



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

MEMORANDUM FOR BOARD MEMBERS

GERBER, BILYEU, BRIDGES,
AND OLIVARES

FROM: Ravindra Deo, Executive Director

DATE: October 14, 2022

SUBJECT: September 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.

September 2022 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	-4.32	-9.21	-9.93	-9.35
	BlackRock	-4.30	-9.21	-9.91	-9.39
	State Street	-4.32	-9.21	-9.88	n/a
	TSP Fund (Net)	-4.31	-9.21	-9.91	-9.40
Tracking Error vs Index (%)	BlackRock	0.02	0.00	0.01	-0.04
	State Street	0.00	0.00	0.05	n/a
	TSP Fund	0.02	0.00	0.02	-0.04

BlackRock's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month. Its performance for the I Fund lagged the International Index by 4 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 sampling.

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>
Return (%)	Index	-14.61	-23.87	-30.09	-27.09
	BlackRock	-14.19	-23.83	-29.81	-27.22
	State Street	-14.56	-23.87	-29.84	n/a
	TSP Fund (Net)	-14.30	-23.87	-29.85	-27.25
Tracking Error vs Index (%)	BlackRock	0.42	0.04	0.27	-0.13
	State Street	0.05	0.00	0.24	n/a
	TSP Fund	0.31	0.00	0.23	-0.16

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 42 basis points, primarily due to securities lending. For the C Fund, BlackRock outperformed the Large Cap Index by 4 basis points, primarily due to securities lending. For the S Fund, BlackRock's performance exceeded the Small Mid Cap Index's return by 27 basis points, primarily due to securities lending. Its performance for the I Fund lagged the International Index by 13 basis points, primarily due to fair value pricing.

Year-to-date, State Street's performance for the F Fund exceeded the Fixed Income Index's return by 5 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, State Street outperformed the Small Mid Cap Index by 24 basis points, primarily due to securities lending.

TSP Net Returns as of September 30, 2022

	1-Year	3-Year	5-Year	10-Year
G Fund	2.34%	1.58%	2.01%	2.02%

	1-Year	3-Year	5-Year	10-Year
F Fund	-14.35%	-3.12%	-0.15%	1.14%
Bloomberg Barclays US Agg Bond Index	-14.60%	-3.26%	-0.27%	0.89%
Tracking Error	0.25%	0.13%	0.12%	0.25%

	1-Year	3-Year	5-Year	10-Year
C Fund	-15.48%	8.12%	9.20%	11.71%
S&P 500 Index	-15.47%	8.16%	9.24%	11.70%
Tracking Error	0.00%	-0.04%	-0.03%	0.01%

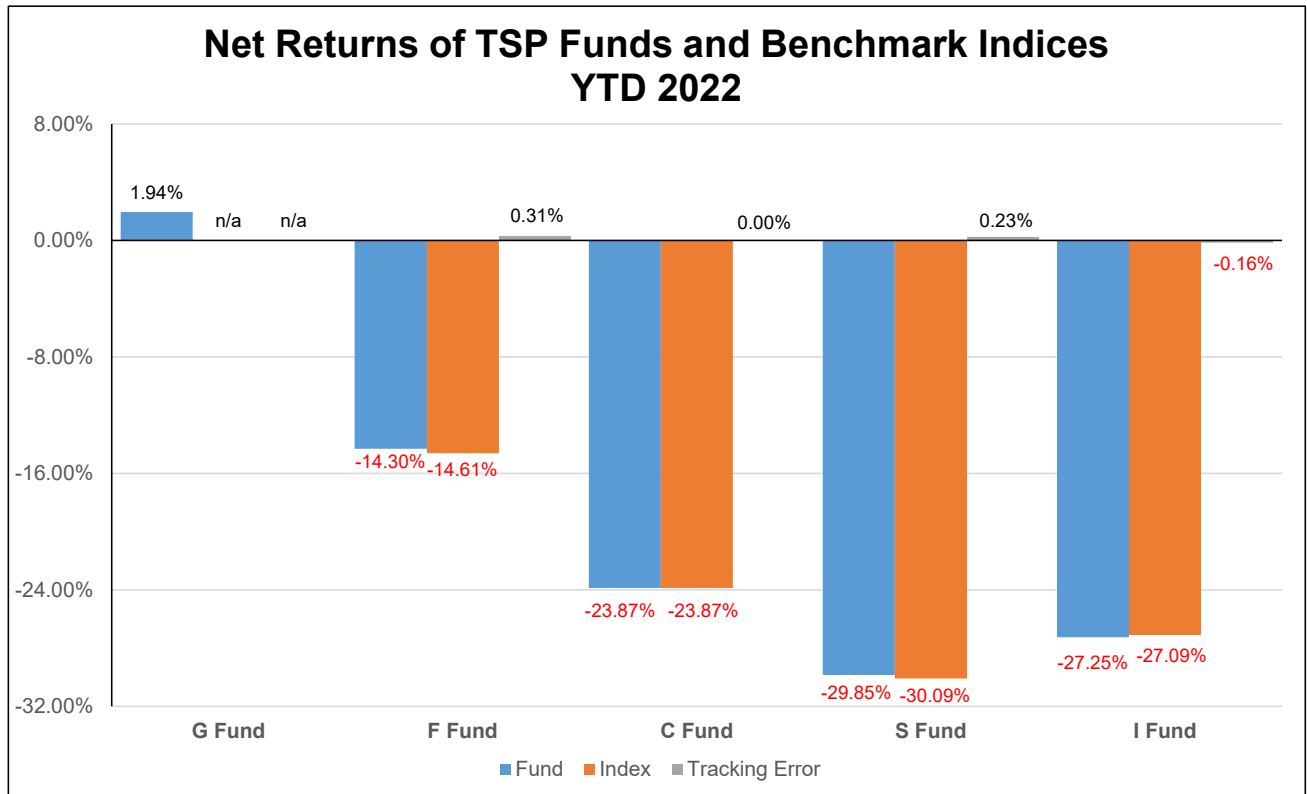
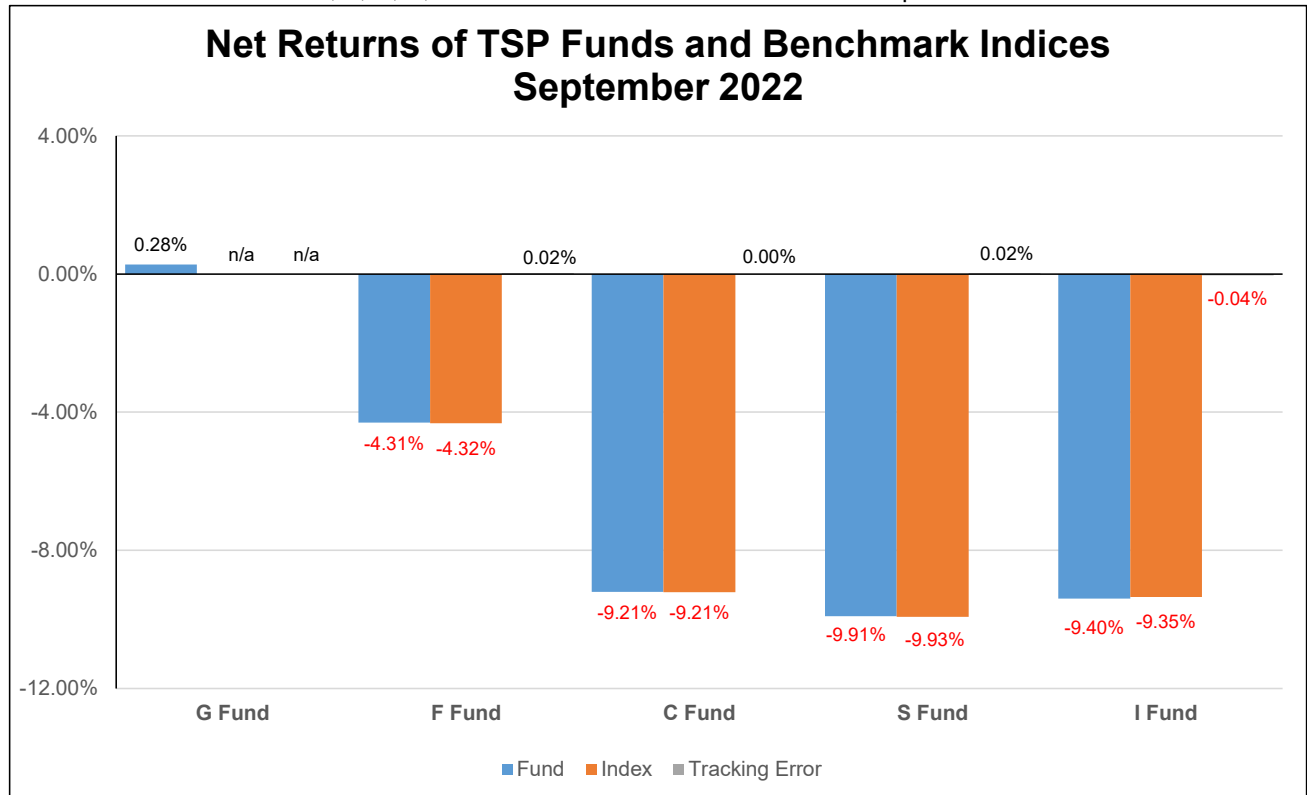
	1-Year	3-Year	5-Year	10-Year
S Fund	-29.36%	4.22%	4.83%	9.48%
Dow Jones US Completion TSM Index	-29.62%	4.16%	4.72%	9.25%
Tracking Error	0.27%	0.06%	0.12%	0.24%

	1-Year	3-Year	5-Year	10-Year
I Fund	-25.31%	-1.73%	-0.62%	3.95%
MSCI EAFE Index	-25.13%	-1.83%	-0.84%	3.67%
Tracking Error	-0.18%	0.10%	0.22%	0.28%

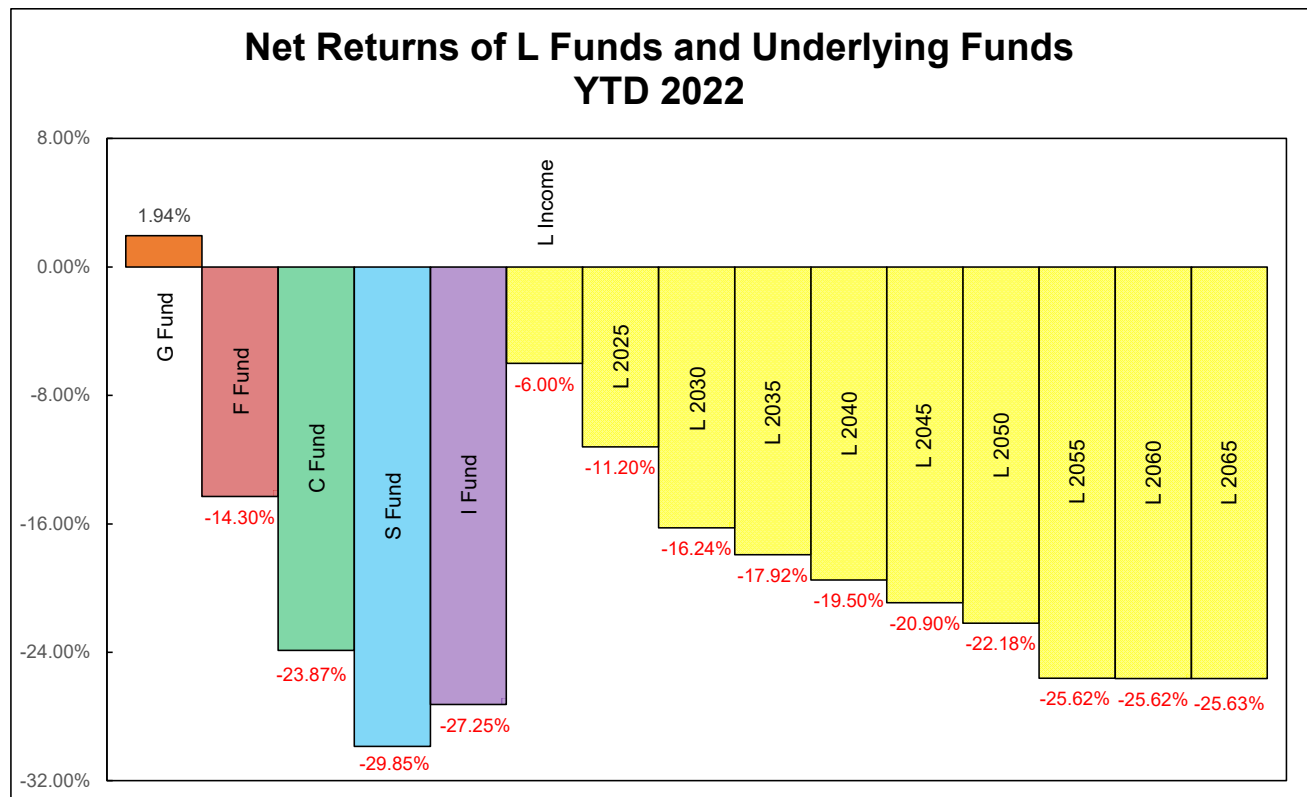
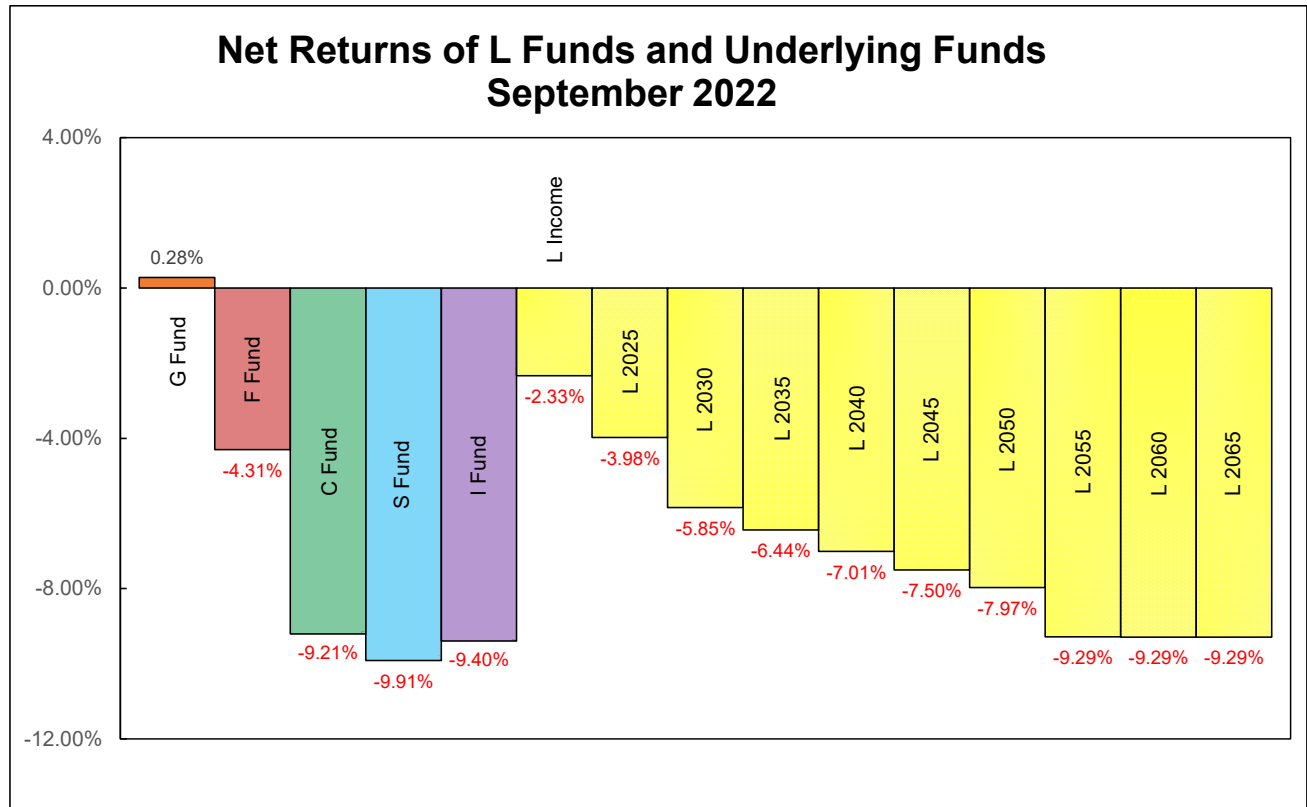
	1-Year	3-Year	5-Year	10-Year
L Income Fund	-4.27%	2.11%	2.78%	3.53%
L 2025 Fund	-8.41%	N/A	N/A	N/A
L 2030 Fund	-12.78%	3.33%	4.25%	6.65%
L 2035 Fund	-14.26%	N/A	N/A	N/A
L 2040 Fund	-15.63%	3.51%	4.53%	7.34%
L 2045 Fund	-16.89%	N/A	N/A	N/A
L 2050 Fund	-18.01%	3.65%	4.76%	7.93%
L 2055 Fund	-20.83%	N/A	N/A	N/A
L 2060 Fund	-20.83%	N/A	N/A	N/A
L 2065 Fund	-20.84%	N/A	N/A	N/A
Inception date for L 2025, L 2035, L 2045, L 2055, L 2060, L 2065: July 1, 2020				

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.

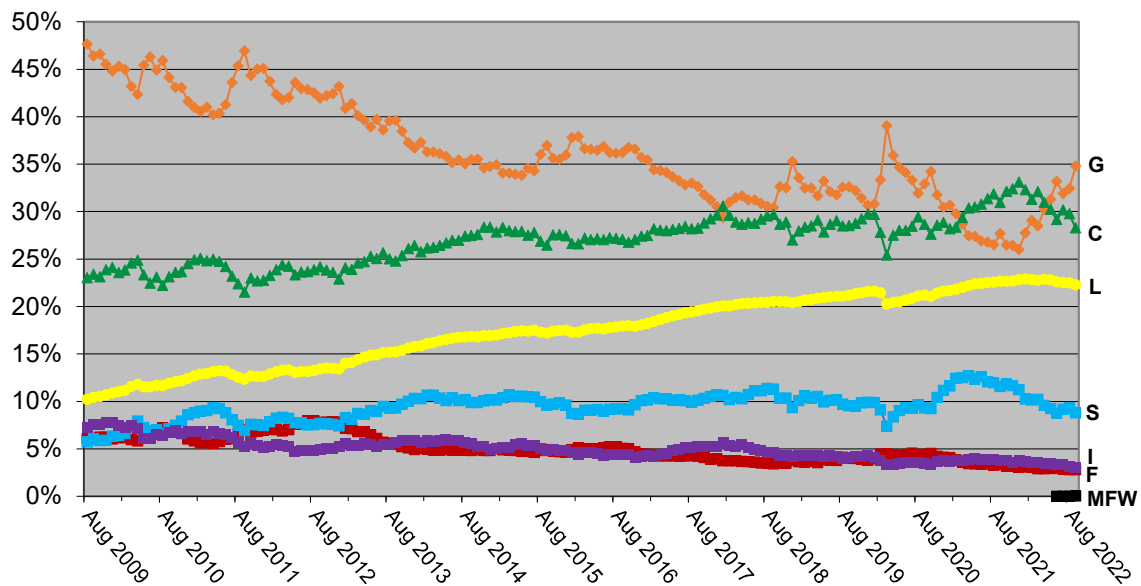


Net rates of return for the L Funds are shown below, along with comparable returns for the G, F, C, S, and I Funds.



Asset Allocation

Participant Asset Allocation History

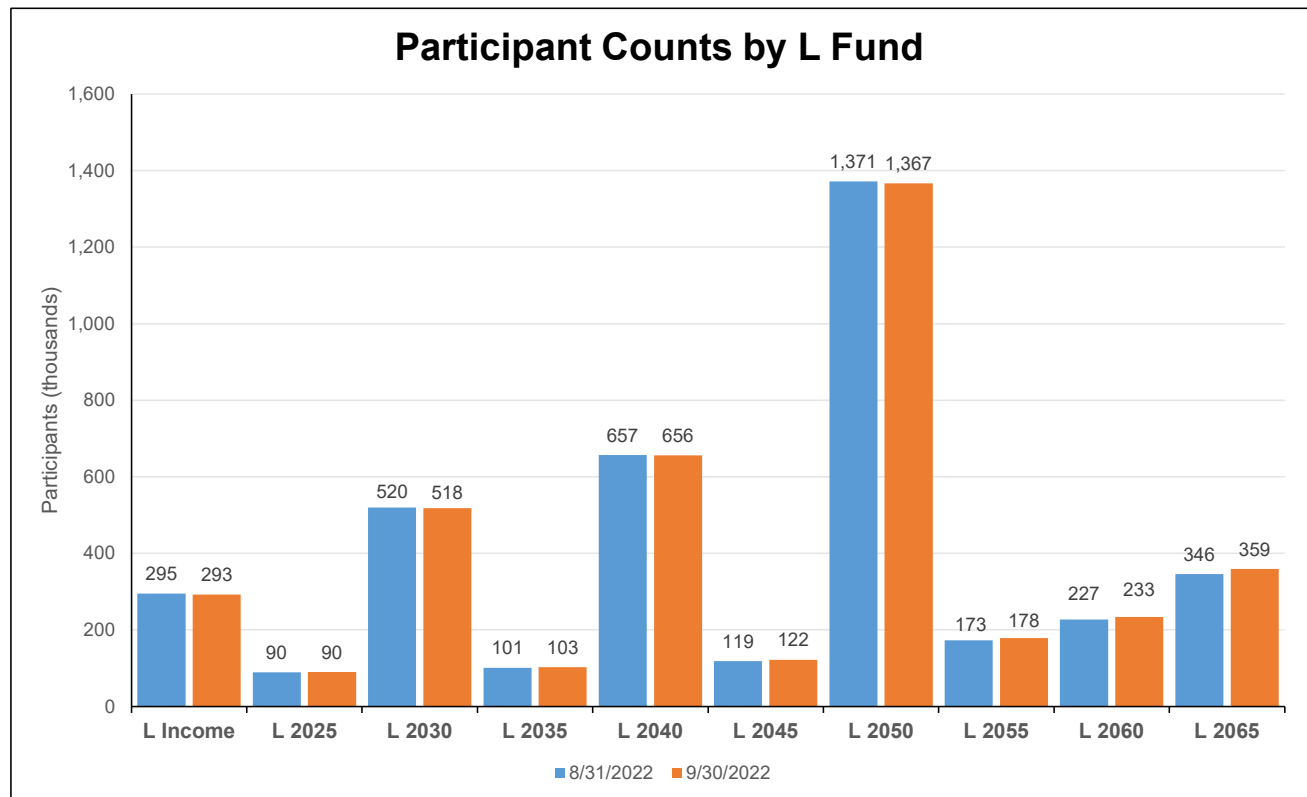
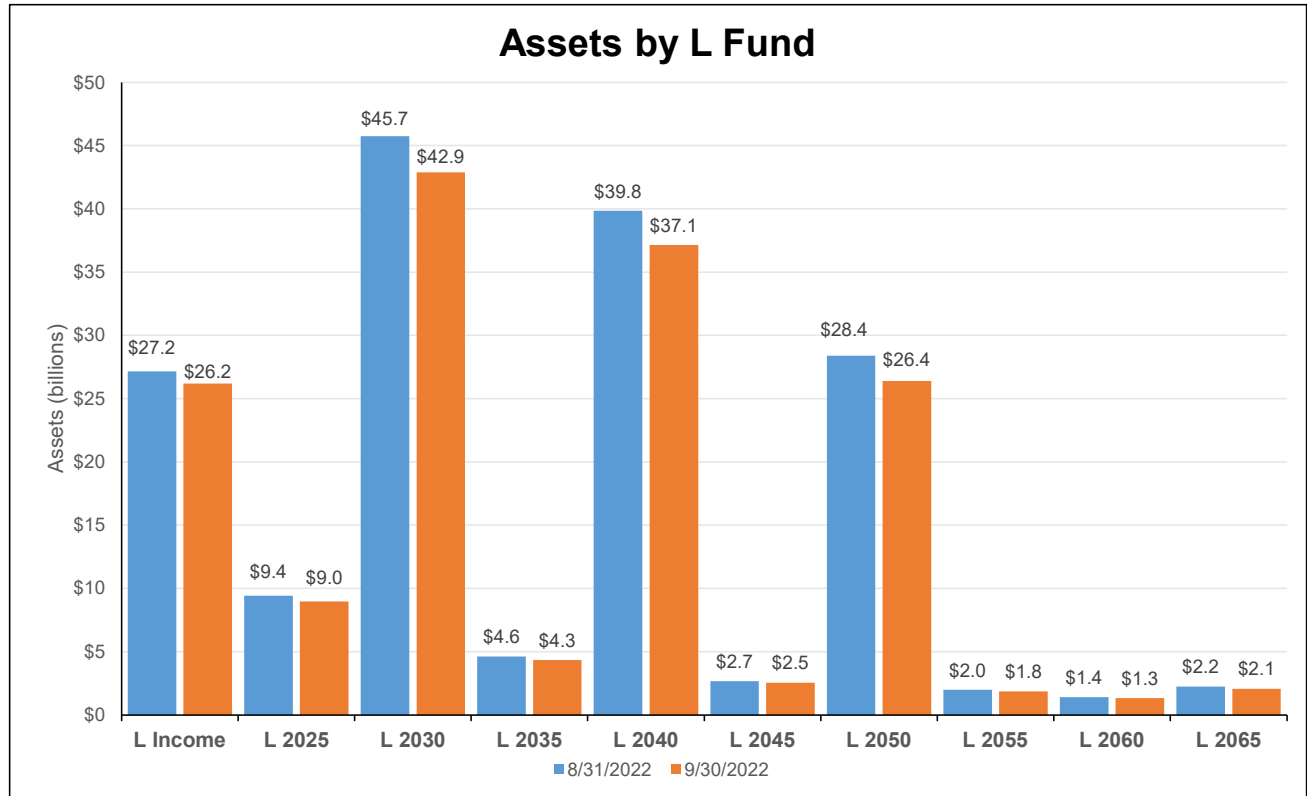


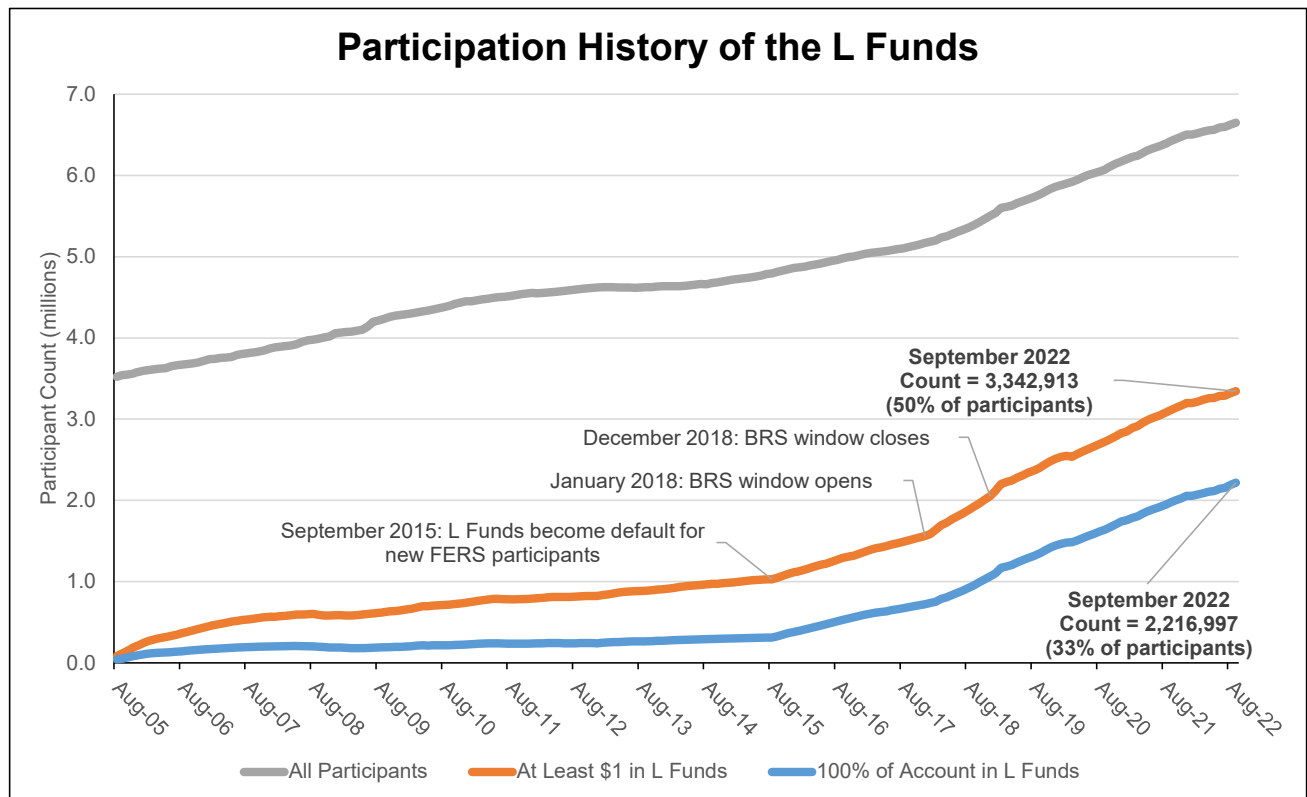
Asset Allocation as of September 30, 2022

	Participant Allocation		Individual TSP Funds	
	Assets (Billions)	Share of Total	Assets (Billions)	Share of Total
G Fund	\$239.9	34.8%	\$289.9	42.0%
F Fund	\$19.3	2.8%	\$29.4	4.3%
C Fund	\$195.1	28.3%	\$243.0	35.2%
S Fund	\$60.6	8.8%	\$73.5	10.7%
I Fund	\$21.1	3.1%	\$54.0	7.8%
L Funds	\$153.7	22.3%	n/a	n/a
<u>MFW</u>	<u>\$0.1</u>	<u>0.0%</u>	<u>\$0.1</u>	<u>0.0%</u>
Total	\$689.9	100.0%	\$689.9	100.0%

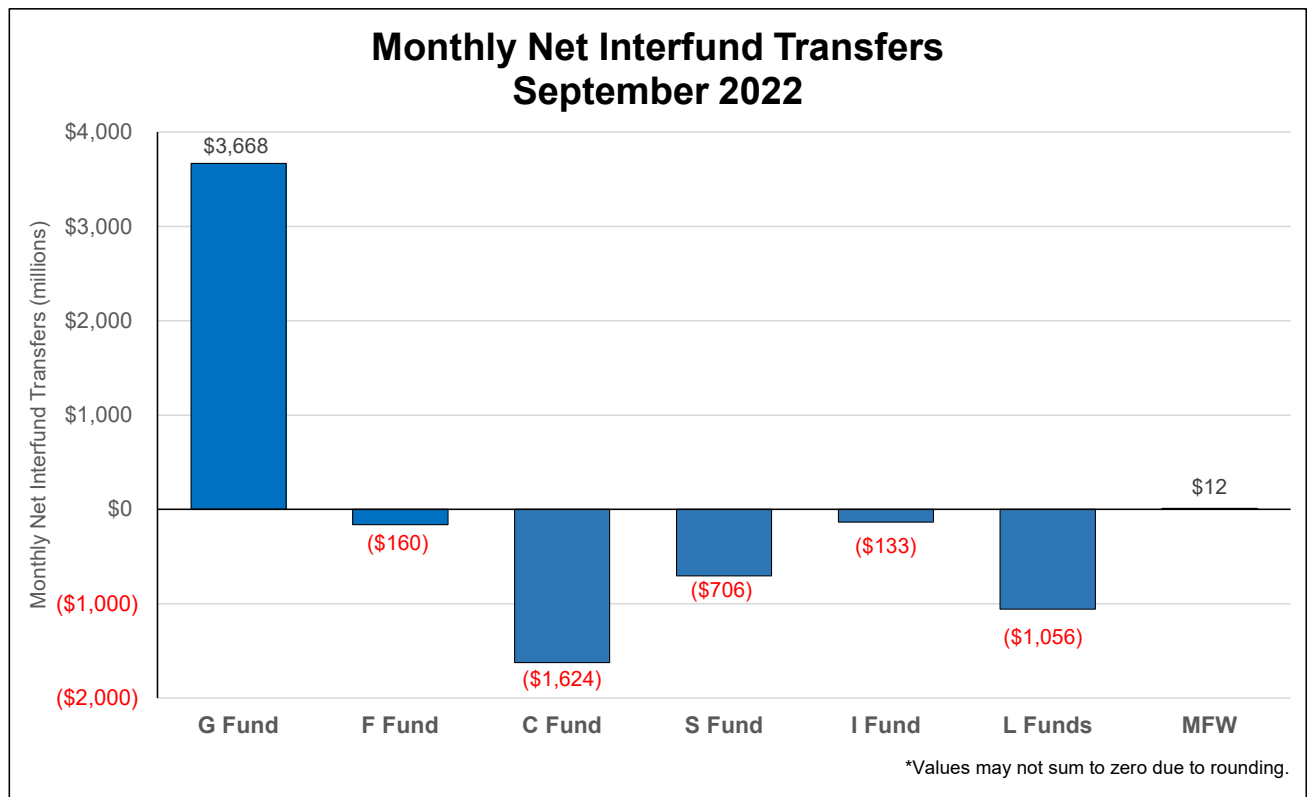
*Components may not sum to totals due to rounding.

Lifecycle (L) Funds





Interfund Transfer Activity



PROXY VOTING – SECOND QUARTER 2022

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

CLASS ACTION SETTLEMENTS – SECOND QUARTER 2022

BlackRock began the second quarter with 89 open claims. During the quarter, 22 claims were opened: one in the F Fund, ten each in the C and S Funds, and one in the I Fund. Overall, thirteen claims were settled for a total of \$1,028,402. Three claims in the C Fund were settled for a total of \$238,090 and ten claims in the S Fund were settled for a total of \$790,312. Three claims in the C Fund and one claim in the S Fund were closed due to administrator action, bringing total claims closed during the quarter to 17. Additionally, residual payments from six previously closed claims (one in the C Fund and five in the S Fund) yielded \$39,486. Total settlement proceeds for the quarter were \$1,067,888. Ninety-four claims remained open 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	-	2	\$0
C Fund	20	10	6	24	\$3,259,523
S Fund	68	10	11	67	\$1,066,328
I Fund	-	1	-	1	\$0
Total	89	22	17	94	\$4,325,851

State Street began the first quarter with five open claims, all in the S Fund. During the quarter, one claim was opened in the S Fund. Two claims in the S Fund were closed due to administrator action. Four 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	-	-	-	-	\$0
C Fund	-	-	-	-	\$0
S Fund	5	1	2	4	\$0
I Fund	n/a	n/a	n/a	n/a	n/a
Total	5	1	2	4	\$0

ATTACHMENTS

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

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



July 21, 2022

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 2nd quarter of 2022. 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.

702 King Farm Boulevard Suite 400
Rockville, MD 20850

[ISSGOVERNANCE.COM](https://www.issgov.com)



MEMORANDUM

The results of our review of BlackRock's 2nd quarter proxy voting for US meetings are as follows:

- Votes at 319 meetings were examined.
- Votes at 192 of the 319 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 127 remaining meetings, there were 180 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	54
Non-executive stock plan	1
Employee share purchase plan	12
Advisory vote on golden parachute compensation	6
Frequency vote on MSOP	22
Reverse stock split	7
Reduce authorized common stock	1
Increase authorized common stock	6
Issue shares below net asset value	1
Issue shares for private placement	1
Approve merger agreement	6
Issue shares in connection with merger	1
Adjourn meeting	14
Adopt NOL pill	1
Declassify board of directors	4
Change range for the size of board	2
Fix number of directors	1
Adopt majority voting for uncontested election of directors	1
Provide right to act by written consent	2
Provide right to call special meeting	1
Reduce ownership threshold to call special meeting	1
Eliminate supermajority vote requirements	4
Change company name	1
Amend certificate of incorporation	1
Amend charter	1
Amend declaration of trust	1
Other business	5
Shareholder proposal	22
Total:	180

- There were 54 votes cast on executive stock plans:
 - a) 47 votes were cast in favor of the plans (87 percent);
 - b) 7 votes were cast against the plans (13 percent);
 - i.) 2 plans were opposed due to the presence of an evergreen provision;
 - ii.) 2 plans were opposed due to the ability to reprice options without prior shareholder approval;
 - iii.) 1 plan was opposed due to the presence of an evergreen provision and the ability to reprice options without shareholder approval;
 - iv.) 1 plan was opposed due to aggressive accounting for equity compensation;
 - v.) 1 plan was opposed due to poor structure.
- There was 1 vote cast on a non-executive stock plan; the vote was cast in favor of the plan.
- There were 12 votes cast on employee share purchase plans; the votes were cast in favor of the plans.
- There were 7 votes cast on mergers, acquisitions and/or major corporate transactions, including an issuance of shares pursuant to a merger agreement; the votes were cast in favor of the transactions.
- There were 6 votes cast on increases in authorized common stock:
 - a) 5 votes were cast in favor of the increases (83.3 percent);
 - b) 1 vote was cast against the increases (16.7 percent);
- There were 22 votes cast on shareholder proposals which included:
 - a) 2 shareholder proposals to require independent board chairman; the votes were cast against the proposals.
 - b) 1 shareholder proposal to require majority vote for the election of directors; the vote was cast against the proposal.
 - c) 9 shareholder proposals to reduce ownership threshold to call special meeting; the votes were cast against the proposals.
 - d) 1 shareholder proposal to amend proxy access right; the vote was cast against the proposal.
 - e) 1 shareholder proposal to report on political contributions; the vote was cast against the proposal.
 - f) 2 shareholder proposals to report on GHG emissions reduction targets; the votes were cast in favor of the proposals.
 - g) 1 shareholder proposal to approve request on cage free eggs progress disclosure; the vote was cast against the proposal.
 - h) 1 shareholder proposal to adopt fossil fuel lending and underwriting policy; the vote was cast against the proposal.
 - i) 1 shareholder proposal to report on third party environmental justice audit; the vote was cast in favor of the proposal.
 - j) 1 shareholder proposal to report on third-party civil rights audit; the vote was cast in favor of the proposal.
 - k) 1 shareholder proposal to adopt share retention policy for senior executives; the vote was cast against the proposal.
 - l) 1 shareholder proposal to amend senior executive compensation clawback policy; the vote was cast against the proposal.
- There were 208 votes cast on management advisory votes on executive compensation:
 - a) 198 votes were cast in favor of the advisory votes (95.2 percent);
 - b) 10 votes were cast against the advisory votes (4.8 percent)

- There were 6 votes cast on management advisory votes on golden parachute compensation:
 - a) 5 votes were cast in favor of the advisory votes (83.3 percent);
 - b) 1 vote was cast against the advisory votes (16.7 percent)

There were no exceptions to policy this period.



Institutional Shareholder Services Inc.

702 King Farm Boulevard Suite 400

Rockville, MD 20850

T: +1. 301.556.0500 | F: +1.301.556.0491

September 12, 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 Q2 2022 audit of SSgA vote recommendations. We examined 50 US and International meetings, containing a total of 673 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
Associate Vice President, Custom Research

The Global Leader In Corporate Governance

www.issgovernance.com
