



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

MEMORANDUM FOR BOARD MEMBERS

GERBER, BILYEU, BRIDGES,  
JONES, AND OLIVARES

FROM: Ravindra Deo, Executive Director

DATE: July 15, 2022

SUBJECT: June 2022 Investment Program Review

**INTRODUCTION**

This report reviews key aspects of the TSP's investment program, including performance and tracking error, interfund transfer activity, and participant allocations.

**RETURNS AND TRACKING ERRORS**

The tables below contain the monthly and year-to-date (YTD) 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.

***June 2022 Returns and Tracking Errors***

		<b><u>Fixed Income</u></b>	<b><u>Large Cap</u></b>	<b><u>Small Mid Cap</u></b>	<b><u>International</u></b>
		<b><u>(F Fund)</u></b>	<b><u>(C Fund)</u></b>	<b><u>(S Fund)</u></b>	<b><u>(I Fund)</u></b>
<b>Return (%)</b>	<b>Index</b>	-1.57	-8.25	-9.26	-9.28
	<b>BlackRock</b>	-1.51	-8.25	-9.22	-8.90
	<b>State Street</b>	-1.56	-8.25	-9.22	n/a
	<b>TSP Fund (Net)</b>	-1.94	-6.55	-7.95	-8.21
<b>Tracking Error vs Index (%)</b>	<b>BlackRock</b>	0.06	0.01	0.04	0.38
	<b>State Street</b>	0.01	0.00	0.05	n/a
	<b>TSP Fund</b>	-0.37	1.71	1.31	1.06

BlackRock's performance for the F Fund exceeded the Fixed Income Index's return by 6 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 4 basis points, primarily due to securities lending. Its performance for the I Fund was ahead of the International index by 38 basis points, primarily due to fair value pricing.

State Street's performance for the F and C Funds was in line with the Funds' respective indices for the month. For the S Fund, State Street outperformed the Small Mid Cap Index by 5 basis points, primarily due to securities lending.

As a result of the TSP's recordkeeping transition at the end of May, market movements from the last two trading days in May are reflected in the June returns of the Funds shown above, but not in the returns of the benchmark indices. This explains the larger-than-normal tracking errors between the Funds and their benchmark indices for the month.

## 2022 YTD 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>
<b>Return (%)</b>	<b>Index</b>	-10.35	-19.96	-28.09	-19.57
	<b>BlackRock</b>	-9.98	-19.93	-27.89	-18.92
	<b>State Street</b>	-10.35	-19.96	-27.92	n/a
	<b>TSP Fund (Net)</b>	-10.08	-19.96	-27.92	-18.95
<b>Tracking Error vs Index (%)</b>	<b>BlackRock</b>	0.37	0.03	0.20	0.65
	<b>State Street</b>	0.00	0.00	0.17	n/a
	<b>TSP Fund</b>	0.27	0.00	0.17	0.62

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index by 37 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 20 basis points, primarily resulting from securities lending. Its performance for the I Fund was ahead of the International Index by 65 basis points, primarily due to fair value pricing.

Year-to-date, State Street's performance for the F and C Funds was in line with the Funds' respective indices. For the S Fund, State Street outperformed the Small Mid Cap Index by 17 basis points, primarily due to securities lending.

With the recordkeeping transition complete and the TSP open at the end of June, the year-to-date returns in this report fully reflect the period from market close on December 31, 2021 to market close on June 30, 2022.

***TSP Net Returns as of June 30, 2022***

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>G Fund</b>	1.89%	1.48%	1.96%	1.97%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>F Fund</b>	-10.05%	-0.82%	0.99%	1.79%
<b>Bloomberg Barclays US Agg Bond Index</b>	-10.29%	-0.93%	0.88%	1.54%
<b>Tracking Error</b>	0.24%	0.11%	0.11%	0.25%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>C Fund</b>	-10.62%	10.56%	11.27%	12.96%
<b>S&amp;P 500 Index</b>	-10.62%	10.60%	11.31%	12.96%
<b>Tracking Error</b>	0.00%	-0.04%	-0.03%	0.01%

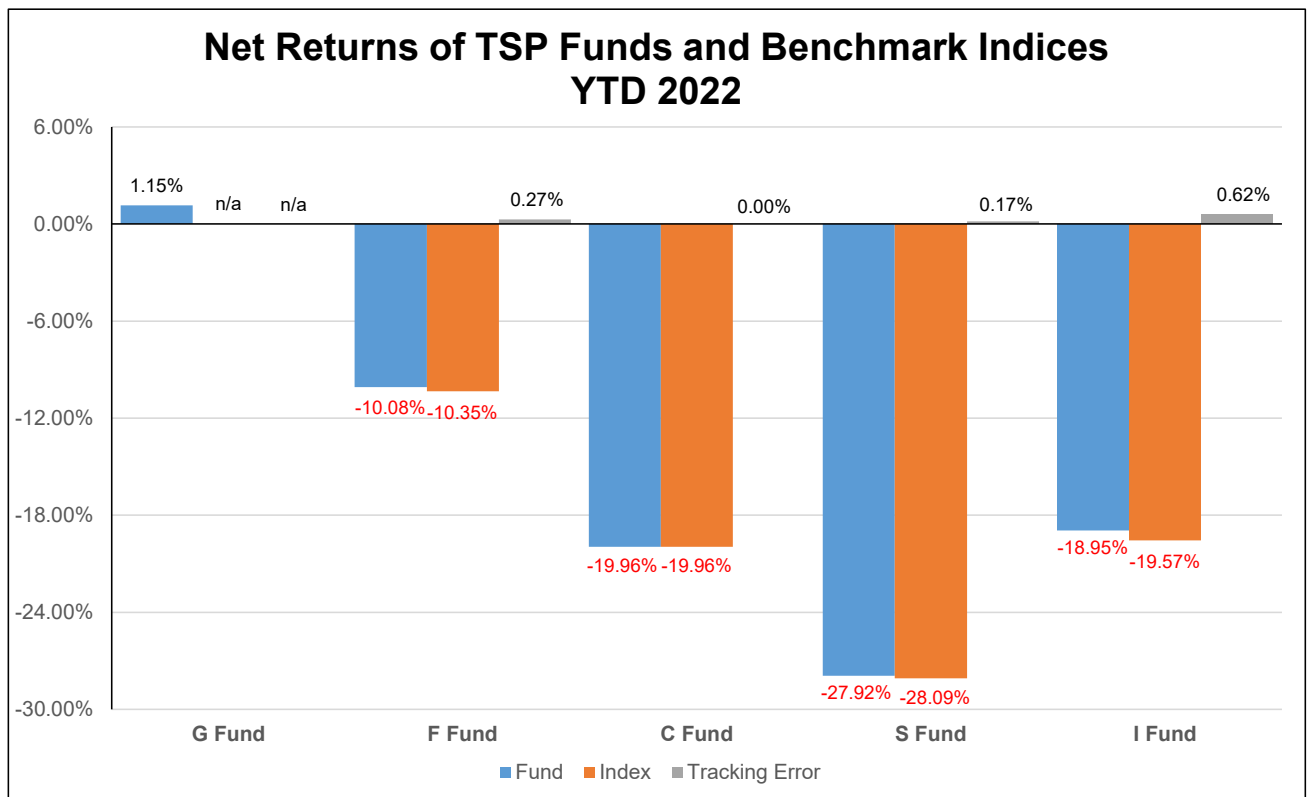
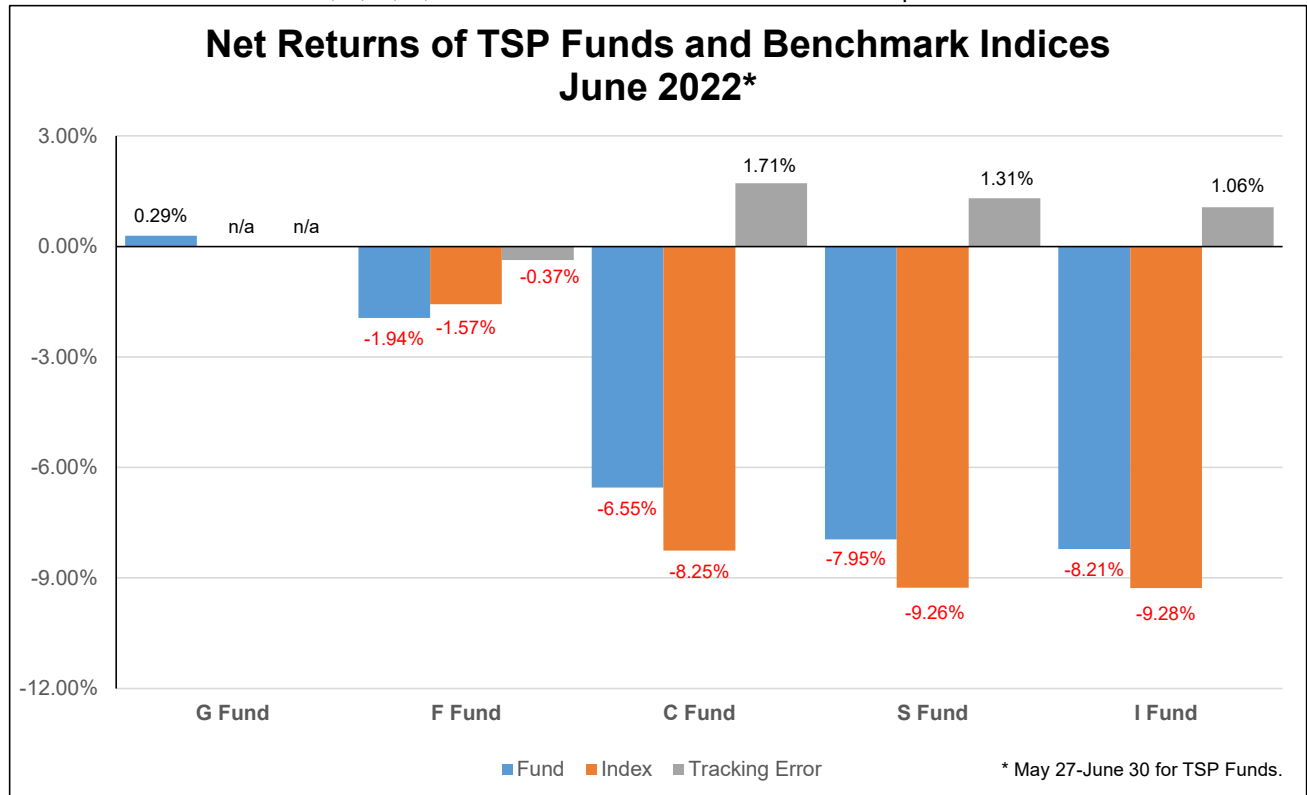
	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>S Fund</b>	-29.80%	4.61%	6.43%	10.37%
<b>Dow Jones US Completion TSM Index</b>	-30.00%	4.56%	6.33%	10.12%
<b>Tracking Error</b>	0.20%	0.04%	0.10%	0.26%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>I Fund</b>	-17.11%	1.51%	2.64%	5.78%
<b>MSCI EAFE Index</b>	-17.77%	1.07%	2.20%	5.40%
<b>Tracking Error</b>	0.66%	0.44%	0.43%	0.39%

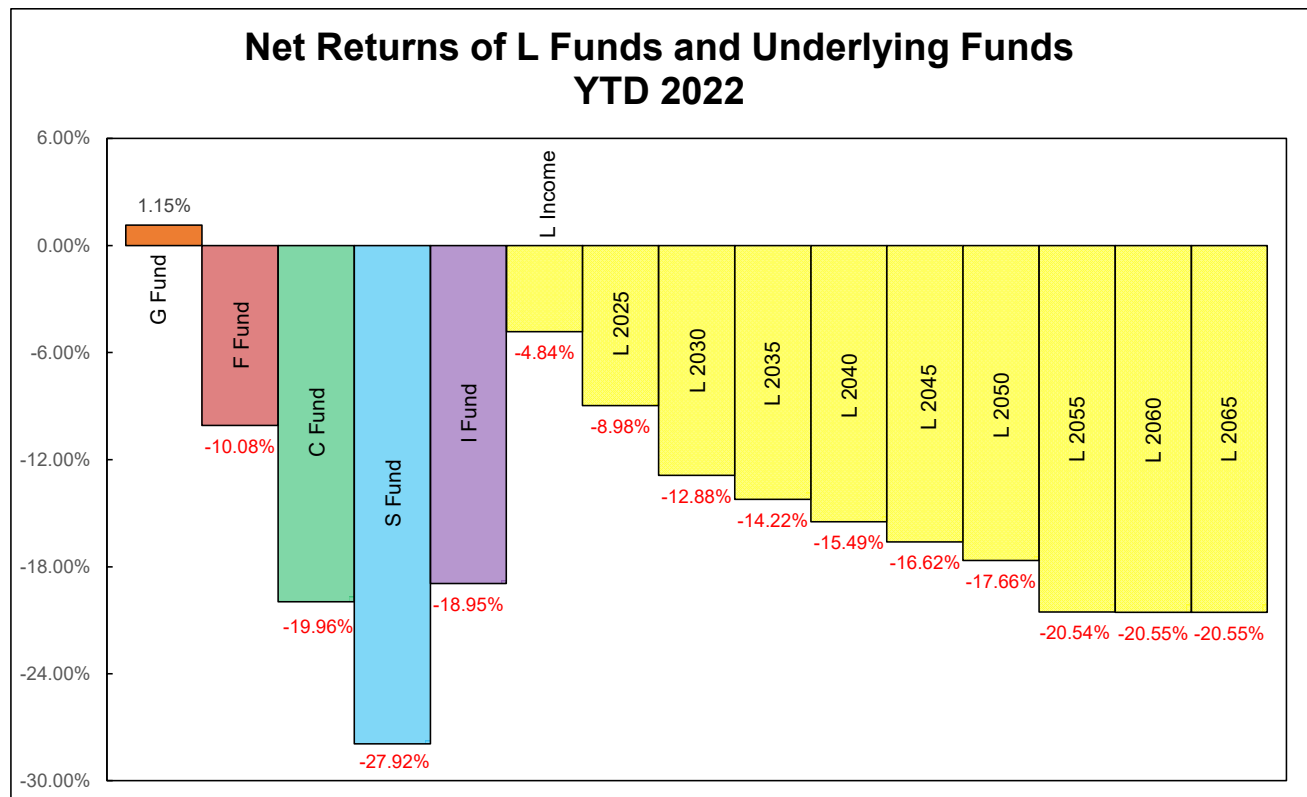
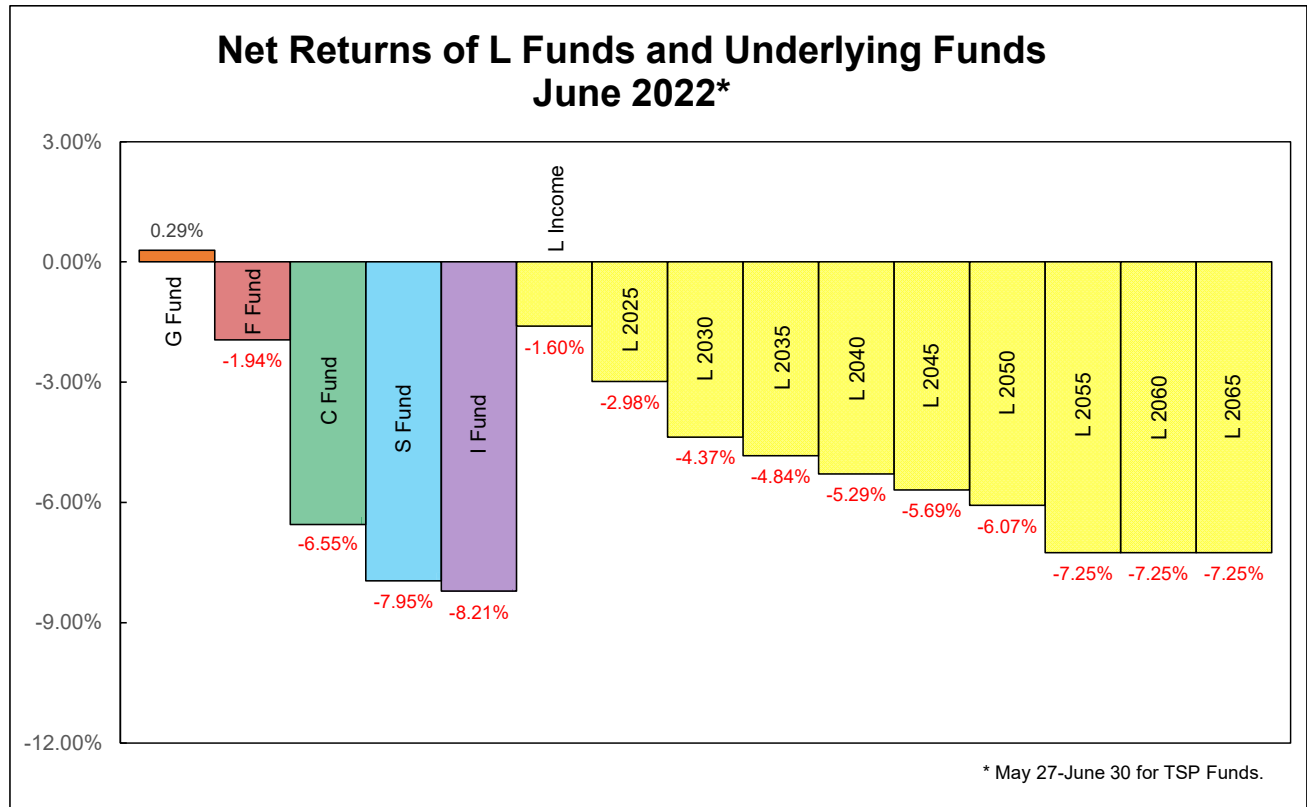
	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>L Income Fund</b>	-2.87%	2.73%	3.33%	3.82%
<b>L 2025 Fund</b>	-6.02%	N/A	N/A	N/A
<b>L 2030 Fund</b>	-9.29%	4.88%	5.74%	7.55%
<b>L 2035 Fund</b>	-10.43%	N/A	N/A	N/A
<b>L 2040 Fund</b>	-11.50%	5.38%	6.33%	8.41%
<b>L 2045 Fund</b>	-12.51%	N/A	N/A	N/A
<b>L 2050 Fund</b>	-13.40%	5.77%	6.81%	9.15%
<b>L 2055 Fund</b>	-15.69%	N/A	N/A	N/A
<b>L 2060 Fund</b>	-15.69%	N/A	N/A	N/A
<b>L 2065 Fund</b>	-15.70%	N/A	N/A	N/A
<b>Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020</b>				

## 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.

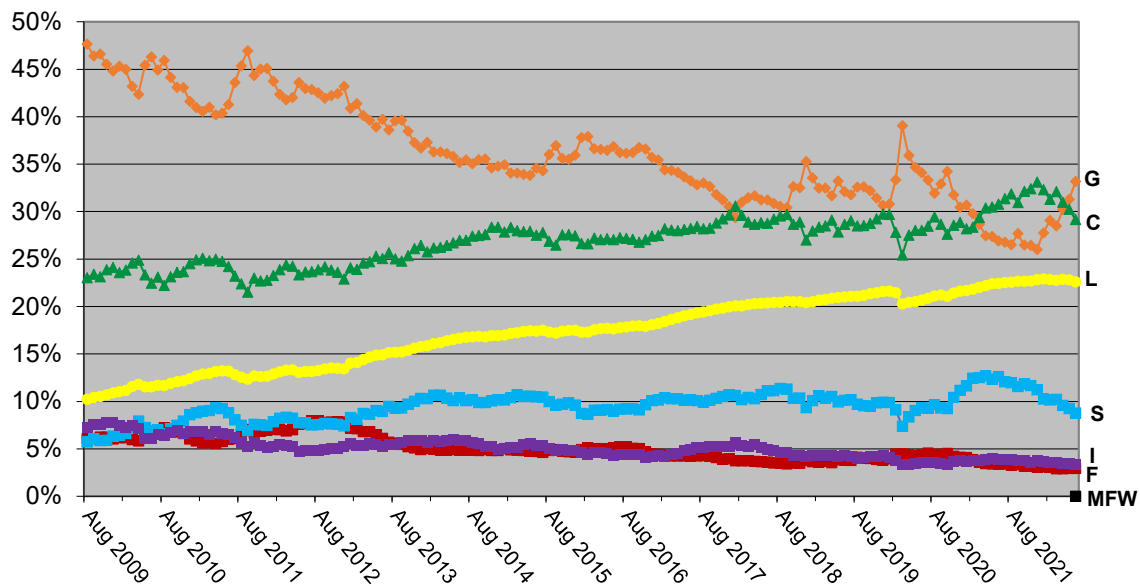


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



## Asset Allocation

### Participant Asset Allocation History

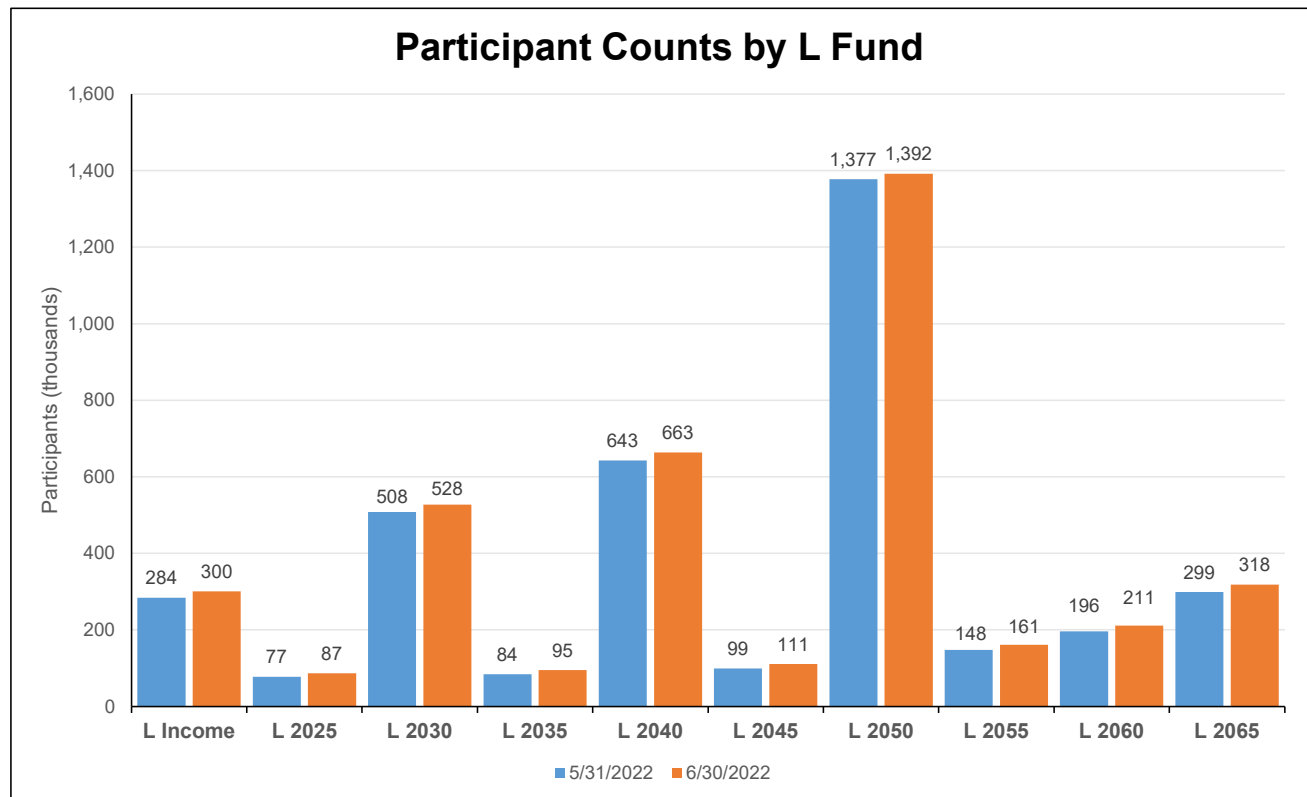
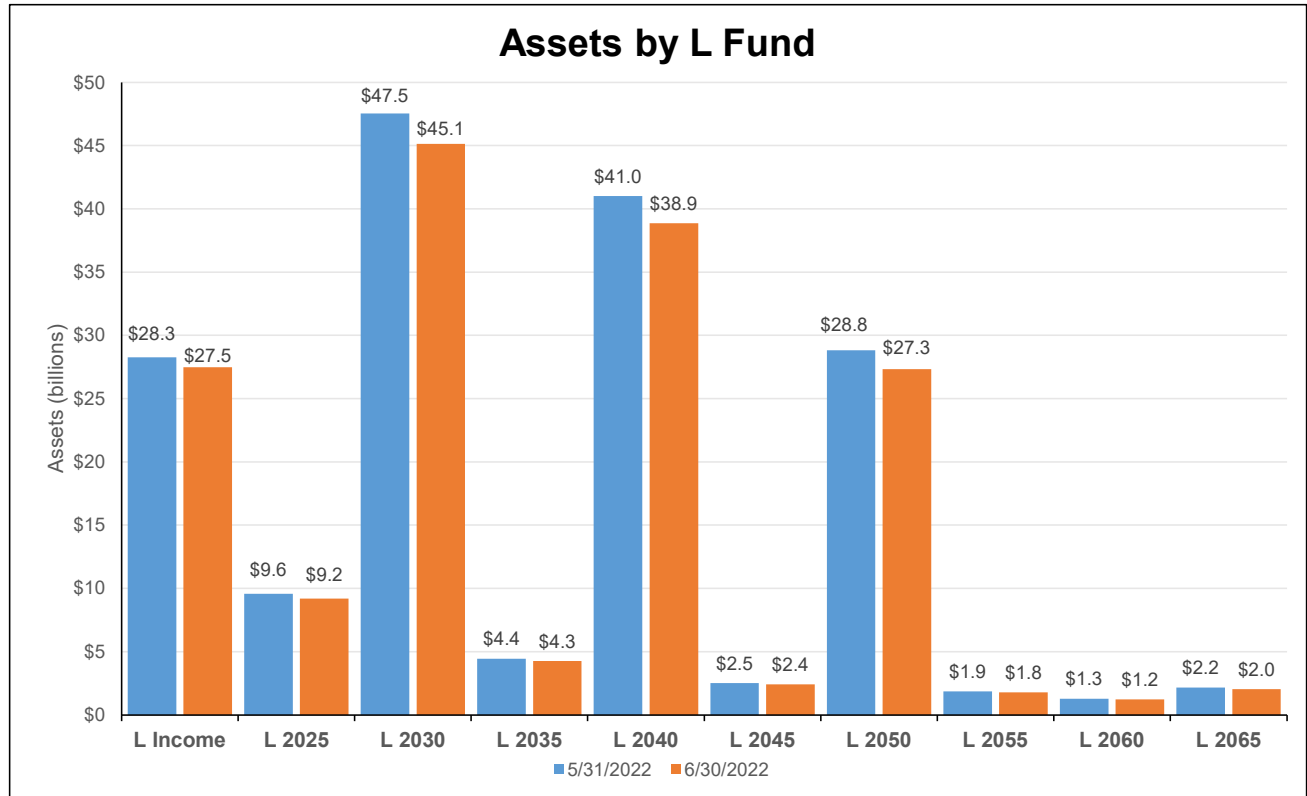


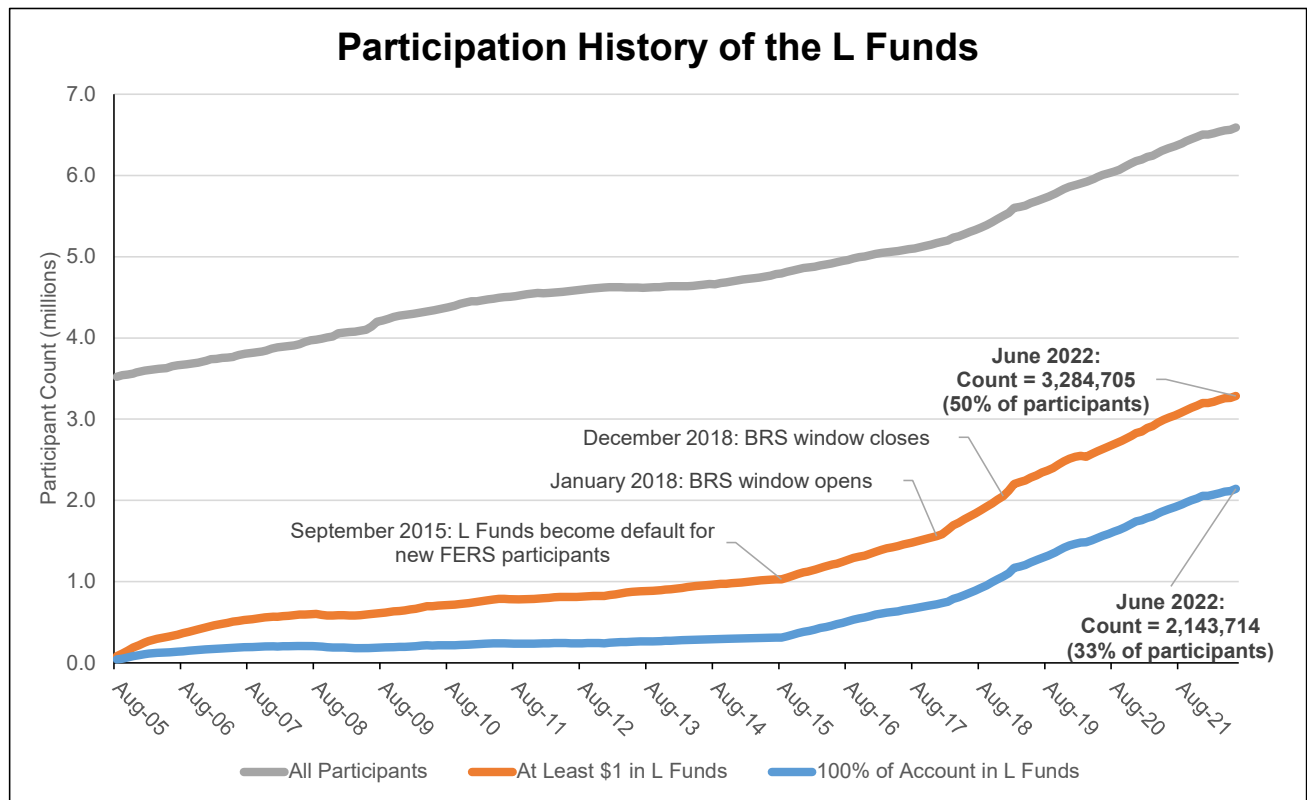
### Asset Allocation as of June 30, 2022

	Participant Allocation		Individual TSP Funds	
	Assets (Billions)	Share of Total	Assets (Billions)	Share of Total
<b>G Fund</b>	\$234.5	33.2%	\$286.5	40.5%
<b>F Fund</b>	\$20.8	2.9%	\$31.4	4.4%
<b>C Fund</b>	\$206.1	29.2%	\$255.9	36.2%
<b>S Fund</b>	\$62.0	8.8%	\$75.3	10.7%
<b>I Fund</b>	\$23.7	3.4%	\$57.7	8.2%
<b>L Funds</b>	\$159.7	22.6%	n/a	n/a
<b><u>MFW</u></b>	<u>\$0.1</u>	<u>0.0%</u>	<u>\$0.1</u>	<u>0.0%</u>
<b>Total</b>	\$706.9	100%	\$706.9	100%

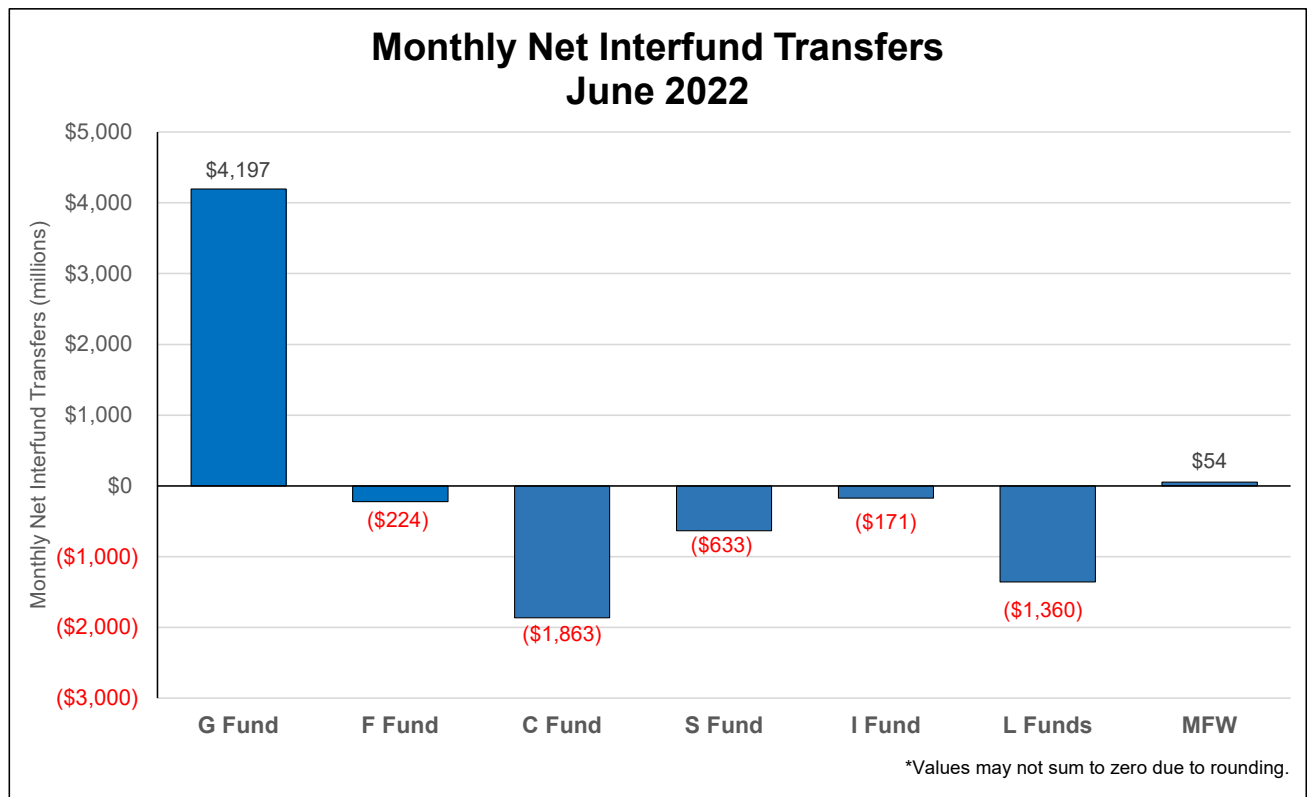
\*Components may not sum to totals because of rounding.

## Lifecycle (L) Funds





#### Interfund Transfer Activity





**PROXY VOTING – FIRST QUARTER 2022**

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the first quarter of 2022. Likewise, an audit of State Street's proxy voting conducted by ISS found no exceptions to State Street's established guidelines during the first quarter of 2022. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the second quarter of 2022 are not yet available.

**CLASS ACTION SETTLEMENTS – FIRST QUARTER 2022**

BlackRock began the first quarter with 75 open claims. During the quarter, the C Fund had seven claims opened. Seventeen claims were opened in the S Fund. Overall, seven claims were settled for a total of \$3,257,108. Three claims in the C Fund were settled for \$3,001,423, and four claims in the S Fund were settled for \$255,685. Two claims in the S Fund and one claim in the C Fund were rejected with no recognized loss, bringing total claims closed during the quarter to ten. Additionally, residual payments from three previously closed S Fund claims yielded \$1,115. Eighty-nine claims remained open at BlackRock at the end of 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 2022</u>
F Fund	1	-	-	1	\$0
C Fund	17	7	4	20	\$3,001,423
S Fund	57	17	6	68	\$255,685
I Fund	-	-	-	-	\$0
Total	75	24	10	89	\$3,257,108

State Street began the first quarter with three open claims, all in the S Fund. During the quarter, two more claims were opened in the S Fund. No claims were settled during the quarter, and five claims remained open at end of 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 2022</u>
F Fund	-	-	-	-	-
C Fund	-	-	-	-	-
S Fund	3	2	-	5	-
I Fund	n/a	n/a	n/a	n/a	n/a
Total	3	2	-	5	-

**ATTACHMENTS**

Attachment 1: Audit Report on BlackRock's Proxy Voting in the First Quarter of 2022

Attachment 2: Audit Report on State Street's Proxy Voting in the First Quarter of 2022



April 13, 2022

Ms. Michelle Edkins  
Managing Director  
Corporate Governance & Responsible Investment  
BlackRock  
55 East 52<sup>nd</sup> St  
New York, NY 10055

Dear Michelle,

Enclosed are the results of our review of US proxy votes by BlackRock for the 1<sup>st</sup> quarter of 2022. Our review found that there were no exceptions to policy over this period.

Best regards,



Recoverable Signature

X Andrew E. Linberg

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

Andrew E. Linberg  
Head of Custom Research – Americas

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**INSTITUTIONAL SHAREHOLDER SERVICES INC.**

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## MEMORANDUM

The results of our review of BlackRock's 1<sup>st</sup> quarter proxy voting for US meetings are as follows:

- Votes at 31 meetings were examined.
- Votes at 12 of the 31 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 19 remaining meetings, there were 31 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	8
Employee share purchase plan	1
Advisory vote on golden parachute compensation	2
Frequency vote on MSOP	3
Reverse stock split	2
Approve issuance of warrants	1
Approve merger agreement	3
Change state of incorporation	1
Adjourn meeting	6
Declassify board of directors	1
Eliminate supermajority vote requirements	1
Shareholder proposal	2
<b>Total:</b>	<b>31</b>

## INSTITUTIONAL SHAREHOLDER SERVICES INC.

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- There were 8 votes cast on executive stock plans:
  - a) 7 votes were cast in favor of the plans (87.5 percent);
  - b) 1 vote was cast against the plans (12.5 percent) due to the accelerated vesting of equity awards in non change-in-control situations.
- There was 1 vote cast on an employee share purchase plan; the vote was cast in favor of the plan.
- There were 3 votes cast on mergers, acquisitions and/or major corporate transactions; the votes were cast in favor of the transactions.
- There were 2 votes cast on shareholder proposals which included:
  - a) 1 shareholder proposal to reduce threshold to call special meeting; the vote was cast against the proposal.
  - b) 1 shareholder proposal to improve executive compensation program and policy; the vote was cast against 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; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.



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June 29, 2022

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 Q1 2022 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 260 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.

A handwritten signature in black ink that reads "Glen C. Schillerstrom" followed by two stylized vertical strokes.

Sincerely,

Glen C. Schillerstrom, CFA  
Associate Vice President, Custom Research

The Global Leader In Corporate Governance  
[www.issgovernance.com](http://www.issgovernance.com)

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