



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

April 5, 2013

MEMORANDUM FOR BOARD MEMBERS KENNEDY, DUFFY, BILYEU,
MCCRAY, AND JONES

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: March 2013 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 March 2013, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BlackRock Funds (BTC)

March Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.07	0.08	-0.01
Large Cap	3.75	3.75	0.00
Small Mid Cap	4.69	4.69	0.00
International	0.88	0.82	0.06

2013 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.01	-0.12	0.13
Large Cap	10.62	10.61	0.01
Small Mid Cap	13.07	13.07	0.00
International	4.32	5.13	-0.81

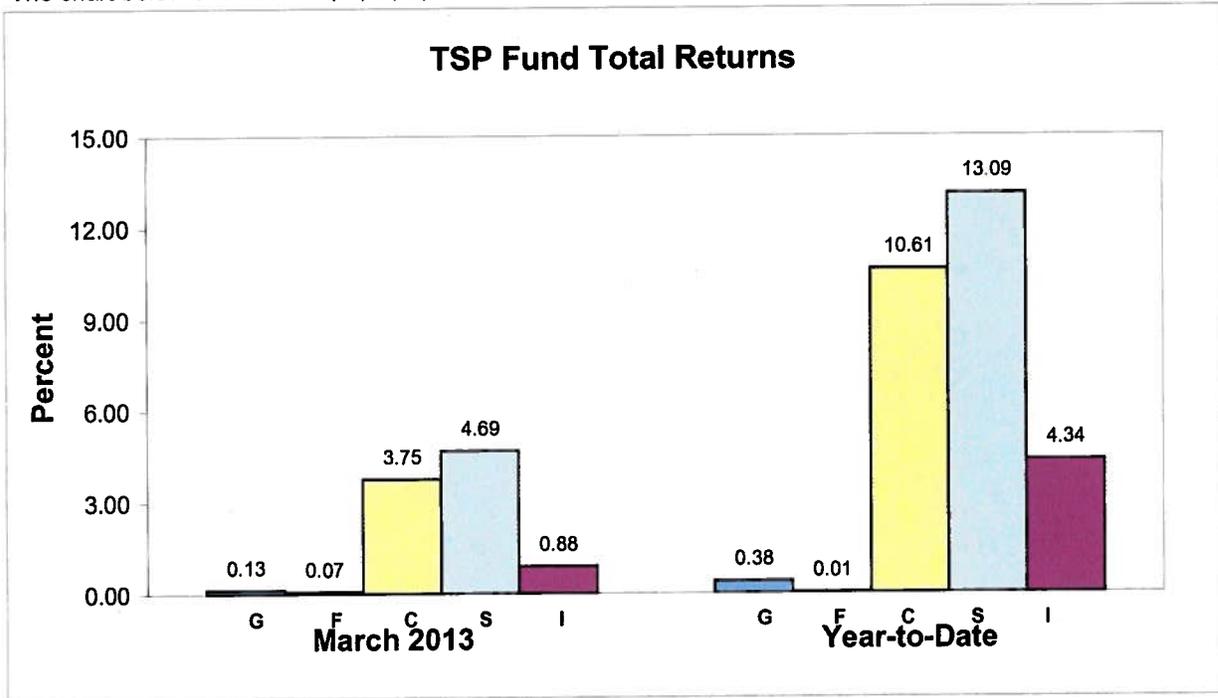
The BlackRock U.S. Debt Index Fund E has outperformed by 13 basis points year to date, primarily due to a change in the pricing source for mortgage-backed securities that was implemented by BlackRock in January. The BlackRock EAFE Equity Index Fund E outperformed by 6 basis points in March and underperformed by 81 basis points year to date, primarily as a result of the tax effect and fair valuation on December 28, 2012.

Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	<u>Basis Points</u>
		<u>\$</u>	
<u>F Fund</u>			
March	2,176,511,577	(242,087)	(1.1)
Year-to-Date	3,907,024,110	(1,897)	(0.0)
<u>C Fund</u>			
March	1,000,991,907	280,680	2.8
Year-to-Date	4,549,198,844	328,321	0.7
<u>S Fund</u>			
March	1,355,179,629	464,856	3.4
Year-to-Date	4,381,490,563	(1,062,471)	(2.4)
<u>I Fund</u>			
March	716,234,497	41,867	0.6
Year-to-Date	2,858,330,860	(804,495)	(2.8)

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.

March

Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.07	0.07	0.00	0.08
Large Cap	3.75	3.75	0.00	3.75
Small Cap	4.69	4.69	0.00	4.69
International	0.88	0.88	0.00	0.82

2013

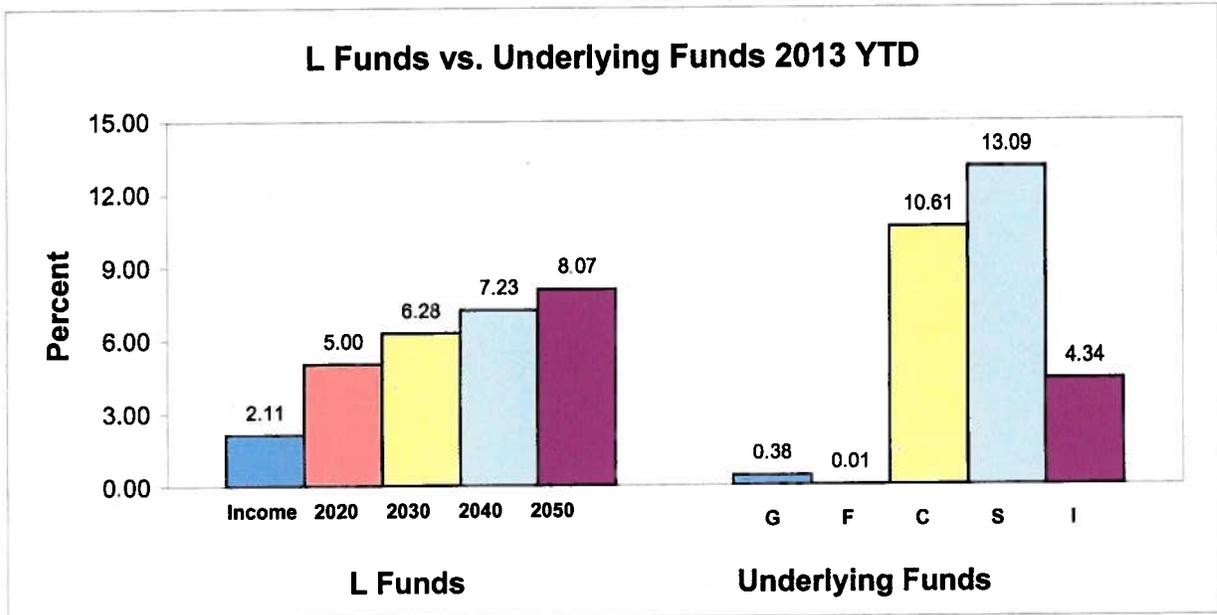
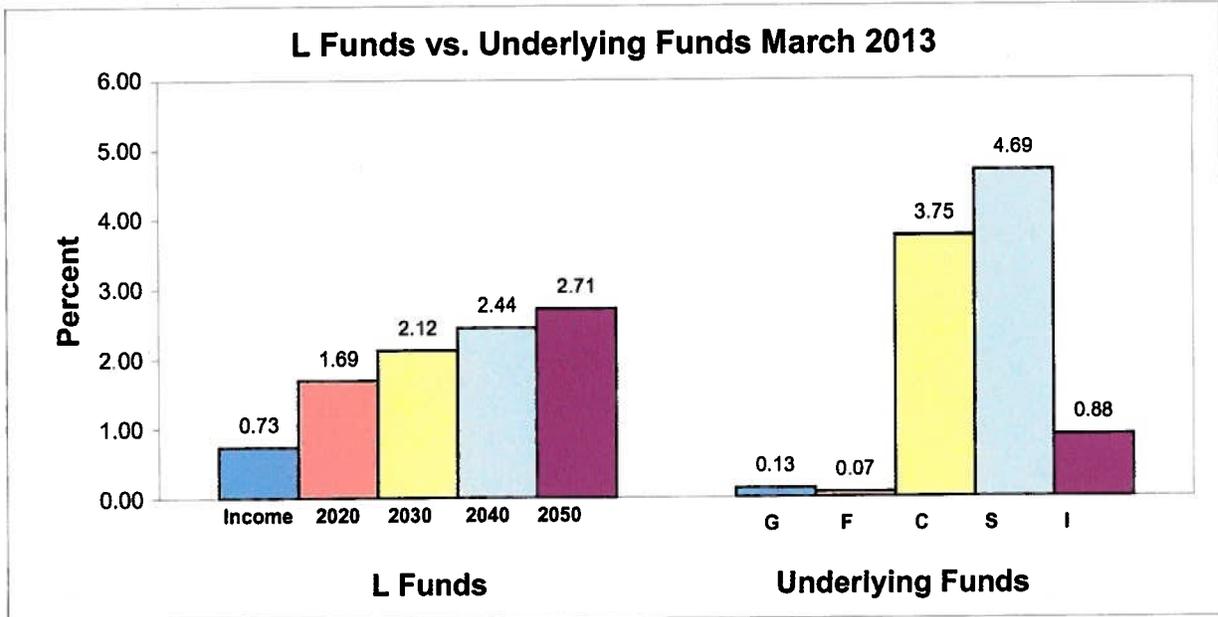
Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.01	0.01	0.00	-0.12
Large Cap	10.61	10.62	-0.01	10.61
Small Cap	13.09	13.07	0.02	13.07
International	4.34	4.32	0.02	5.13

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

An audit of BTC's proxy votes voting conducted by ISS found no exceptions to BTC's established guidelines during the fourth quarter of 2012. A copy of the audit report is provided as Attachment 2. The ISS audit report for the first quarter of 2013 is not yet available.

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 that 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

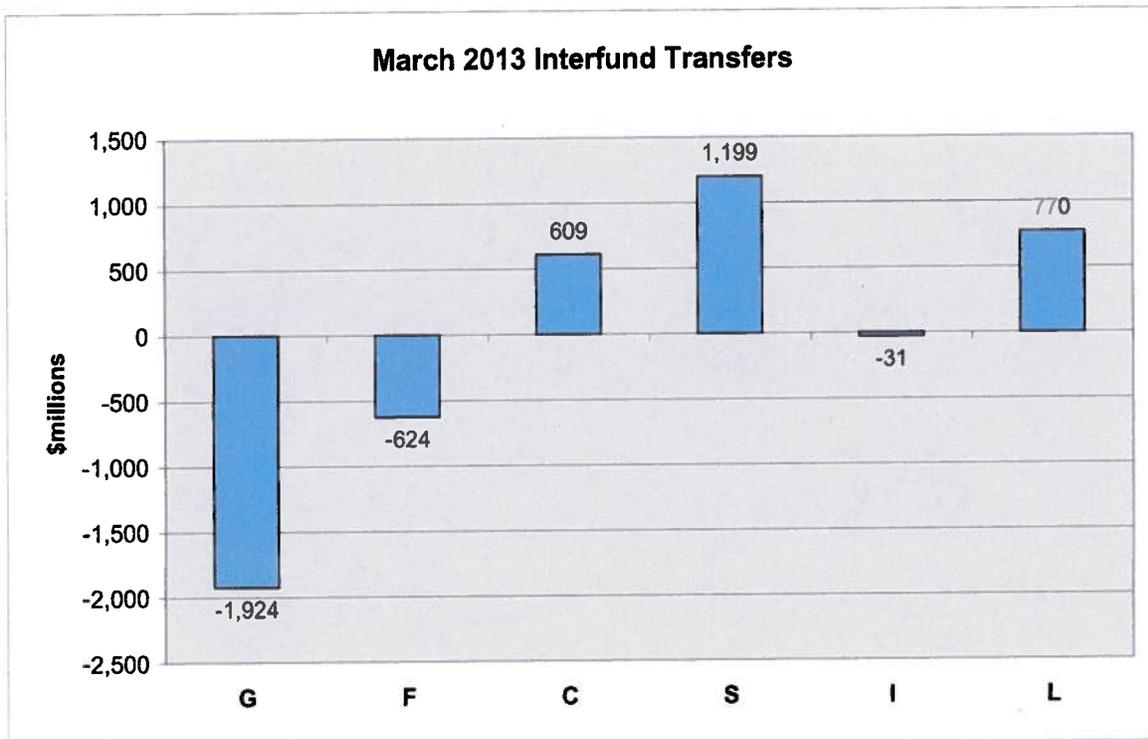
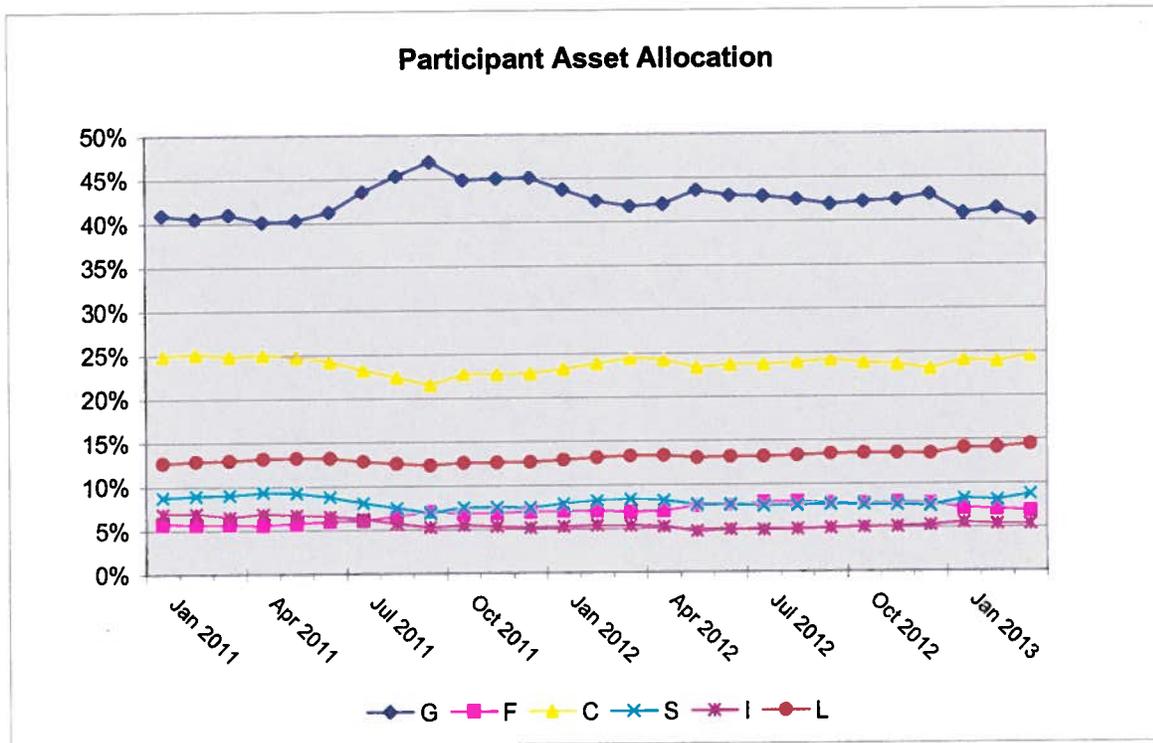
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International 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.

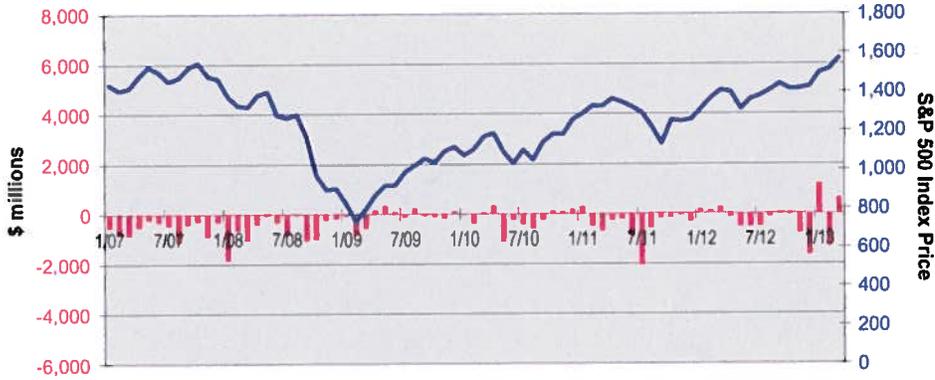
Attachments

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY March 2013

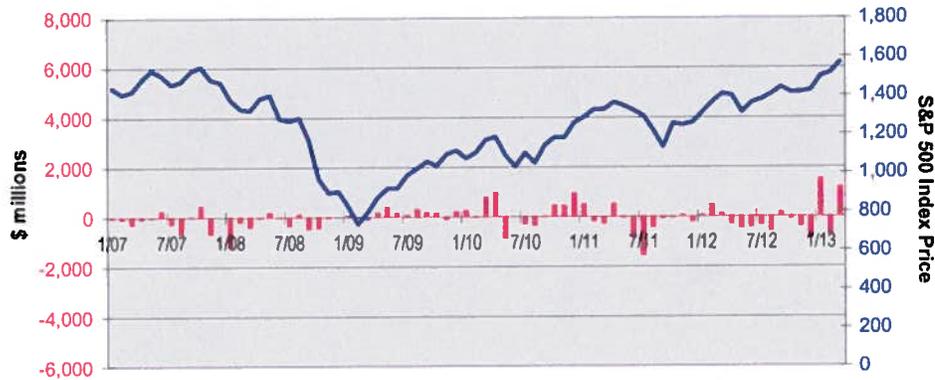


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
March 2013

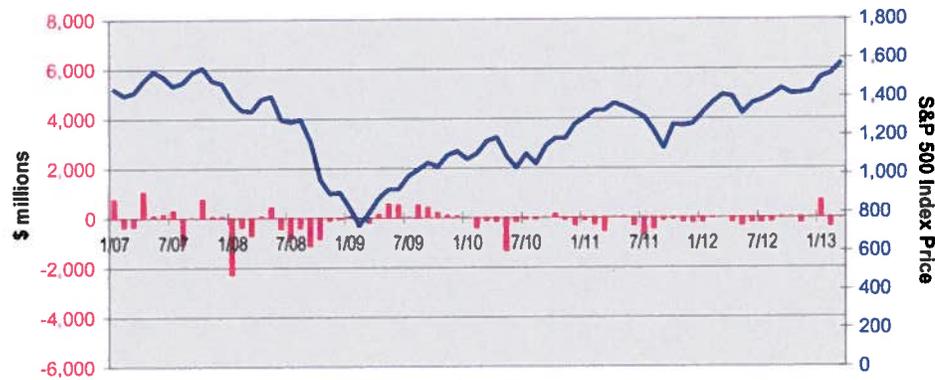
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund

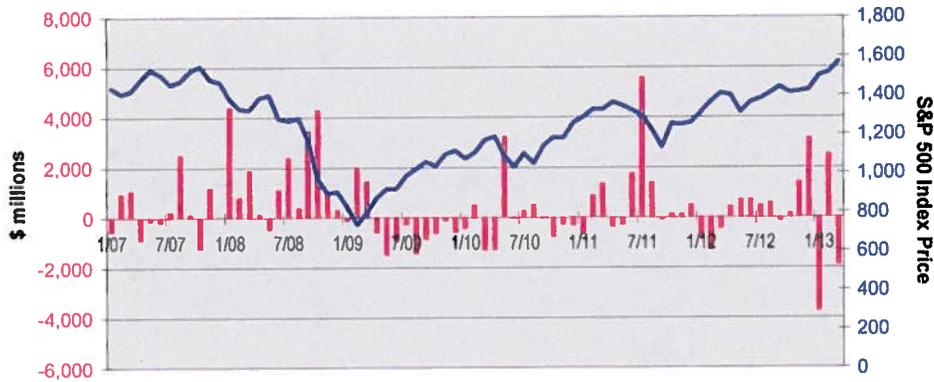


Monthly Interfund Transfers
I Fund

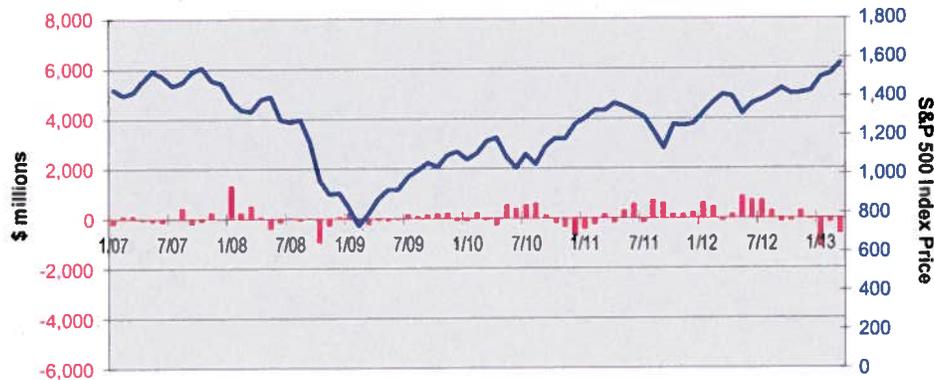


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
March 2013**

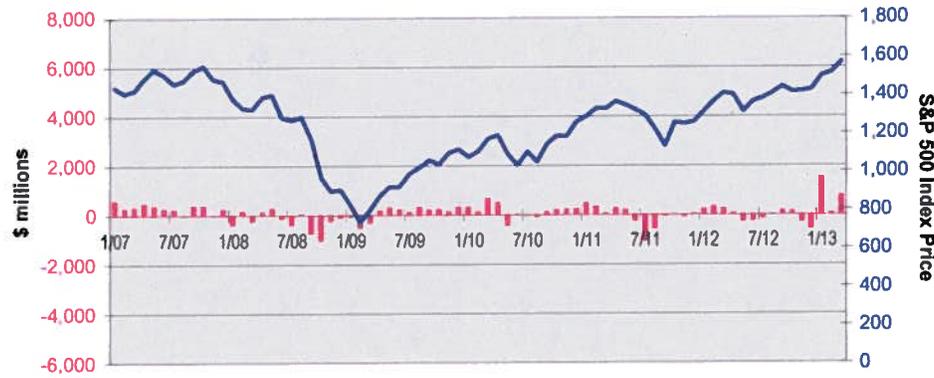
**Monthly Interfund Transfers
G Fund**



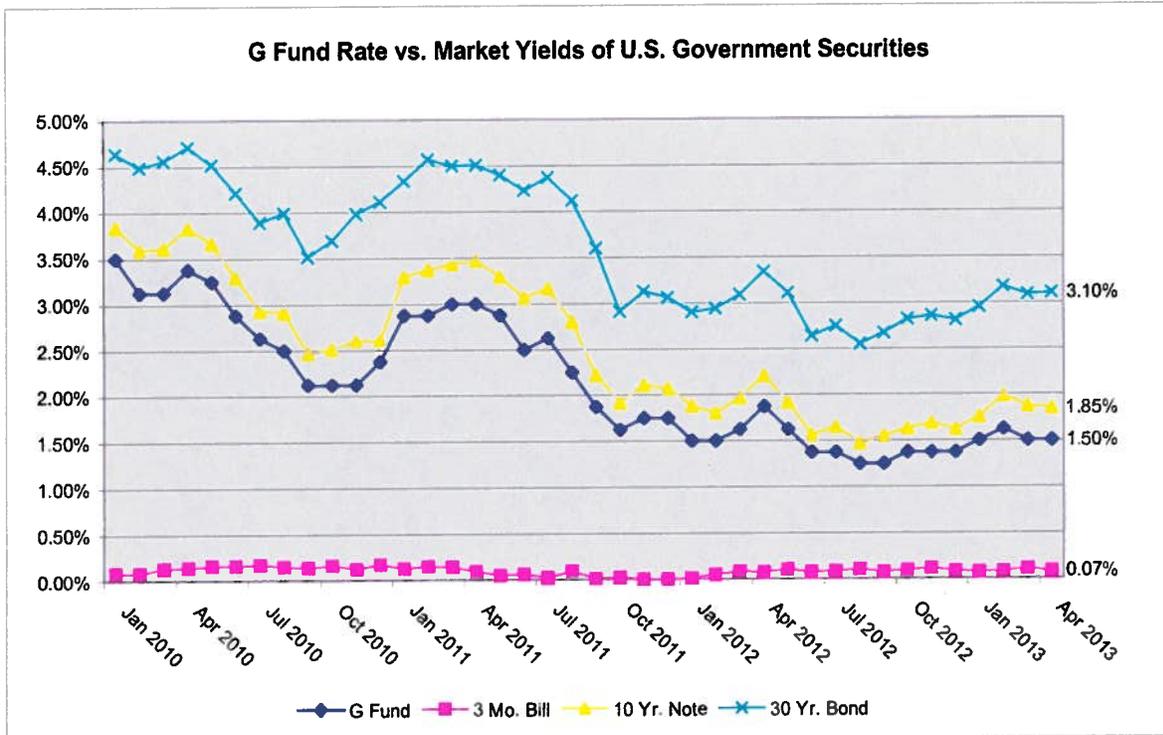
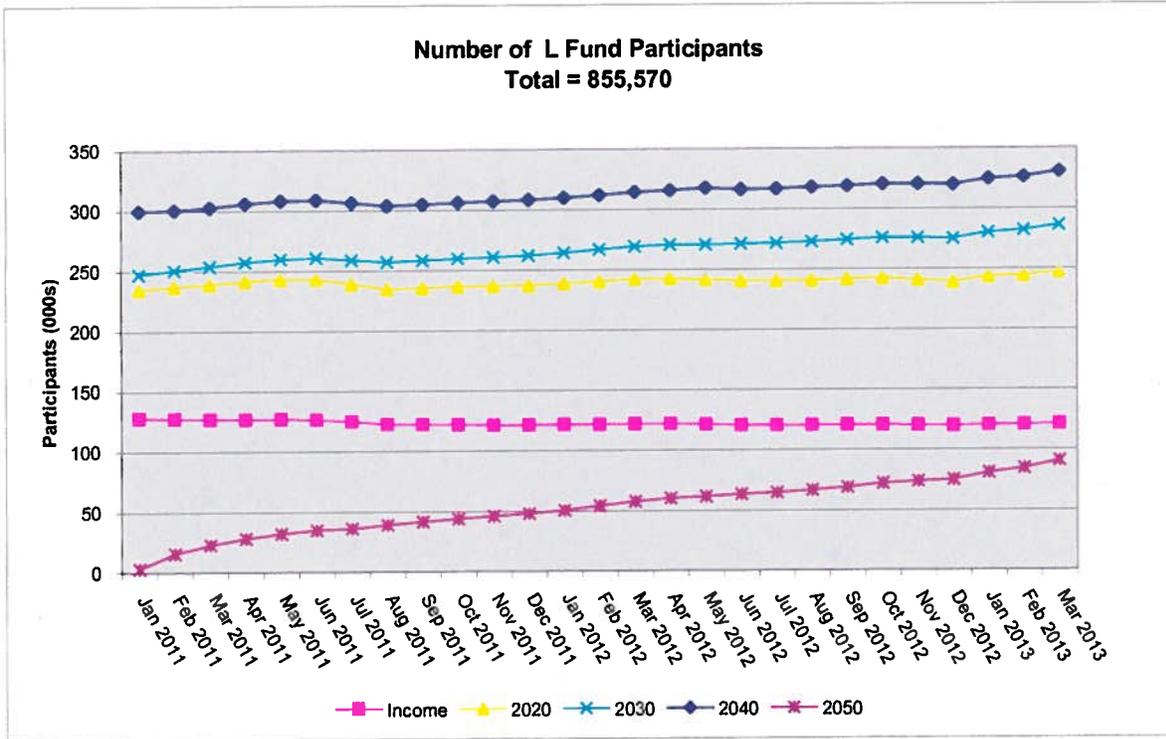
**Monthly Interfund Transfers
F Fund**



**Monthly Interfund Transfers
L Funds**



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY March 2013





An MSCI Brand

January 10, 2013

Mr. Chad Spitler
Director
PMG – Corporate Governance
BlackRock
400 Howard Street
San Francisco, CA 94105

Dear Chad,

Enclosed are the results of our review of proxy votes by BlackRock for the 4th quarter of 2012.
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', is written over a light blue horizontal line.

Fassil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock's 4th quarter proxy voting are as follows:

- Votes at 38 meetings were examined.
- Votes at 20 of the 38 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 18 remaining meetings, there were 34 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	9
Employee share purchase plan	2
Approve frequency vote on executive compensation	1
Advisory vote on golden parachute compensation	5
Increase in common stock	1
Private placement	1
Change state of incorporation	1
Merger and/or reorganization	5
Adjourn meeting	5
Amend advance notice provisions	1
Adopt majority voting for uncontested election of directors	1
Other business	1
Shareholder proposal	1
Total:	34

- **There were 9 votes cast on executive stock option plans:**
 - a) **7 votes were cast in favor of the plans (77.8 percent);**
 - b) **2 votes were cast against the plans (22.2 percent) due to the ability to reprice options without prior shareholder approval.**

- **There was 1 vote cast on a proposal to increase common stock; the vote was cast in favor of the increase.**

- **There were 5 votes cast on mergers and/or major corporate transactions; the votes were cast in favor of the transactions.**

- **There was 1 vote cast on a shareholder proposal to explore avenues to maximize shareholder value; the vote was cast against the proposal.**

- **There were 22 votes cast on management advisory votes on executive compensation:**
 - a) **20 votes were cast in favor of the advisory votes (90.9 percent);**
 - b) **2 votes were cast against the advisory votes, as pay did not appear to be properly aligned with performance and peers (9.1 percent).**

- **There were 5 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.