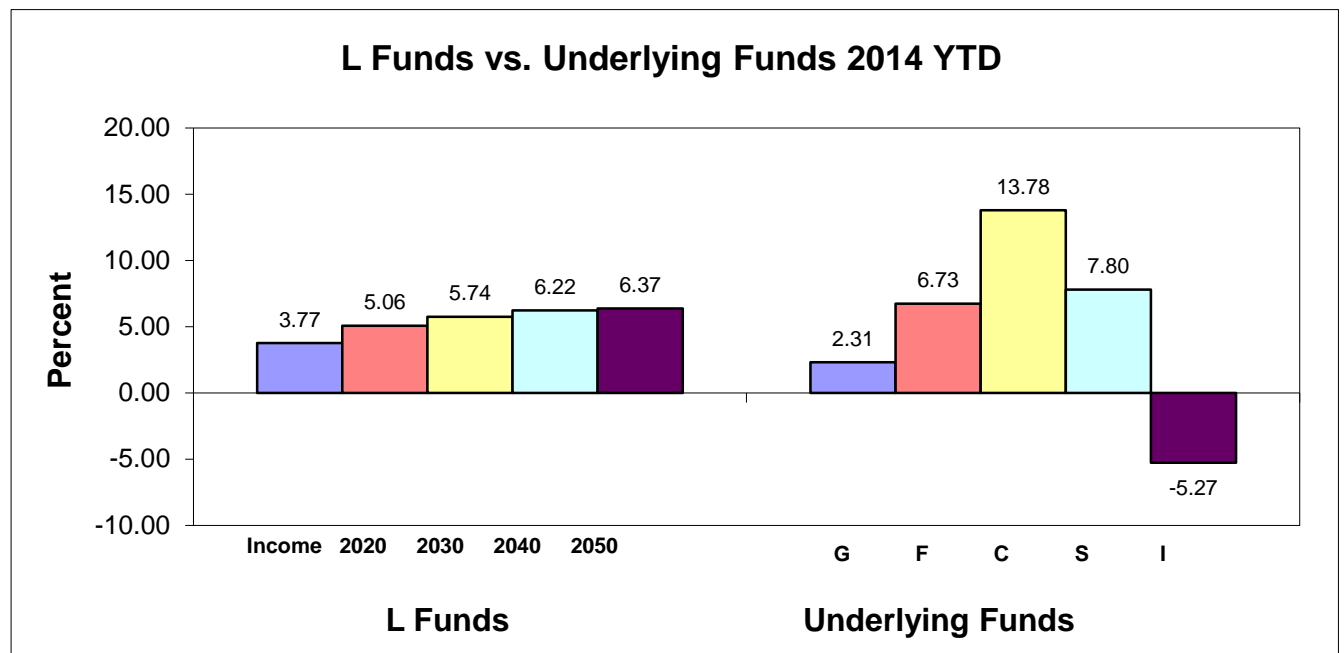
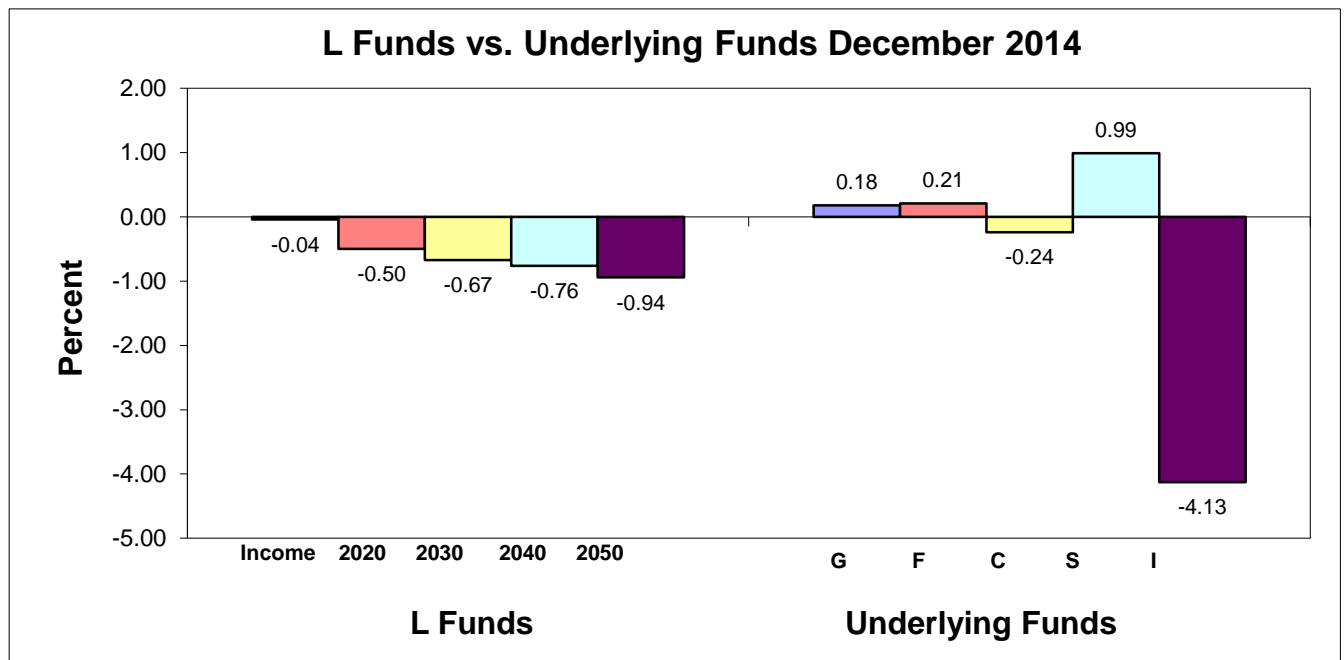
2014 Total Return % Fund

	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	6.73	6.76	-0.03	5.97
Large Cap	13.78	13.81	-0.03	13.69
Small Cap	7.80	7.75	0.05	7.63
International	-5.27	-5.22	-0.05	-4.90

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.

PROXY VOTING -- THIRD QUARTER 2014

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the third quarter of 2014. A copy of the audit report is provided as Attachment 2. The ISS audit report for the fourth quarter of 2014 is not yet available.

CLASS ACTION SETTLEMENTS -- THIRD QUARTER 2014

A total of 34 claims were opened for all of the funds during the third quarter. Sixty-seven claims remain open primarily in the S Fund. Through the third quarter, 29 claims were settled in the S Fund. The TSP has received approximately \$1.38 million year to date. This estimate is based on the underlying percentage ownership of the S Fund.

	<u>Claims Opened during Quarter</u>	<u>Open Claims Outstanding</u>	<u>No. of Claims Settled (YTD)</u>	<u>Estimate of Settled Claims in 2014 (USD)</u>
F Fund	-	-	-	-
C Fund	2	3	-	-
S Fund	32	67	29	\$1,375,983
I Fund	-	-	-	-
Total	34	70	29	\$1,375,983

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

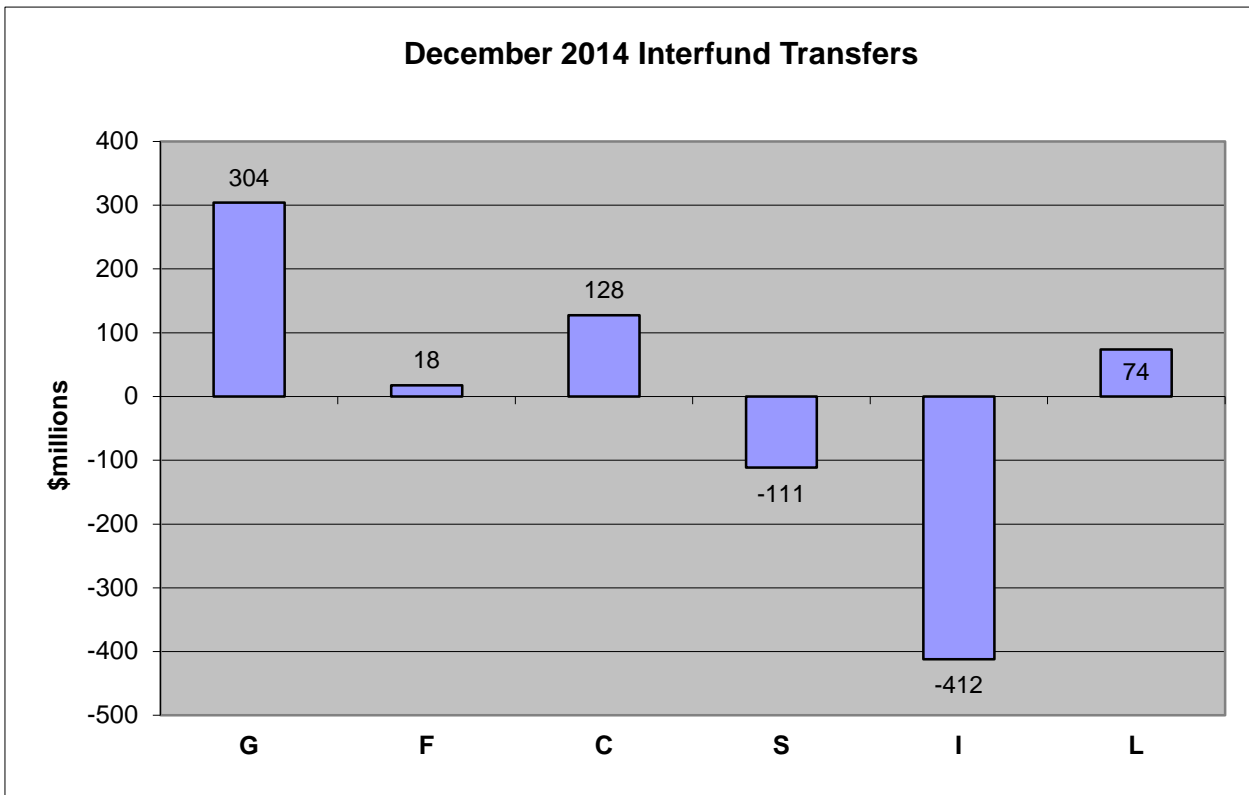
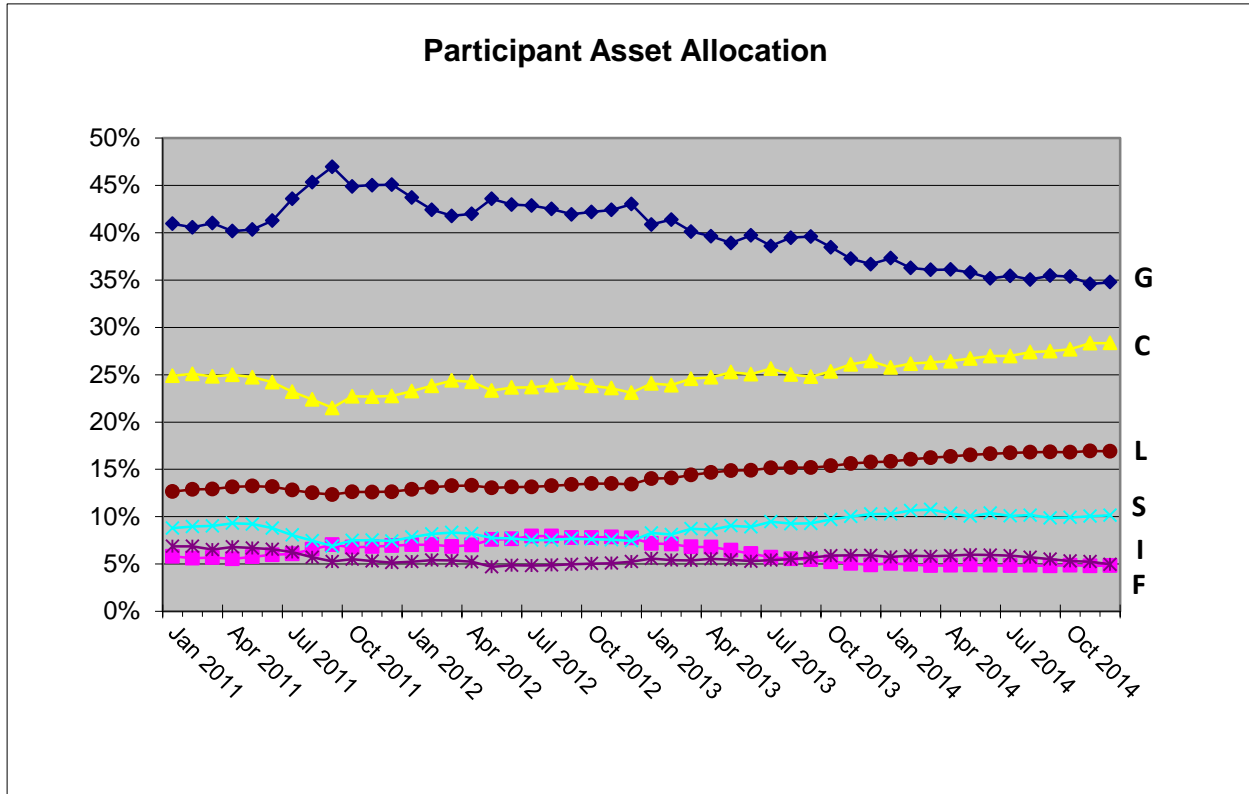
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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
December 2014

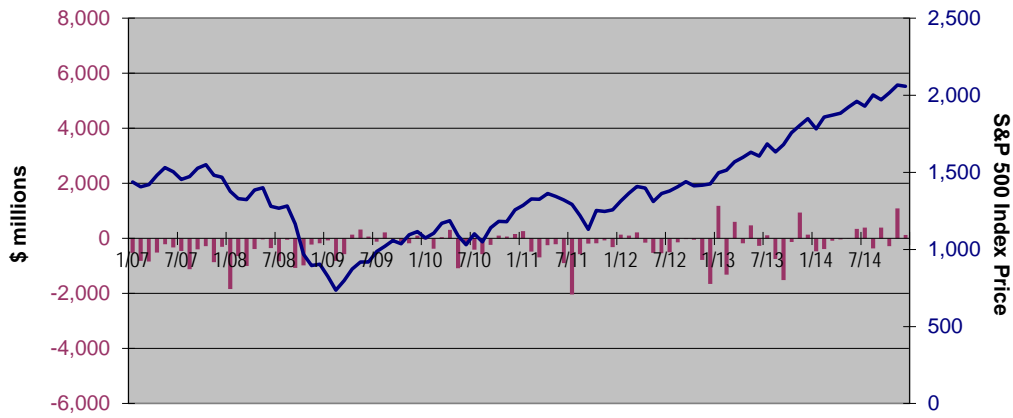
Attachment 1



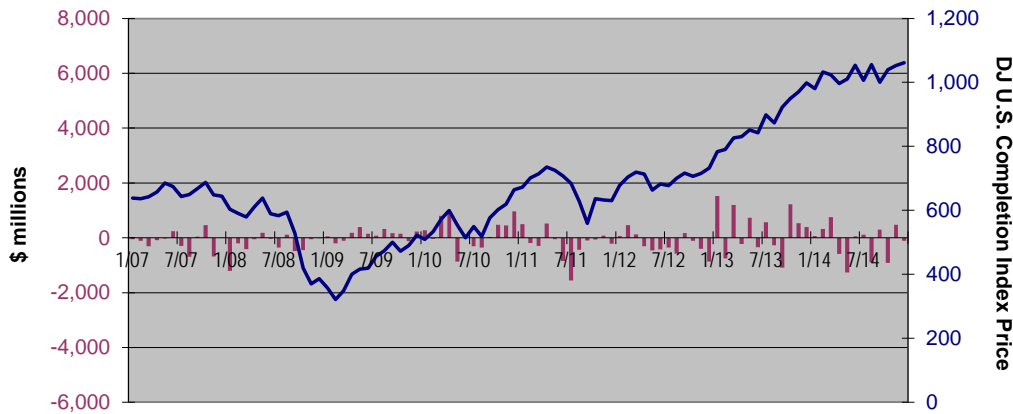
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

December 2014

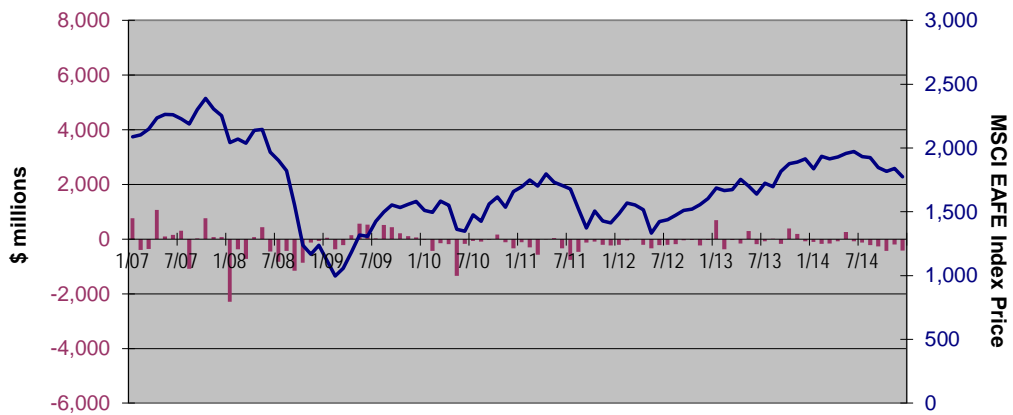
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund



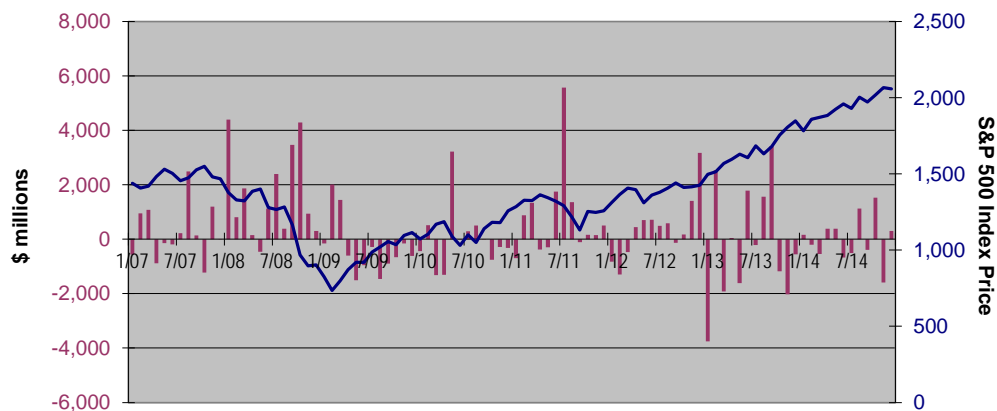
Monthly Interfund Transfers
I Fund



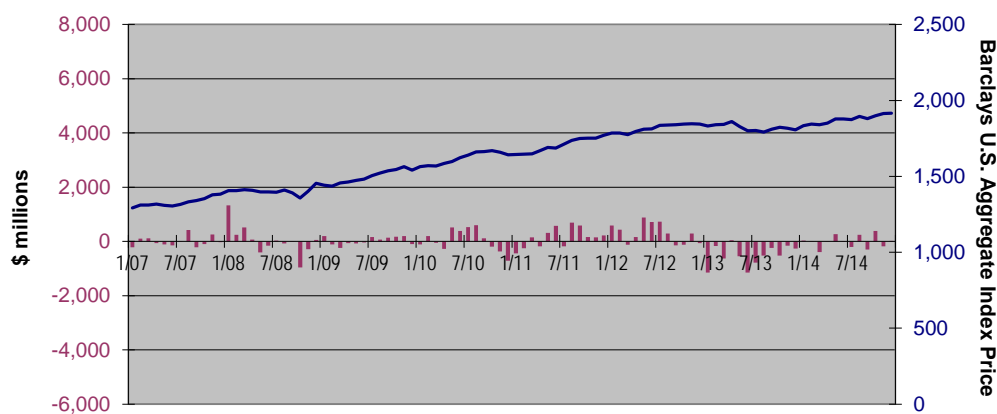
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

December 2014

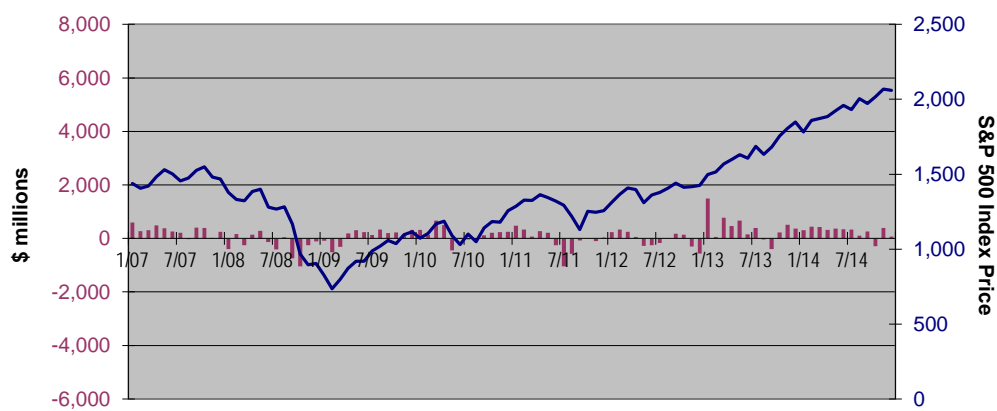
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

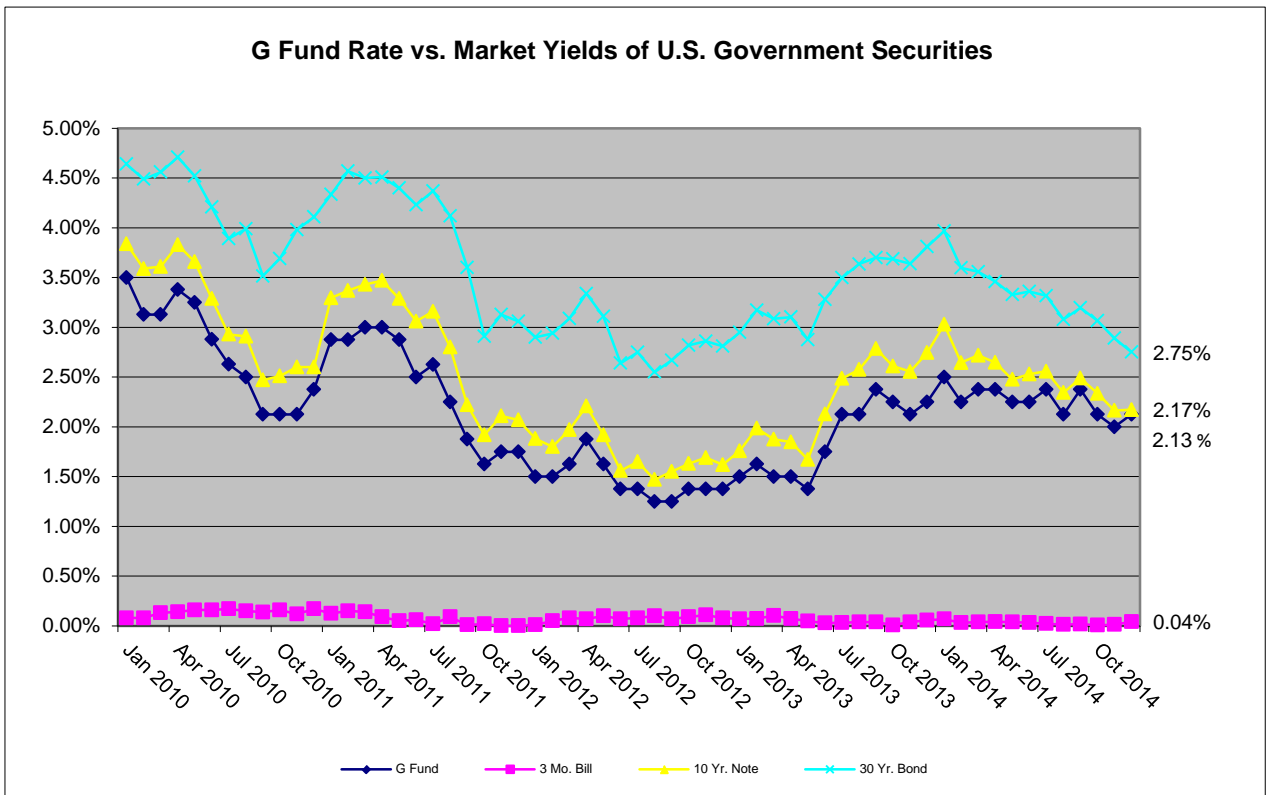
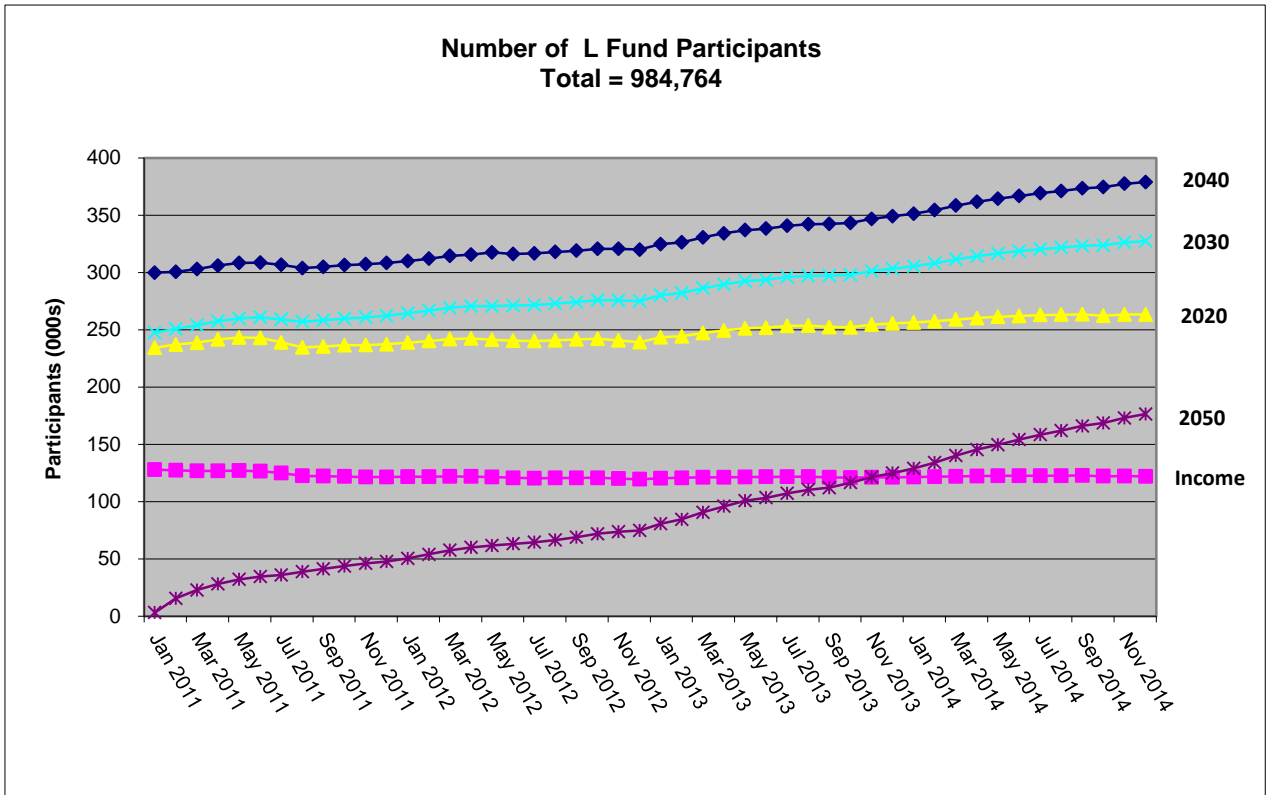


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

December 2014





October 15, 2014

Mr. Zach Oleksiuk
Vice President, Americas Head
Corporate Governance & Responsible Investment
BlackRock
55 East 52nd St
New York, NY 10055

Dear Zach,

Enclosed are the results of our review of US proxy votes by BlackRock for the 3rd quarter of 2014. 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', written in a cursive style.

Fassil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 3rd quarter proxy voting for US meetings are as follows:

- Votes at 37 meetings were examined.
- Votes at 10 of the 37 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 27 remaining meetings, there were 46 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	10
Non-executive stock option plan	2
Employee share purchase plan	4
Section 162(m)	1
Frequency vote on MSOP	1
Advisory vote on golden parachute compensation	6
Increase in common stock	3
Decrease in common stock	1
Reverse stock split	2
Approve sale of assets	1
Merger and/or reorganization	5
Issue shares in connection with acquisition	1
Adjourn meeting	5
Approve tax benefit preservation plan	1
Other business	3
Total:	46

- There were 10 votes cast on executive stock option plans:
 - a) 9 votes were cast in favor of the plans (90 percent);
 - b) 1 vote was cast against the plans (10 percent) due to the ability to reprice options without prior shareholder approval.
- There were 2 votes cast on non-executive stock option plans; the votes were cast in favor of the plans.
- There were 3 votes cast on increases in authorized common stock; the votes were cast in favor of the authorizations.
- There were 7 votes cast on mergers and/or major corporate transactions, including the issuance of shares pursuant to acquisition and sale of company assets; the votes were cast in favor of the transactions.
- There were 28 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
- There were 6 votes cast on a management advisory vote on golden parachute compensation; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.