



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

MEMORANDUM FOR BOARD MEMBERS

JONES, BILYEU,
McCRAY, AND JASIEN

FROM: Ravindra Deo, Executive Director

DATE: January 13, 2022

SUBJECT: December 2021 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 Funds participation.

RETURNS AND TRACKING ERRORS

The tables below contain the monthly and annual returns and tracking errors for the F, C, S, and I Funds and for the separate accounts managed by BlackRock and State Street. Due to rounding, the tracking errors may not match the differences in returns.

December 2021 Returns and Tracking Errors

		<u>Fixed Income</u> <u>(F Fund)</u>	<u>Large Cap</u> <u>(C Fund)</u>	<u>Small Mid Cap</u> <u>(S Fund)</u>	<u>International</u> <u>(I Fund)</u>
Return (%)	Index	-0.26	4.48	0.55	5.12
	BlackRock	-0.33	4.49	0.59	5.10
	State Street	-0.27	4.48	0.59	n/a
	TSP Fund (Net)	-0.32	4.48	0.58	5.10
Tracking Error vs Index (%)	BlackRock	-0.07	0.00	0.04	-0.02
	State Street	-0.01	0.00	0.03	n/a
	TSP Fund	-0.06	0.00	0.03	-0.02

BlackRock's performance for the F Fund lagged the Fixed Income Index by 7 basis points, primarily due to differences in the timing of pricing by the index provider and by BlackRock on the final day of the month. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock outperformed the Small Mid Cap Index by 4 basis points, primarily resulting from futures mistracking. Its performance for the I Fund was in line with the International Index.

State Street'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 exceeded the return of the Small Mid Cap Index by 3 basis points, primarily due to futures mistracking.

2021 Annual Returns and Tracking Errors

		<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	-1.54	28.71	12.35	11.26
	BlackRock	-1.42	28.73	12.49	11.50
	State Street	n/a	n/a	n/a	n/a
	TSP Fund (Net)	-1.46	28.68	12.45	11.45
Tracking Error vs Index (%)	BlackRock	0.12	0.02	0.14	0.24
	State Street	n/a	n/a	n/a	n/a
	TSP Fund	0.08	-0.03	0.10	0.19

BlackRock's 2021 performance for the F Fund exceeded the Fixed Income Index by 12 basis points, primarily due to securities lending. Its performance for the C Fund was in line with the Large Cap Index. For the S Fund, BlackRock outperformed the Small Mid Cap Index by 14 basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by 24 basis points, primarily due to tax advantage.

TSP Net Returns as of December 31, 2021

	1-Year	3-Year	5-Year	10-Year
G Fund	1.38%	1.53%	1.96%	1.93%

	1-Year	3-Year	5-Year	10-Year
F Fund	-1.46%	4.81%	3.66%	3.13%
Bloomberg Barclays US Agg Bond Index	-1.54%	4.79%	3.57%	2.90%
Tracking Error	0.08%	0.01%	0.09%	0.23%

	1-Year	3-Year	5-Year	10-Year
C Fund	28.68%	26.02%	18.44%	16.57%
S&P 500 Index	28.71%	26.07%	18.47%	16.55%
Tracking Error	-0.03%	-0.05%	-0.04%	0.02%

	1-Year	3-Year	5-Year	10-Year
S Fund	12.45%	23.80%	15.27%	15.06%
Dow Jones US Completion TSM Index	12.35%	23.85%	15.20%	14.79%
Tracking Error	0.10%	-0.05%	0.07%	0.26%

	1-Year	3-Year	5-Year	10-Year
I Fund	11.45%	13.87%	9.90%	8.38%
MSCI EAFE Index	11.26%	13.54%	9.55%	8.03%
Tracking Error	0.19%	0.33%	0.35%	0.35%

	1-Year	3-Year	5-Year	10-Year
L Income Fund	5.42%	6.05%	4.99%	4.58%
L 2025 Fund	9.75%	N/A	N/A	N/A
L 2030 Fund	12.37%	13.71%	10.18%	9.65%
L 2035 Fund	13.43%	N/A	N/A	N/A
L 2040 Fund	14.51%	16.07%	11.67%	10.94%
L 2045 Fund	15.40%	N/A	N/A	N/A
L 2050 Fund	16.34%	18.09%	12.96%	12.06%
L 2055 Fund	19.90%	N/A	N/A	N/A
L 2060 Fund	19.90%	N/A	N/A	N/A
L 2065 Fund	19.90%	N/A	N/A	N/A
Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020				

PROXY VOTING – THIRD QUARTER 2021

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the third quarter of 2021. Likewise, an audit of State Street's proxy voting conducted by ISS found no exceptions to State Street's established guidelines during the third quarter of 2021. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the fourth quarter of 2021 are not yet available.

CLASS ACTION SETTLEMENTS – THIRD QUARTER 2021

BlackRock began the third quarter with 67 open claims. During the quarter, five claims were opened in the C Fund and thirteen claims were opened in the S Fund. Overall, twelve claims were settled for a total of \$1,057,433. Three claims in the C Fund were settled for \$530,284, eight claims in the S Fund were settled for \$522,496, and one claim in the I Fund was settled for \$4,432. Residual payments from two closed S Fund claims yielded an additional \$221. Four claims in the S Fund and one claim in the C Fund were closed due to administrator action, bringing total claims closed during the quarter to seventeen. Sixty-eight claims remained open at BlackRock at the end of the quarter. State Street did not report any securities litigation activity during the quarter.

	<u>Open at Start of Quarter</u>	<u>Opened During Quarter</u>	<u>Closed During Quarter</u>	<u>Open Claims Outstanding</u>	<u>Total of Settled Claims in 2021</u>
F Fund	-	-	-	-	\$0
C Fund	17	5	4	18	\$795,393
S Fund	49	13	12	50	\$2,715,647
I Fund	1	-	1	-	\$4,432
Total	67	18	17	68	\$3,515,472

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.

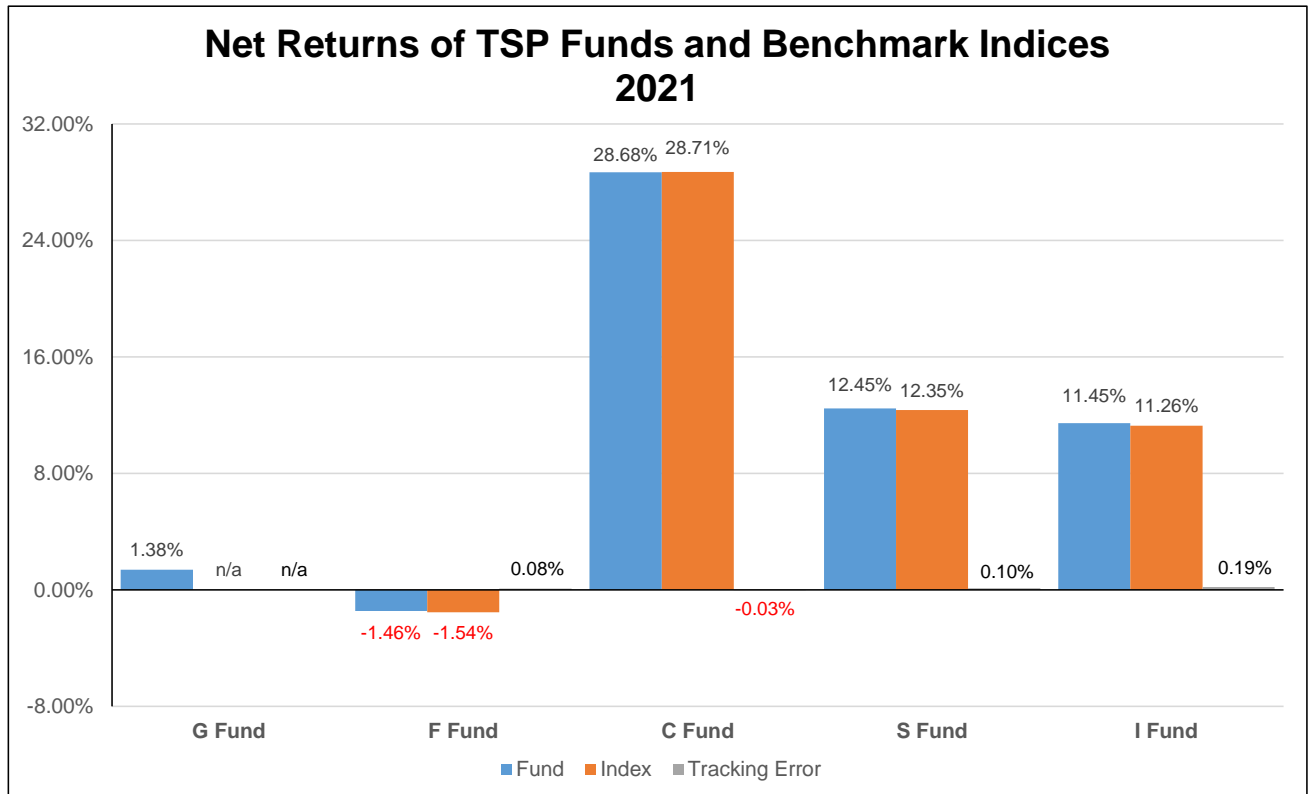
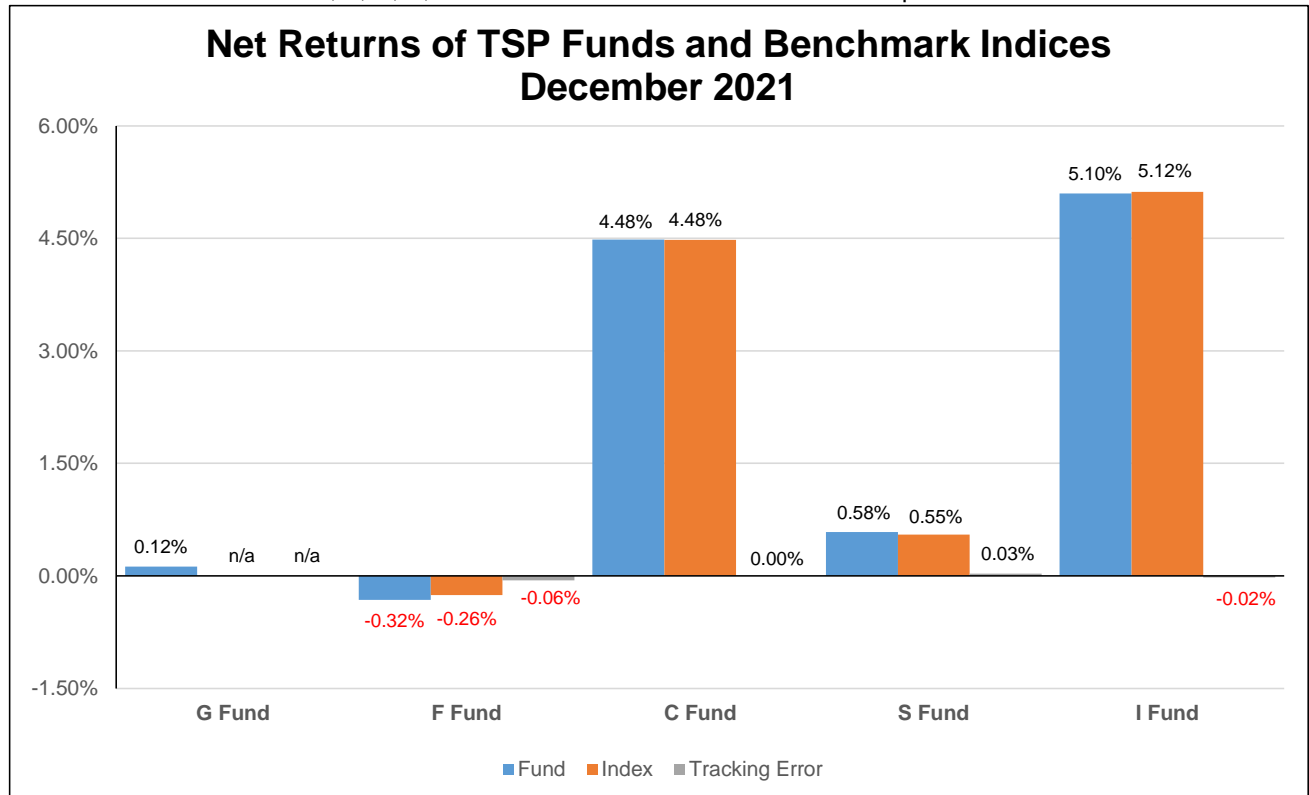
ATTACHMENTS

Attachment 1: Audit Report on BlackRock Proxy Voting in the Third Quarter of 2021

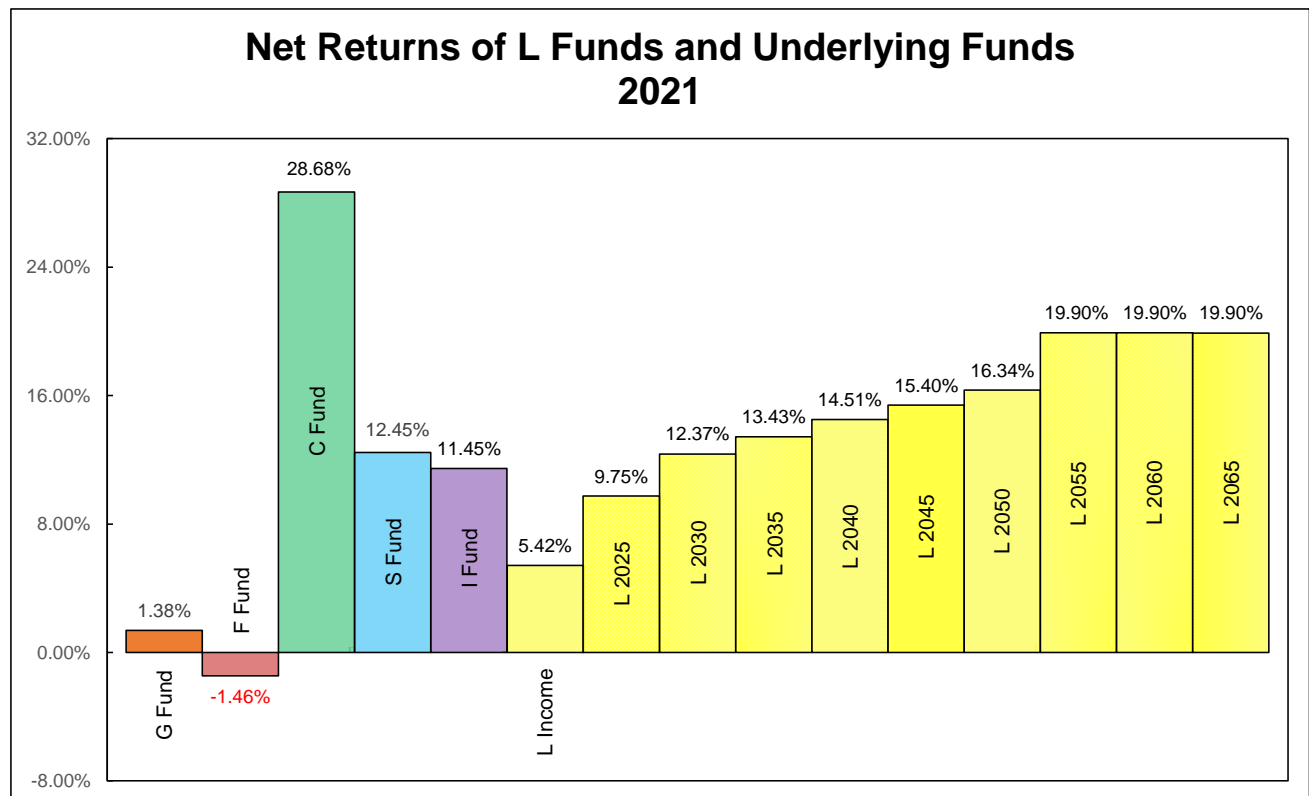
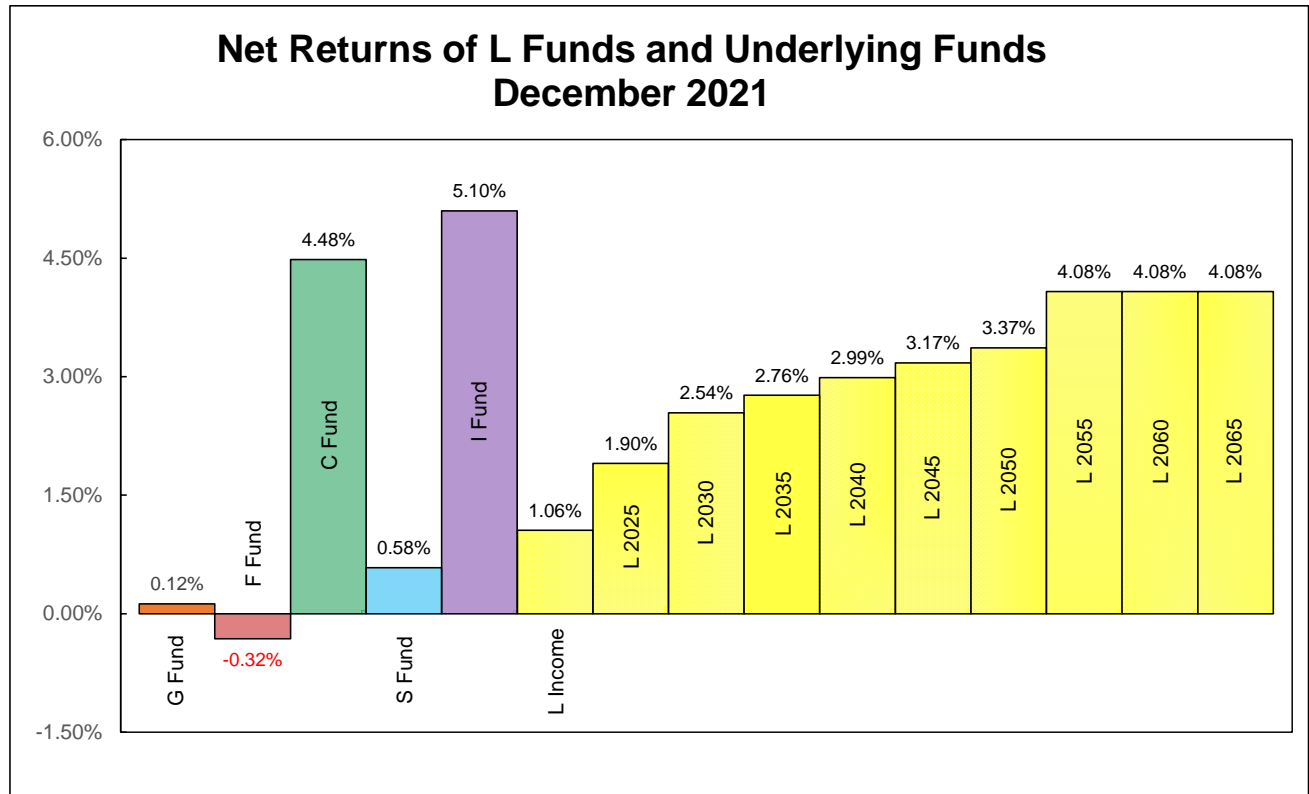
Attachment 2: Audit Report on State Street's Proxy Voting in the Third Quarter of 2021

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.

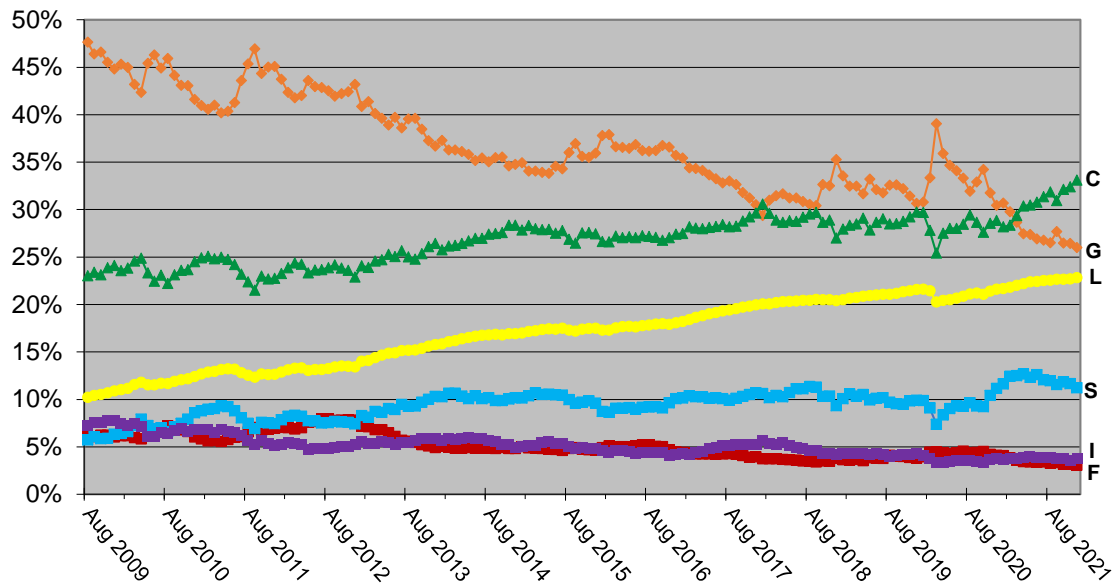


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History

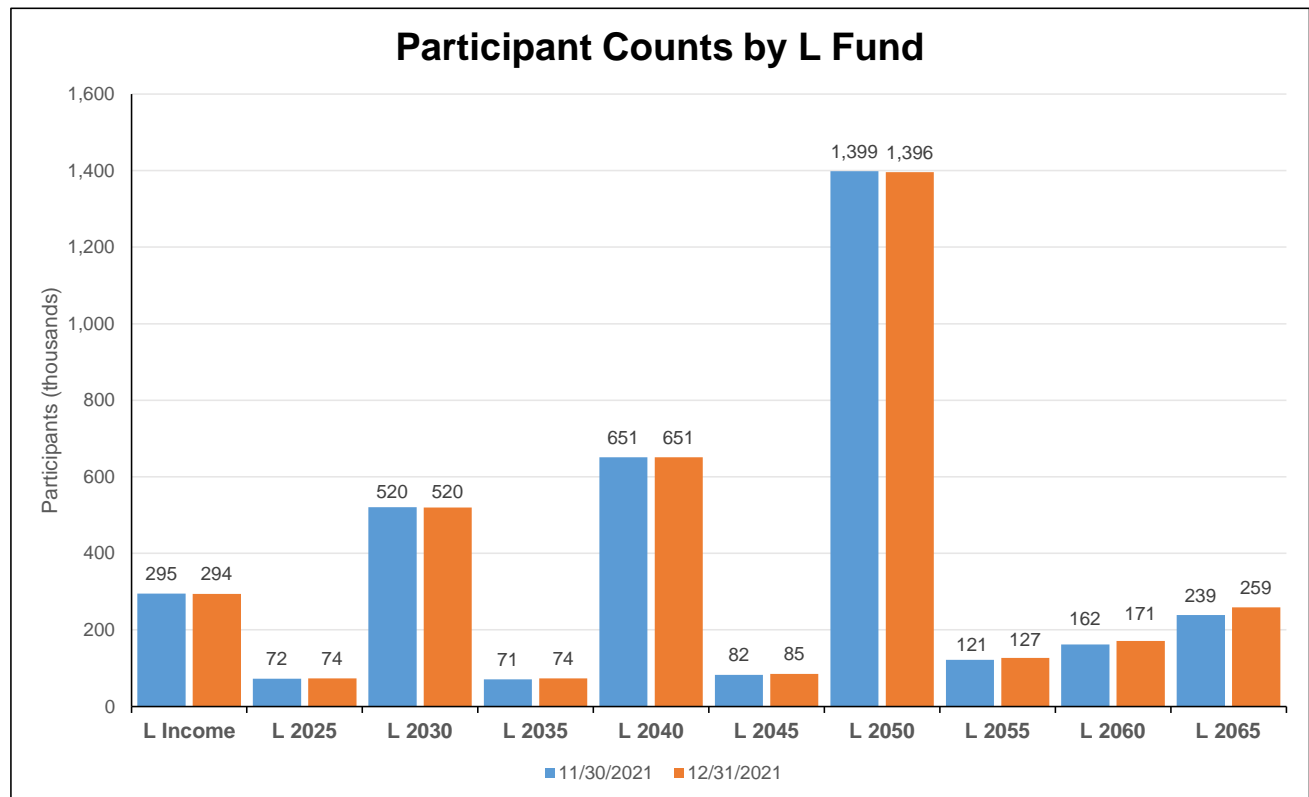
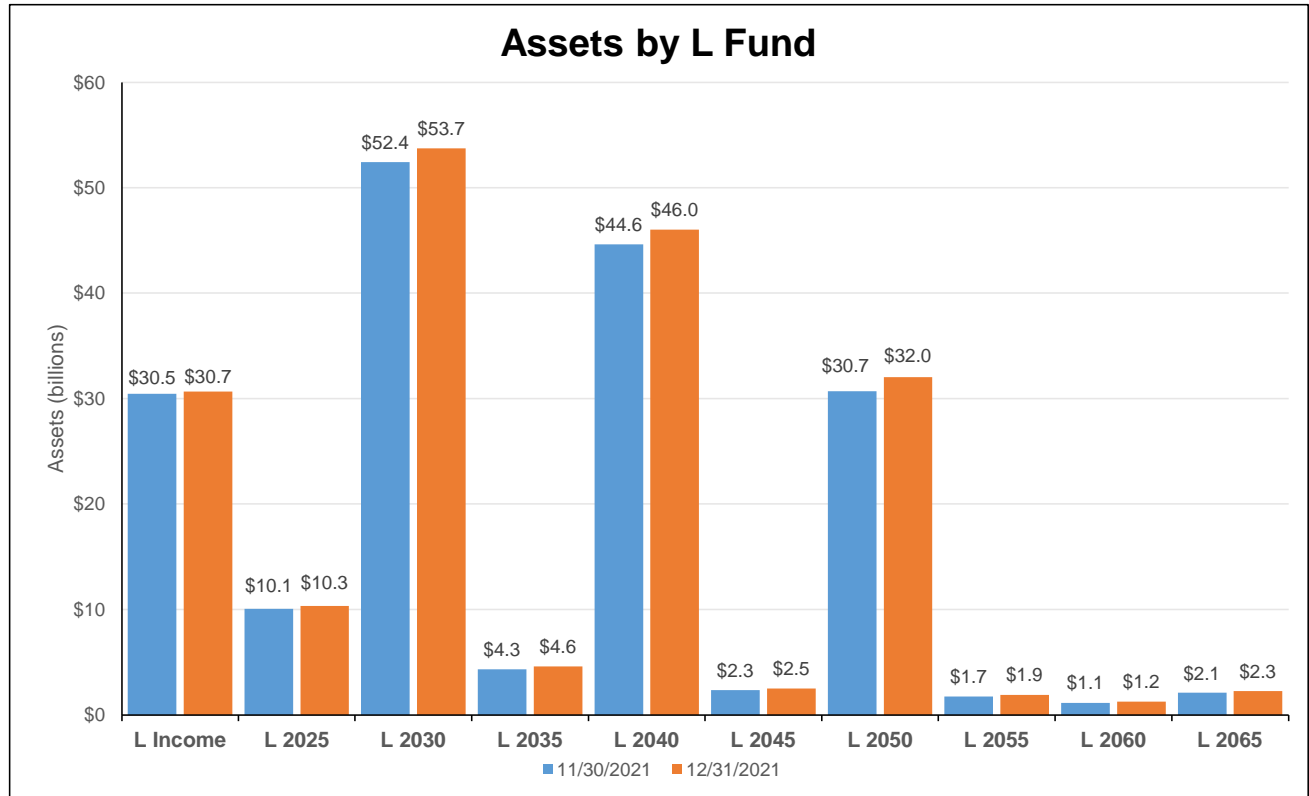


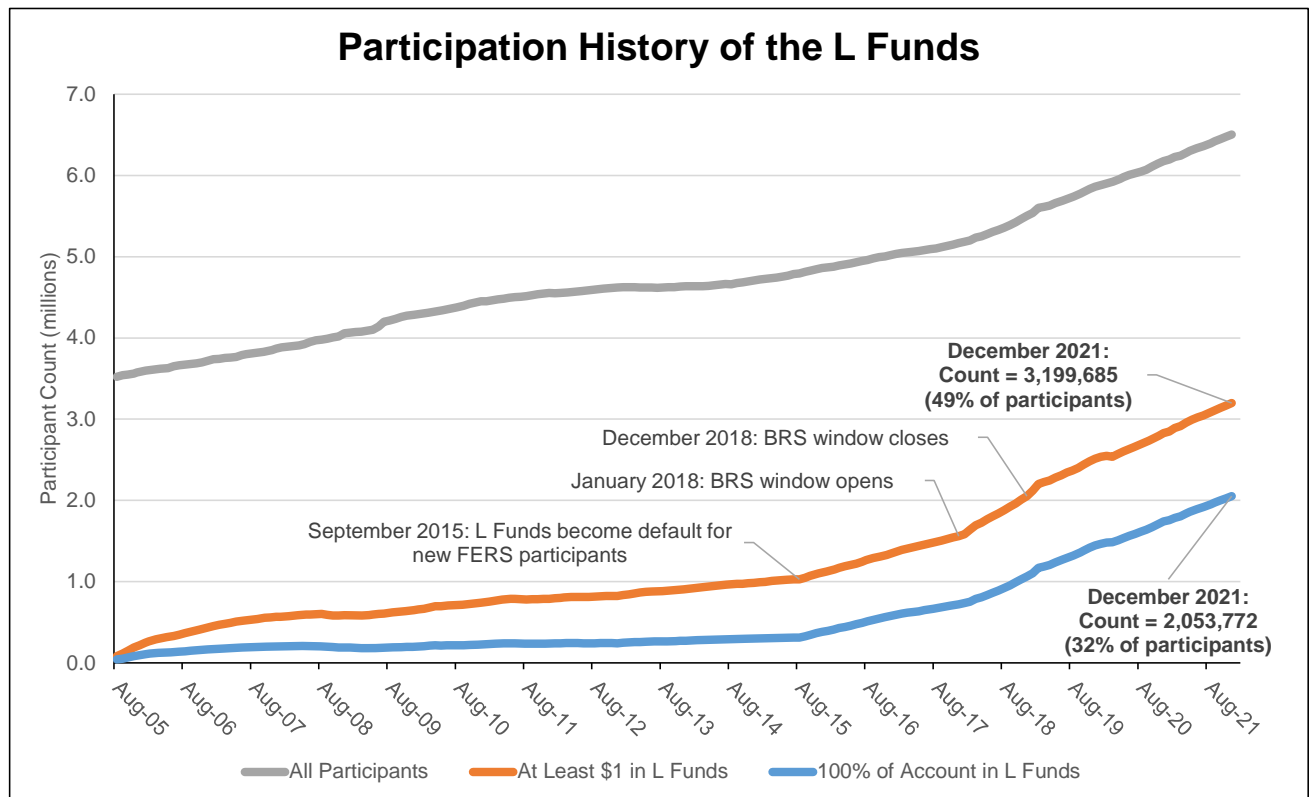
Asset Allocation as of December 31, 2021

	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets</u> (Billions)	<u>Share of</u> Total	<u>Assets</u> (Billions)	<u>Share of</u> Total
G Fund	\$210.9	26.0%	\$270.1	33.3%
F Fund	\$24.9	3.1%	\$37.4	4.6%
C Fund	\$268.7	33.1%	\$326.8	40.3%
S Fund	\$91.2	11.2%	\$106.9	13.2%
I Fund	\$30.7	3.8%	\$70.5	8.7%
L Funds	<u>\$185.3</u>	<u>22.8%</u>	<u>n/a</u>	<u>n/a</u>
Total	\$811.7	100%	\$811.7	100%

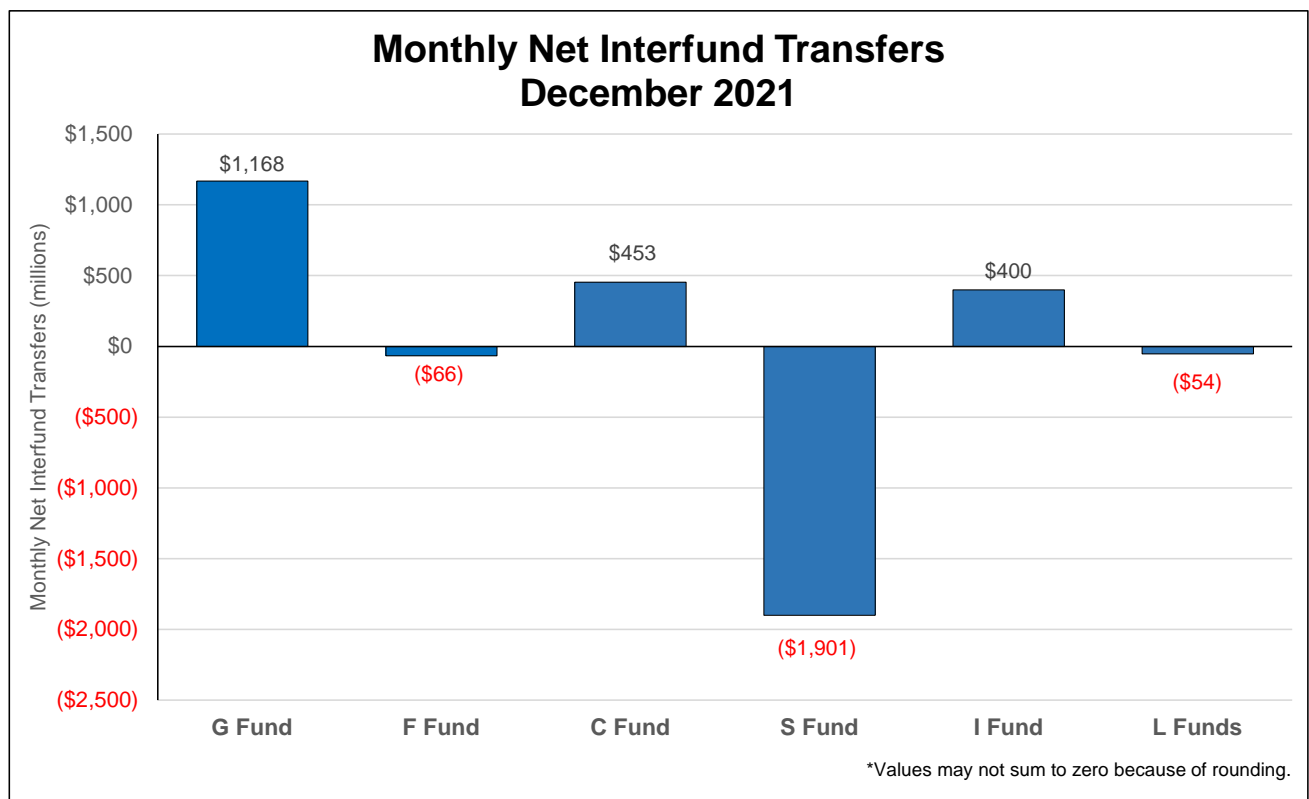
*Components may not sum to totals because of rounding.

Lifecycle (L) Funds





Interfund Transfer Activity





October 18, 2021

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 3rd quarter of 2021. Our review found that there were no exceptions to policy over this period.

Best regards,



Recoverable Signature

X Andrew E. Linberg

Signed by: 161923fe-1fa1-4c5e-a954-b052a253edf1

Andrew E. Linberg
Head of Custom Research – Americas

INSTITUTIONAL SHAREHOLDER SERVICES INC.

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MEMORANDUM

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

- Votes at 45 meetings were examined.
- Votes at 15 of the 45 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 30 remaining meetings, there were 74 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	10
Non-executive stock plan	1
Employee share purchase plan	1
Approve equity issuance to director and executives	2
Advisory vote on golden parachute compensation	10
Frequency vote on MSOP	2
Increase authorized common stock	6
Issue shares for private placement	2
Approve merger agreement	11
Issue shares in connection with acquisition	4
Approve sale of assets	1
Issue common stock upon exercise of warrants	1
Adjourn meeting	18
Amend shareholder rights plan	1
Change board size	1
Amend charter	1
Amend certificate of incorporation	1
Other business	1
Total:	74

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- There were 10 votes cast on executive stock plans:
 - a) 6 votes were cast in favor of the plans (60 percent);
 - b) 4 votes were cast against the plans (40 percent);
 - i.) 1 plan was opposed due to the ability to reprice options without prior shareholder approval;
 - ii.) 1 plan was opposed due to excessive dilution;
 - iii.) 2 plans were opposed as they did not align with performance and peers.
- There was 1 vote cast on a non-executive stock plan; the vote was cast in favor of the plan.
- There was 1 vote cast on an employee share purchase plan; the vote was cast against the plan due to the presence of an evergreen provision.
- There were 16 votes cast on mergers, acquisitions and/or major corporate transactions, including 4 issuances of shares pursuant to an acquisition, and one sale of assets:
 - a) 15 votes were cast in favor of the transactions (93.8 percent);
 - b) 1 vote was cast against the transactions (6.3 percent) as the terms of the transaction were not in the best interest of shareholders.
- There were 6 votes cast on increases in authorized common stock; the votes were cast in favor of the increases.
- There were 14 votes cast on management advisory votes on executive compensation:
 - a) 13 votes were cast in favor of the advisory votes (92.9 percent).
 - b) 1 vote was cast against the advisory votes (7.1 percent).
- There were 10 votes cast management advisory votes on golden parachute compensation; the votes were cast in favor of the advisory votes.
 - a) 9 votes were cast in favor of the advisory votes (90 percent).
 - b) 1 vote was cast against the advisory votes (10 percent).

There were no exceptions to policy this period.



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November 24, 2021

Mr. Benjamin Colton
Global Co-Head of Asset Stewardship
State Street Global Advisors
State Street Financial Center
One Iron Street
Boston, MA 02210

Dear Benjamin,

The Custom Research team has completed its Q3 2021 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 245 agenda items. In reviewing these items against the SSgA policy document, we identified zero (0) errors in the application of SSgA's policy (for an overall error rate of 0%).

Please feel free to contact us should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Glen C. Schillerstrom" followed by two stylized capital letters "A" and "A".

Glen C. Schillerstrom, CFA
Senior Associate, Custom Research