



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: April 18, 2023

SUBJECT: March 2023 Investment Program Review

**INTRODUCTION**

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

**RETURNS AND BENCHMARK DIFFERENCES**

The tables below contain the monthly and year-to-date (YTD) returns and benchmark differences for the F, C, S, and I Funds and for the separate accounts managed by BlackRock and State Street. Due to rounding, the benchmark differences may not match the differences in displayed returns.

***March 2023 Returns and Benchmark Differences***

		<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>	2.54	3.67	-2.90	2.48
	<b>BlackRock</b>	2.55	3.67	-2.89	3.17
	<b>State Street</b>	2.54	3.67	-2.90	2.86
	<b>TSP Fund (Net)</b>	2.55	3.67	-2.90	3.11
<b>Benchmark Difference (%)</b>	<b>BlackRock</b>	0.01	0.00	0.01	0.69
	<b>State Street</b>	0.00	0.00	0.00	0.38
	<b>TSP Fund</b>	0.01	0.00	0.00	0.63

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 was ahead of the International Index by 69 basis points, primarily due to fair value pricing.

State Street's performance for the F, C, and S Funds was in line with the Funds' respective indices for the month. For the I Fund, State Street exceeded the International Index by 38 basis points, primarily due to fair value pricing.

## 2023 YTD Returns and Benchmark Differences

		<u>Fixed Income</u> <u>(F Fund)</u>	<u>Large Cap</u> <u>(C Fund)</u>	<u>Small Mid</u> <u>Cap (S Fund)</u>	<u>International</u> <u>(I Fund)</u>
<b>Return</b> <b>(%)</b>	<b>Index</b>	2.96	7.50	5.80	8.47
	<b>BlackRock</b>	3.15	7.50	5.87	8.58
	<b>State Street</b>	3.15	7.50	5.82	8.89
	<b>TSP Fund (Net)</b>	3.14	7.49	5.85	8.63
<b>Benchmark</b> <b>Difference</b> <b>(%)</b>	<b>BlackRock</b>	0.19	0.01	0.07	0.12
	<b>State Street</b>	0.19	0.00	0.02	0.42
	<b>TSP Fund</b>	0.18	-0.01	0.05	0.16

Year-to-date, BlackRock's performance for the F Fund was ahead of the Fixed Income Index's return by 19 basis points, primarily due to a difference in the timing of pricing by the index provider and by BlackRock on the last trading day of December 2022. 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's return by 7 basis points, primarily due to securities lending. Its performance for the I Fund exceeded the International Index by 12 basis points, primarily due to tax advantage.

Year-to-date, State Street's performance for the F Fund was ahead of the Fixed Income Index's return by 19 basis points, primarily due to a difference in the timing of pricing by the index provider and by State Street on the last trading day of December 2022. Its performance for the C and S Funds was in line with the Funds' respective indices. For the I Fund, State Street outperformed the International Index by 42 basis points, primarily due to fair value pricing.

***TSP Net Returns as of March 31, 2023***

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>G Fund</b>	3.52%	1.96%	2.16%	2.14%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>F Fund</b>	-4.56%	-2.61%	1.02%	1.61%
<b>Bloomberg US Agg Bond Index</b>	-4.78%	-2.77%	0.91%	1.36%
<b>Benchmark Difference</b>	0.22%	0.16%	0.11%	0.24%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>C Fund</b>	-7.76%	18.58%	11.15%	12.25%
<b>S&amp;P 500 Index</b>	-7.73%	18.60%	11.19%	12.24%
<b>Benchmark Difference</b>	-0.03%	-0.02%	-0.04%	0.01%

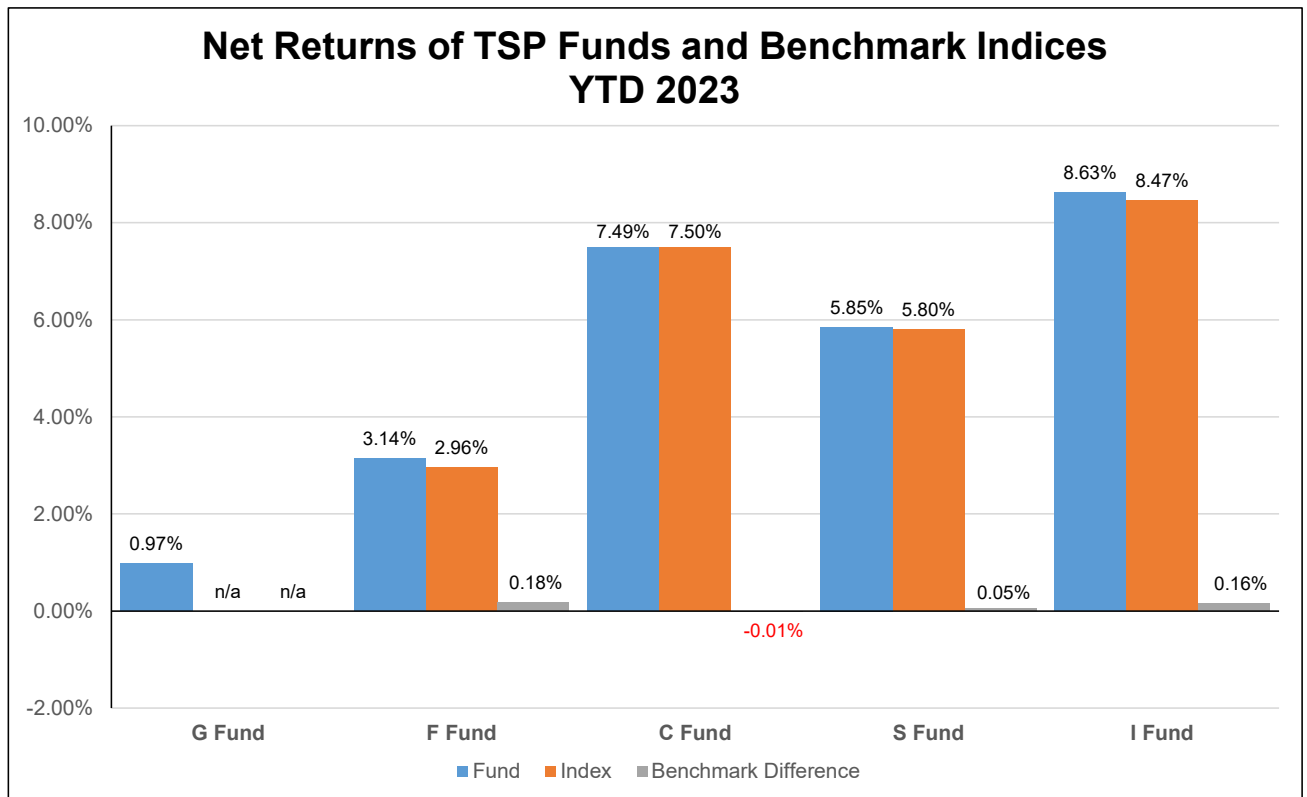
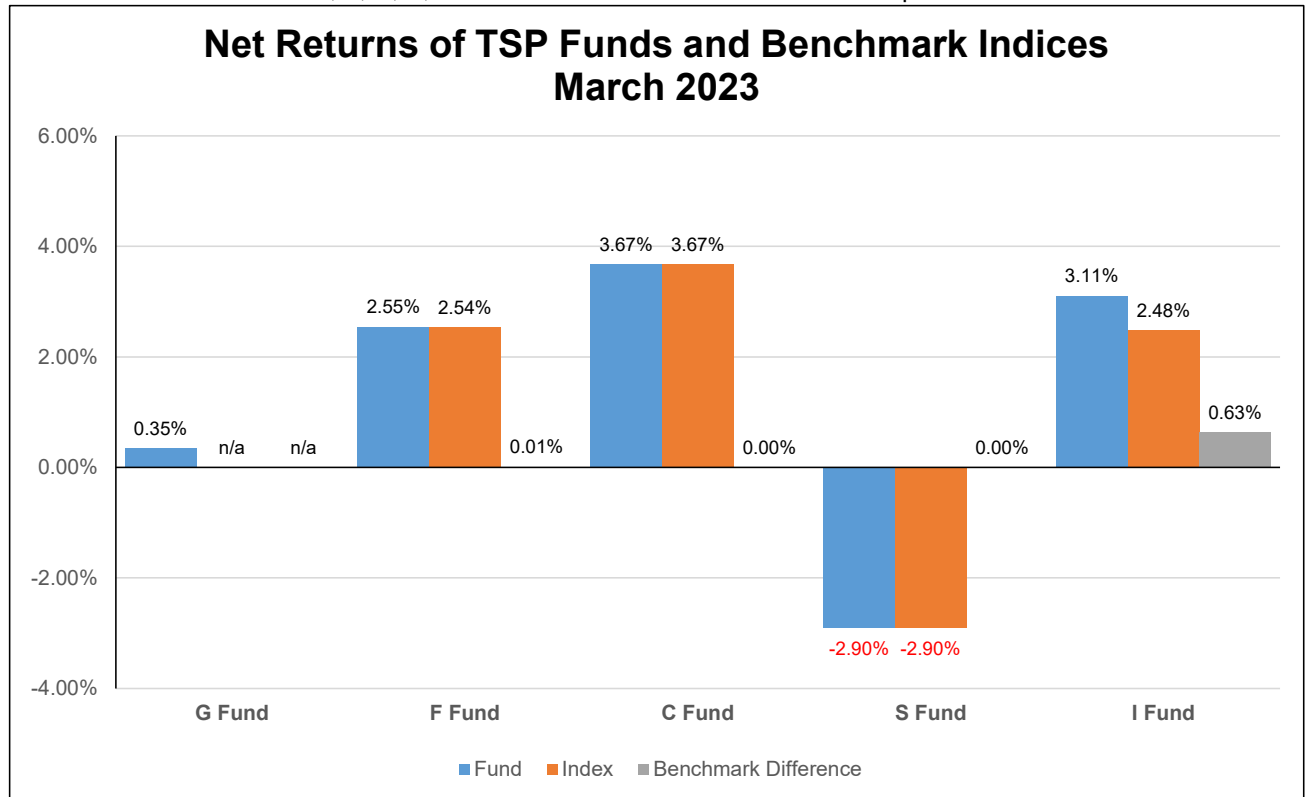
	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>S Fund</b>	-14.00%	17.22%	6.07%	9.00%
<b>Dow Jones US Completion TSM Index</b>	-14.27%	17.04%	5.93%	8.77%
<b>Benchmark Difference</b>	0.27%	0.18%	0.14%	0.23%

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>I Fund</b>	0.28%	13.39%	3.85%	5.38%
<b>MSCI EAFE Index</b>	-1.38%	12.99%	3.52%	5.00%
<b>Benchmark Difference</b>	1.65%	0.41%	0.33%	0.38%

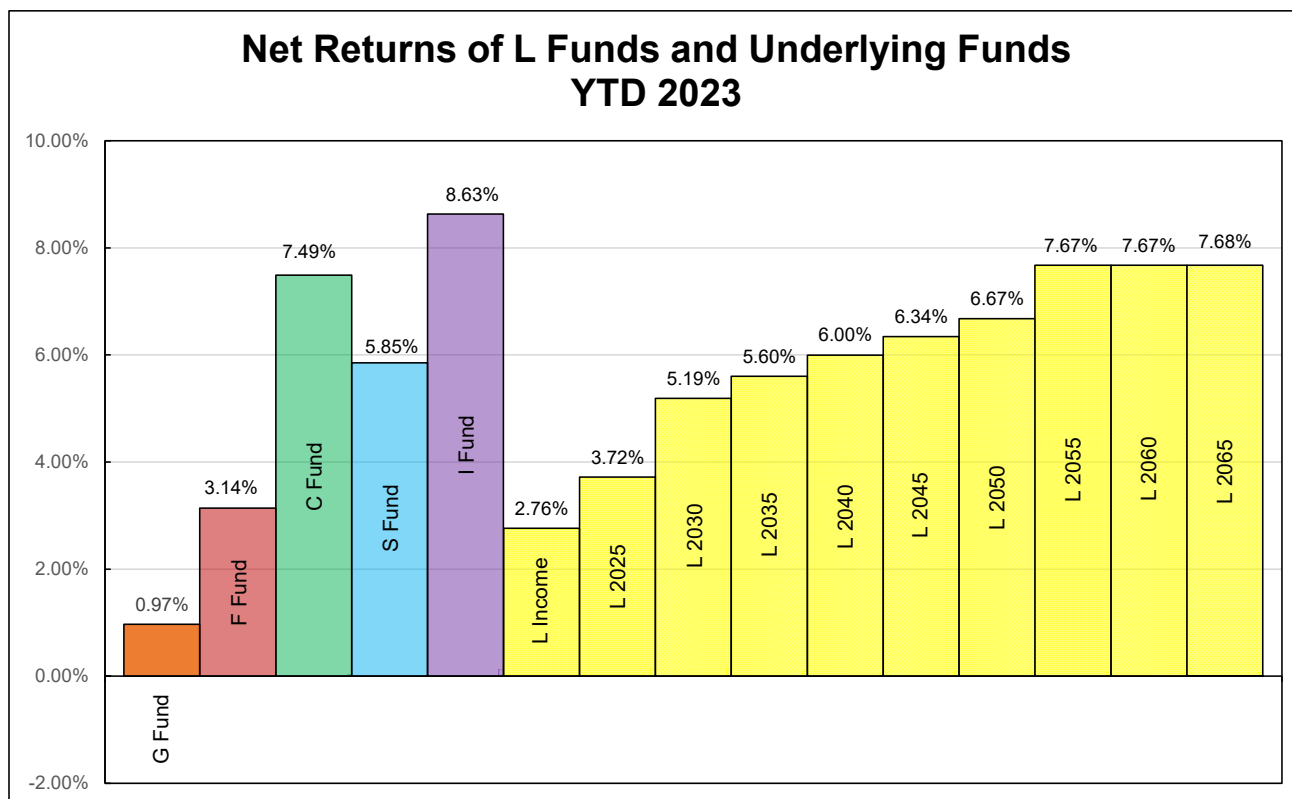
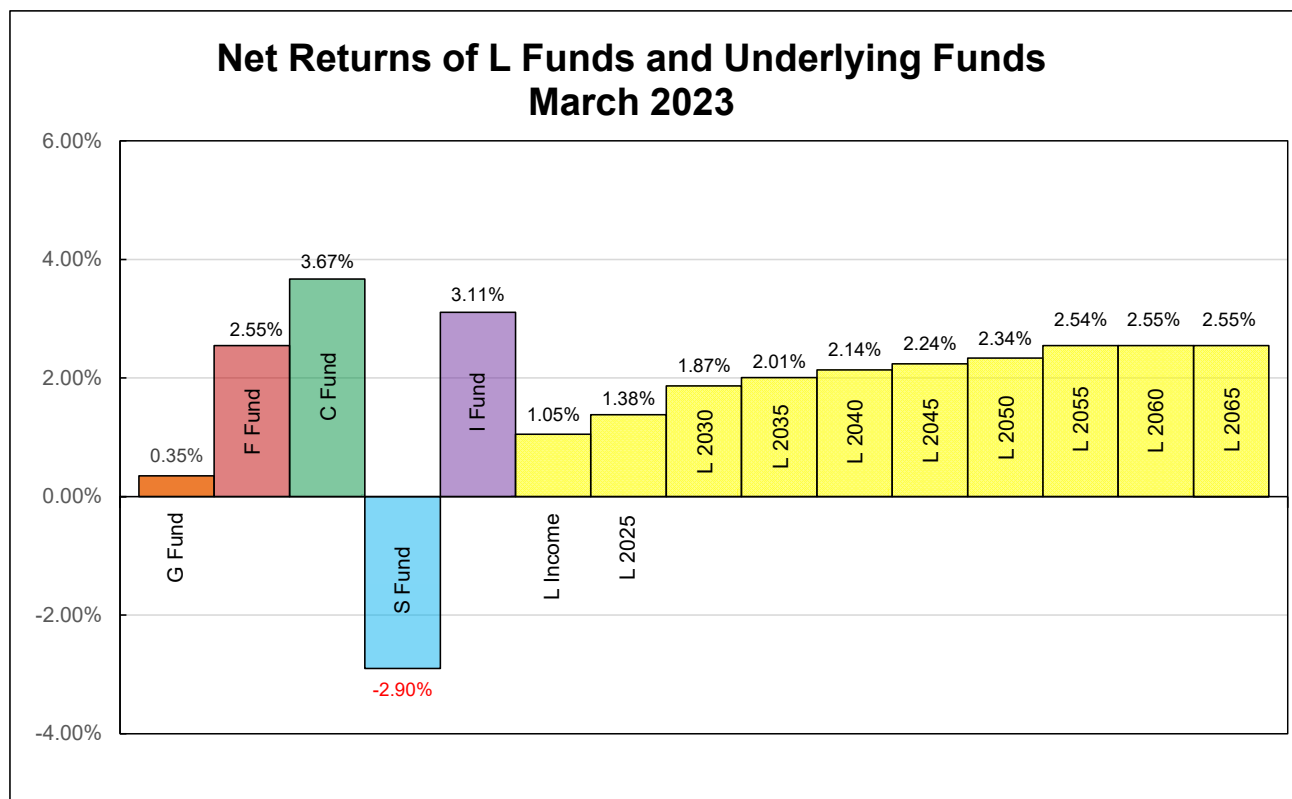
	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>L Income Fund</b>	1.31%	5.11%	3.67%	3.88%
<b>L 2025 Fund</b>	-0.73%	N/A	N/A	N/A
<b>L 2030 Fund</b>	-2.09%	10.82%	6.03%	7.08%
<b>L 2035 Fund</b>	-2.73%	N/A	N/A	N/A
<b>L 2040 Fund</b>	-3.34%	12.48%	6.63%	7.84%
<b>L 2045 Fund</b>	-3.91%	N/A	N/A	N/A
<b>L 2050 Fund</b>	-4.42%	13.91%	7.11%	8.49%
<b>L 2055 Fund</b>	-5.68%	N/A	N/A	N/A
<b>L 2060 Fund</b>	-5.69%	N/A	N/A	N/A
<b>L 2065 Fund</b>	-5.69%	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

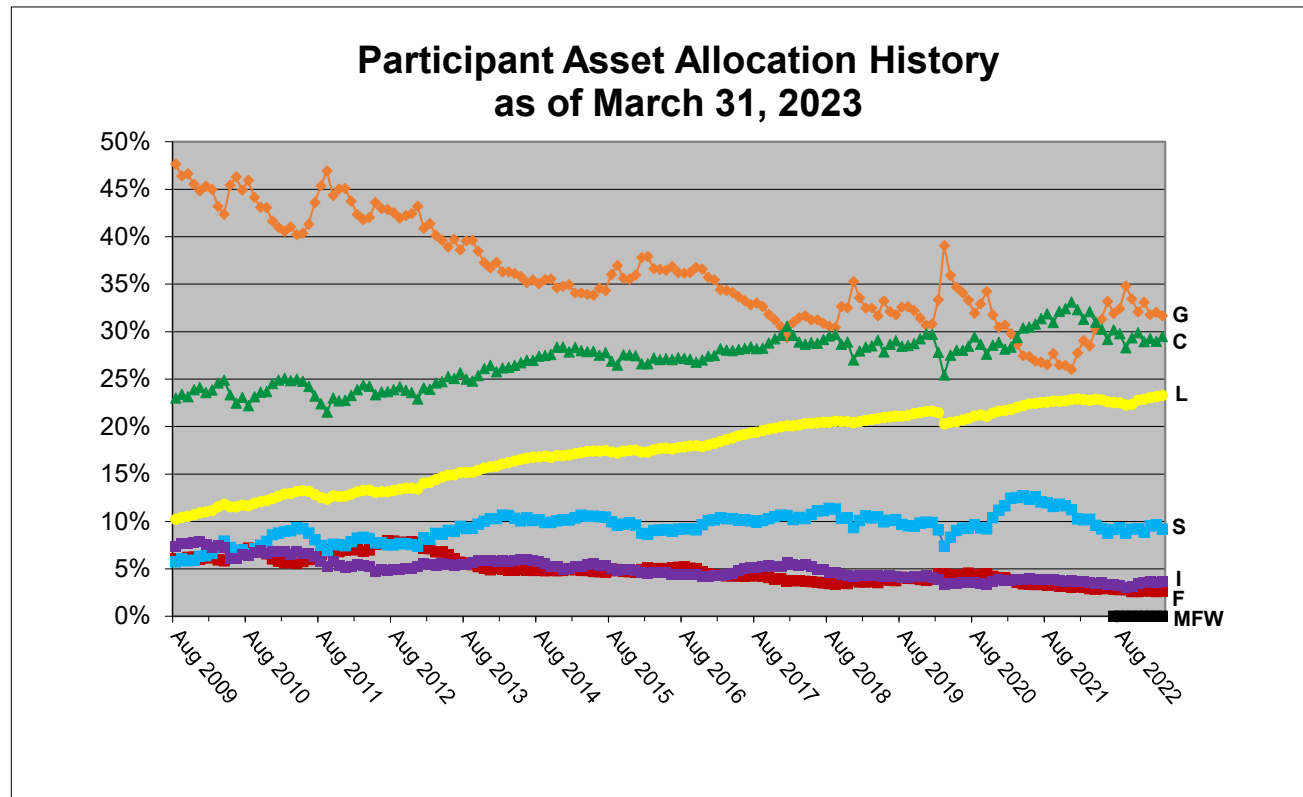
The charts below show the G, F, C, S, and I Fund net rates of return vs. their respective benchmark indices.



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

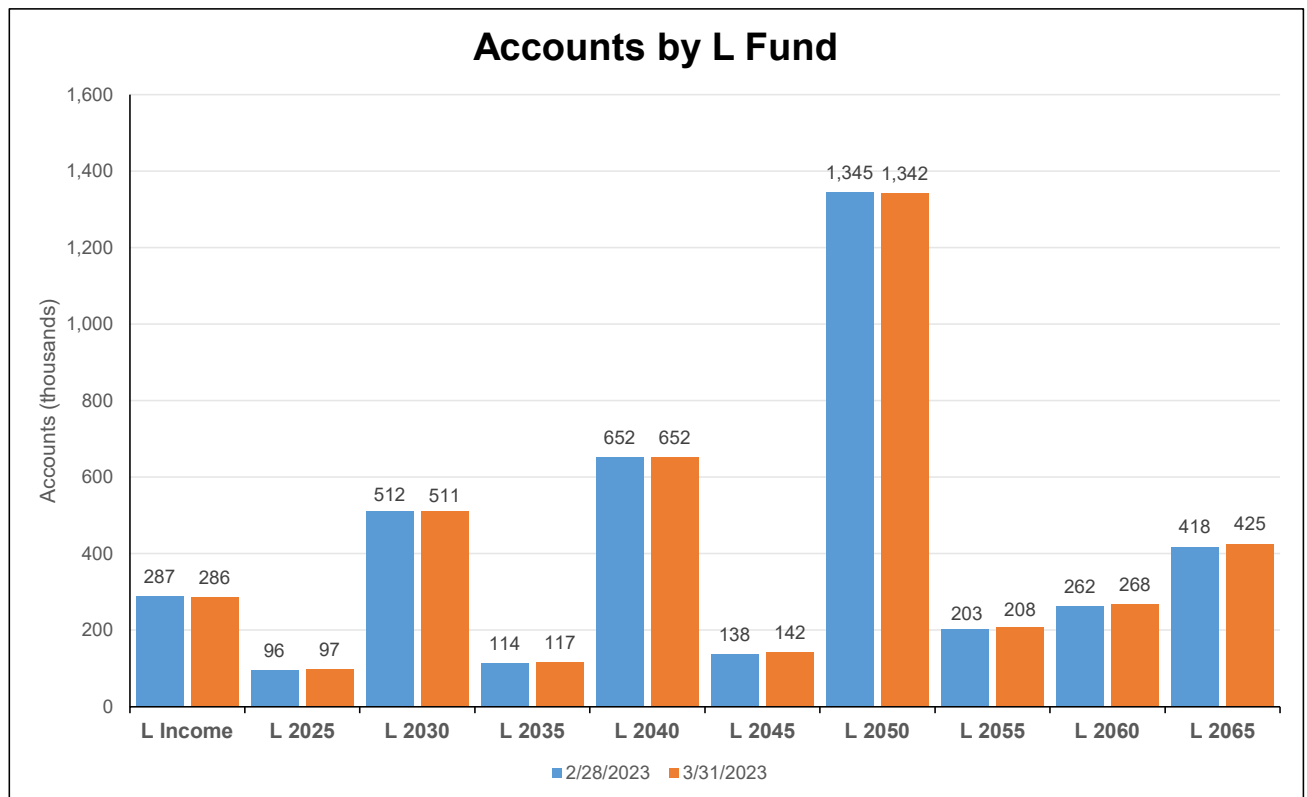
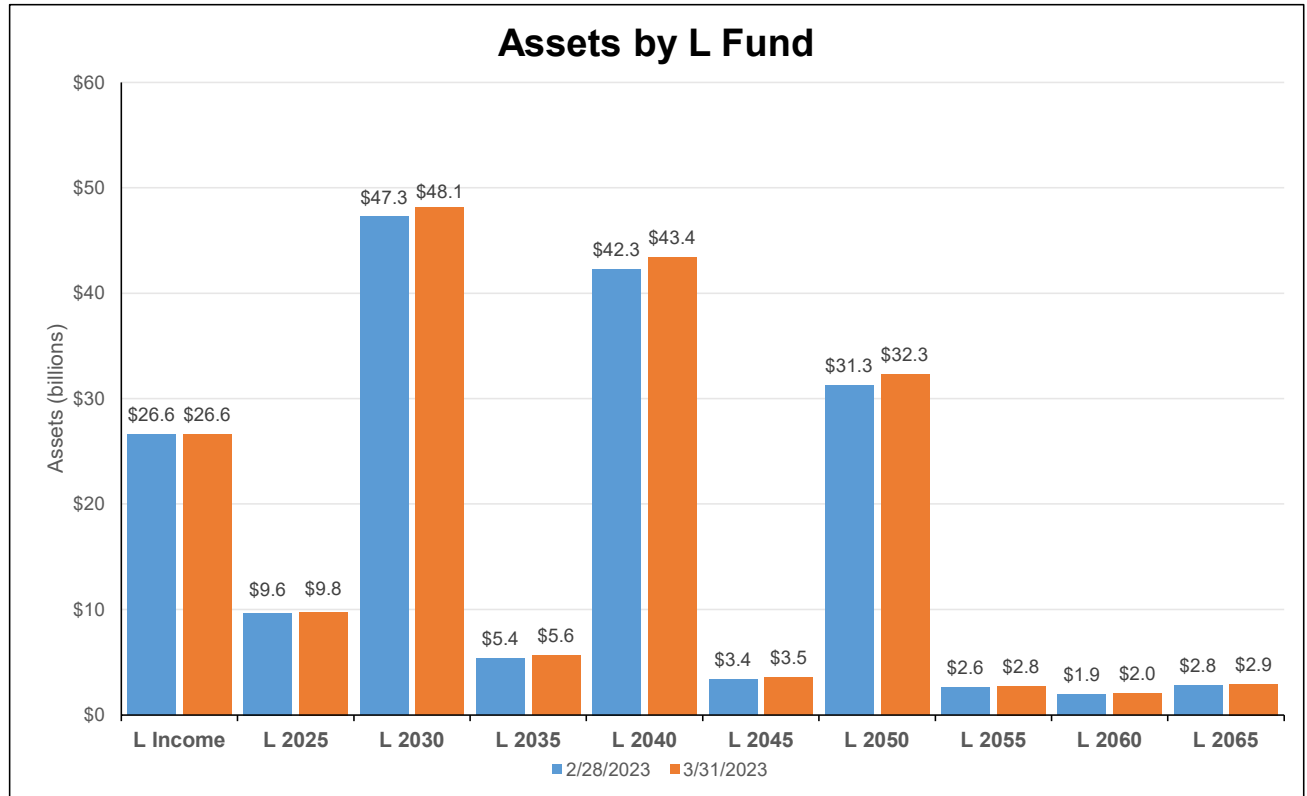


### Asset Allocation as of March 31, 2023

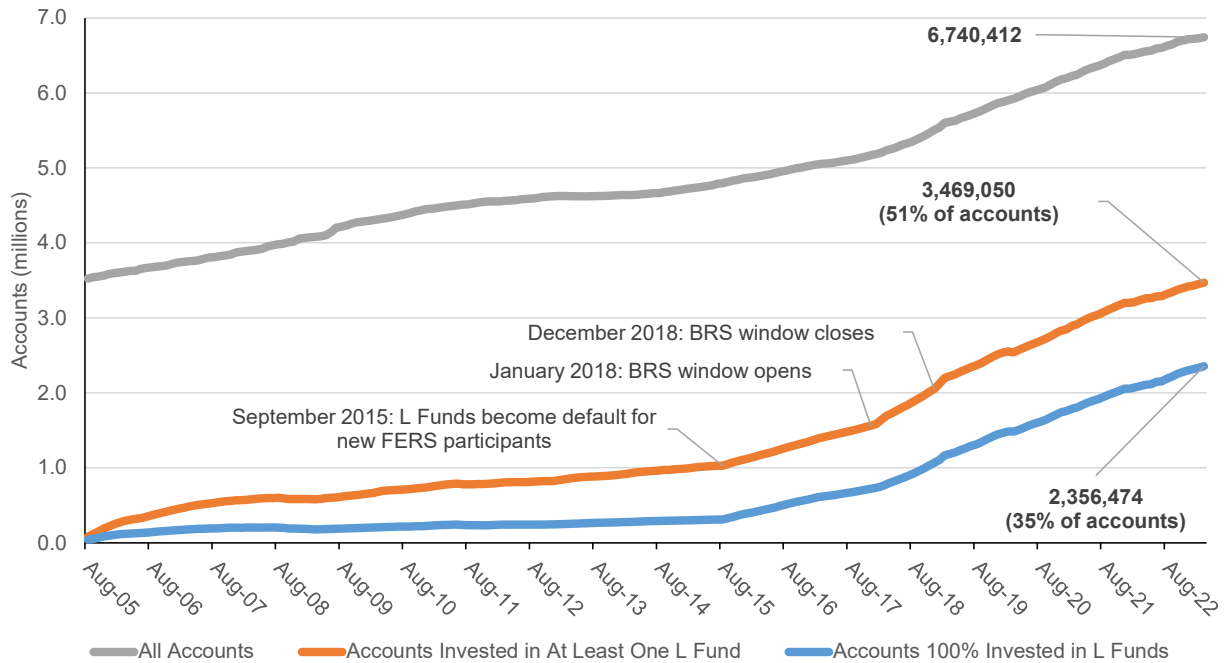
	<u>Participant Allocation</u>		<u>Individual TSP Funds</u>	
	<u>Assets (Billions)</u>	<u>Share of Total</u>	<u>Assets (Billions)</u>	<u>Share of Total</u>
<b>G Fund</b>	\$240.9	31.7%	\$295.4	38.8%
<b>F Fund</b>	\$20.2	2.7%	\$31.5	4.1%
<b>C Fund</b>	\$224.1	29.5%	\$281.4	37.0%
<b>S Fund</b>	\$69.9	9.2%	\$85.1	11.2%
<b>I Fund</b>	\$28.1	3.7%	\$66.7	8.8%
<b>L Funds</b>	\$177.0	23.3%	n/a	n/a
<b><u>MFW</u></b>	<u>\$0.2</u>	<u>0.0%</u>	<u>\$0.2</u>	<u>0.0%</u>
<b>Total</b>	\$760.3	100.0%	\$760.3	100.0%

\*Components may not sum to totals due to rounding.

## Lifecycle (L) Funds

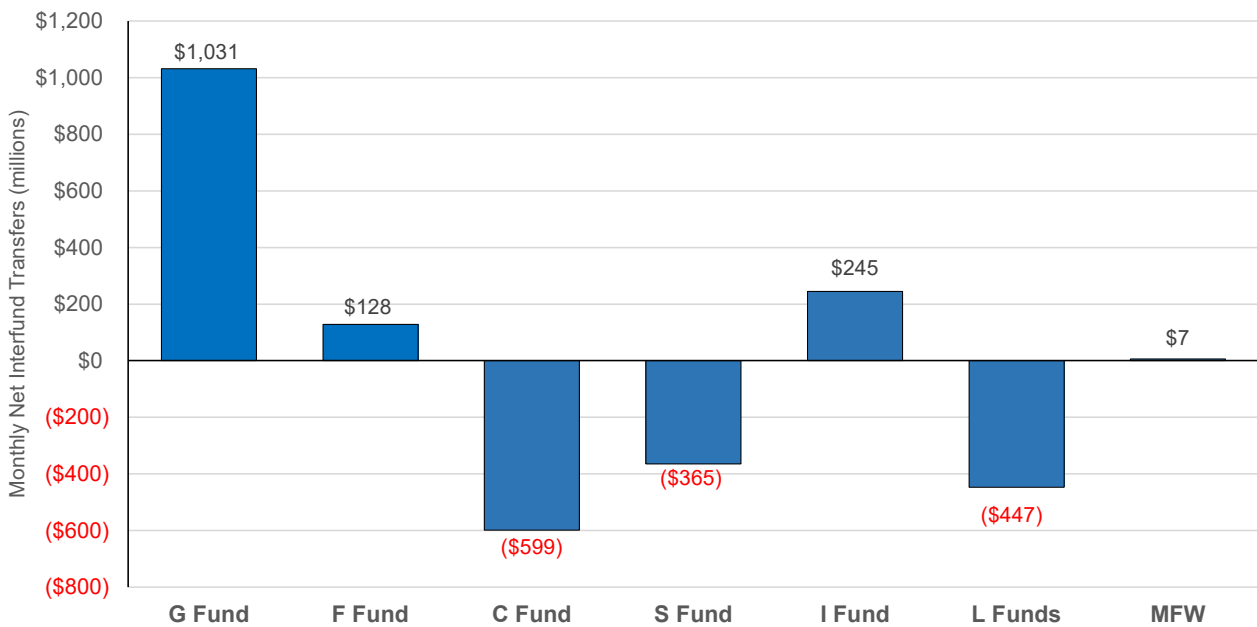


## Participation History of the L Funds as of March 31, 2023



## Interfund Transfer Activity

### Monthly Net Interfund Transfers March 2023



\*Values may not sum to zero due to rounding.



### **PROXY VOTING – FOURTH QUARTER 2022**

An audit of BlackRock's proxy voting conducted by ISS found no exceptions to BlackRock's established guidelines during the fourth 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 fourth quarter of 2022. Copies of the audit reports are provided in this report as Attachments 1 and 2. The ISS audit reports for the first quarter of 2023 are not yet available.

### **CLASS ACTION SETTLEMENTS – FOURTH QUARTER 2022**

BlackRock began the fourth quarter with 93 open claims. During the quarter, 30 claims were opened: eight in the C Fund and 22 in the S Fund. Seven claims were settled for a total of \$8,090,740. Two claims in the C Fund were settled for a total of \$108,614. Five claims in the S Fund were settled for a total of \$7,982,126. Four claims in the C Fund and two in the S Fund were closed due to administrator action, bringing total claims closed during the quarter to 13. Additionally, residual payments from two previously closed claims in the C Fund and three previously closed claims in the S Fund yielded \$39,388 and \$15,151, respectively. Total settlement proceeds for the quarter were \$8,145,278. One hundred ten claims remained open at the end of the quarter.

	<b><u>Open at Start of Quarter</u></b>	<b><u>Opened During Quarter</u></b>	<b><u>Closed During Quarter</u></b>	<b><u>Open Claims Outstanding</u></b>	<b><u>Total of Settled Claims in 2022</u></b>
F Fund	2	-	-	2	\$0
C Fund	22	8	6	24	\$5,523,546
S Fund	67	22	7	82	\$9,851,719
I Fund	2	-	-	2	\$0
Total	93	30	13	110	\$15,375,265

State Street began the fourth quarter with four open claims in the S Fund. Five claims were opened in the S Fund. One claim in the S Fund was settled for a total of \$52,970. Eight claims remained open at the end of the quarter.

	<b><u>Open at Start of Quarter</u></b>	<b><u>Opened During Quarter</u></b>	<b><u>Closed During Quarter</u></b>	<b><u>Open Claims Outstanding</u></b>	<b><u>Total of Settled Claims in 2022</u></b>
F Fund	-	-	-	-	\$0
C Fund	-	-	-	-	\$0
S Fund	4	5	1	8	\$52,970
I Fund	-	-	-	-	\$0
Total	4	5	1	8	\$52,970

### **ATTACHMENTS**

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

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



January 17, 2023

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 4<sup>th</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

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

Andrew E. Linberg  
Head of Custom Research – Americas

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**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 4<sup>th</sup> quarter proxy voting for US meetings are as follows:

- Votes at 50 meetings were examined.
- Votes at 13 of the 50 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 37 remaining meetings, there 66 were non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock plan	11
Employee share purchase plan	3
Advisory vote on golden parachute compensation	3
Frequency vote on MSOP	2
Reverse stock split	7
Increase authorized common stock	1
Reduce authorized common stock	1
Issue shares for private placement	4
Approve merger agreement	5
Issue shares in connection with merger	1
Sale of company assets	1
Issue shares of common stock upon exercise of warrants	1
Issue shares of common stock upon conversion of convertible promissory notes	1
Change state of incorporation	1
Adjourn meeting	17
Amend certificate of incorporation	5
Other business	1
Shareholder proposal	1
<b>Total:</b>	<b>66</b>

## INSTITUTIONAL SHAREHOLDER SERVICES INC.

702 King Farm Boulevard Suite 400  
Rockville, MD 20850

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- There were 11 votes cast on executive stock plans:
  - a) 9 votes were cast in favor of the plans (81.8 percent);
  - b) 2 votes were cast against the plans (18.2 percent);
    - i.) 1 plan was opposed due to the presence of an evergreen provision;
    - ii.) 1 plan was opposed due to the ability to reprice options without prior shareholder approval.
- There were 3 votes cast on employee share purchase plans; the votes were cast in favor of the plans.
- There was 1 vote cast on an increase in authorized common stock; the vote was cast in favor of the increase.
- There were 7 votes cast on mergers, acquisitions and/or major corporate transactions, including an issuance of shares pursuant to a merger, and a sale of company assets; the votes were cast in favor of the transactions.
- There was 1 vote cast on a shareholder proposal to report on GHG emissions reduction targets; the vote was cast against the proposal.
- There were 19 votes cast on management advisory votes on executive compensation:
  - a) 17 votes were cast in favor of the advisory votes (89.5 percent);
  - b) 2 votes were cast against the advisory votes (10.5 percent)
- There were 3 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.



February 2, 2023

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 Q4 2022 audit of SSgA vote recommendations. We examined 25 US and International meetings, containing a total of 191 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,

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