



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

January 16, 2013

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: December 2012 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 December 2012, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - BlackRock Funds (BTC)

December Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	-0.13	-0.14	0.01
Large Cap	0.92	0.91	0.01
Small Mid Cap	2.68	2.62	0.06
International	4.02	3.20	0.82

2012 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	4.31	4.22	0.09
Large Cap	16.12	16.00	0.12
Small Mid Cap	18.47	17.89	0.58
International	18.60	17.32	1.28

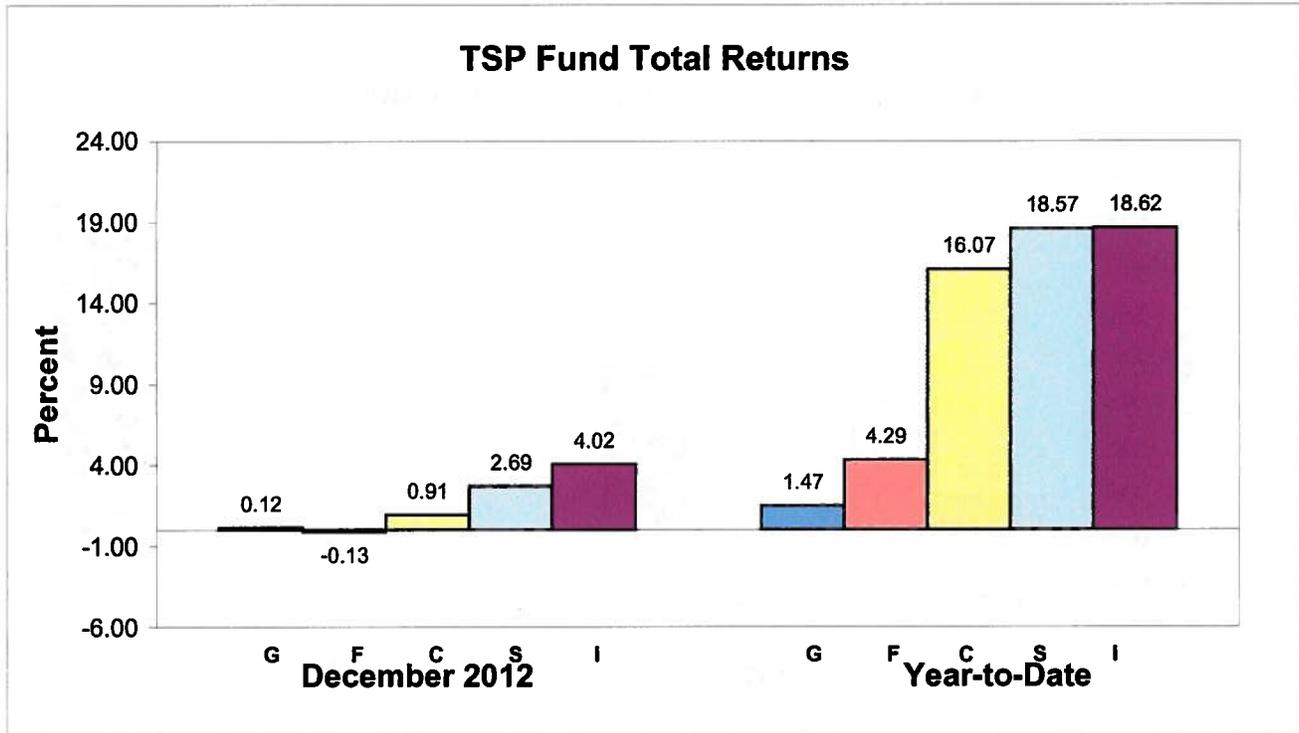
The BlackRock Extended Equity Market Fund E outperformed by 6 basis points in December, and by 58 basis points year to date, primarily due to the optimization process and securities lending income. The BlackRock EAFE Equity Index Fund E outperformed by 82 basis points in December and 128 basis points year to date, primarily as a result of the tax effect and fair valuation on December 31, 2012.

Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
December	342,217,104	(82,338)	(2.4)
Year-to-Date	8,044,796,662	6,594,946	8.2
<u>C Fund</u>			
December	1,671,470,286	97,710	0.6
Year-to-Date	12,560,142,417	180,187	0.1
<u>S Fund</u>			
December	965,754,033	(765,275)	(7.9)
Year-to-Date	10,433,869,872	(1,840,253)	(1.8)
<u>I Fund</u>			
December	658,665,217	(474,613)	(7.2)
Year-to-Date	9,113,533,025	796,286	0.9

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.

**December
Total Return %
Fund**

Fund	TSP	BTC	Difference	Index
Fixed Income	-0.13	-0.13	0.00	-0.14
Large Cap	0.91	0.92	-0.01	0.91
Small Cap	2.69	2.68	0.01	2.62
International	4.02	4.02	0.00	3.20

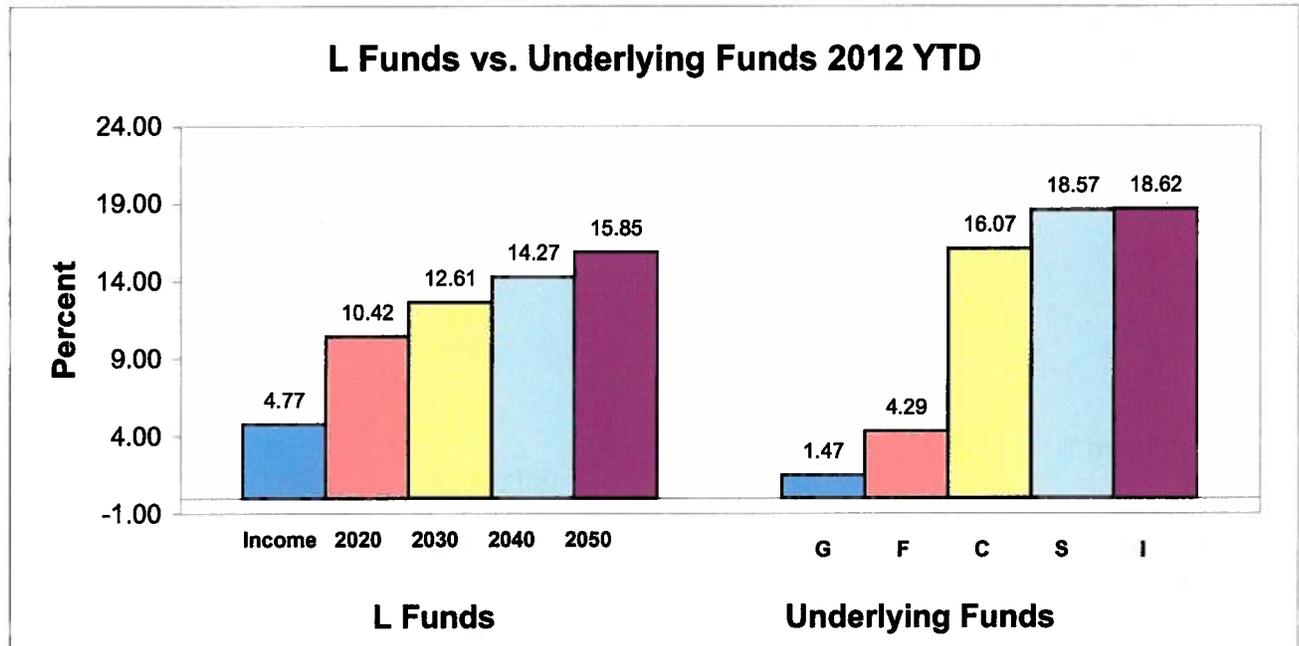
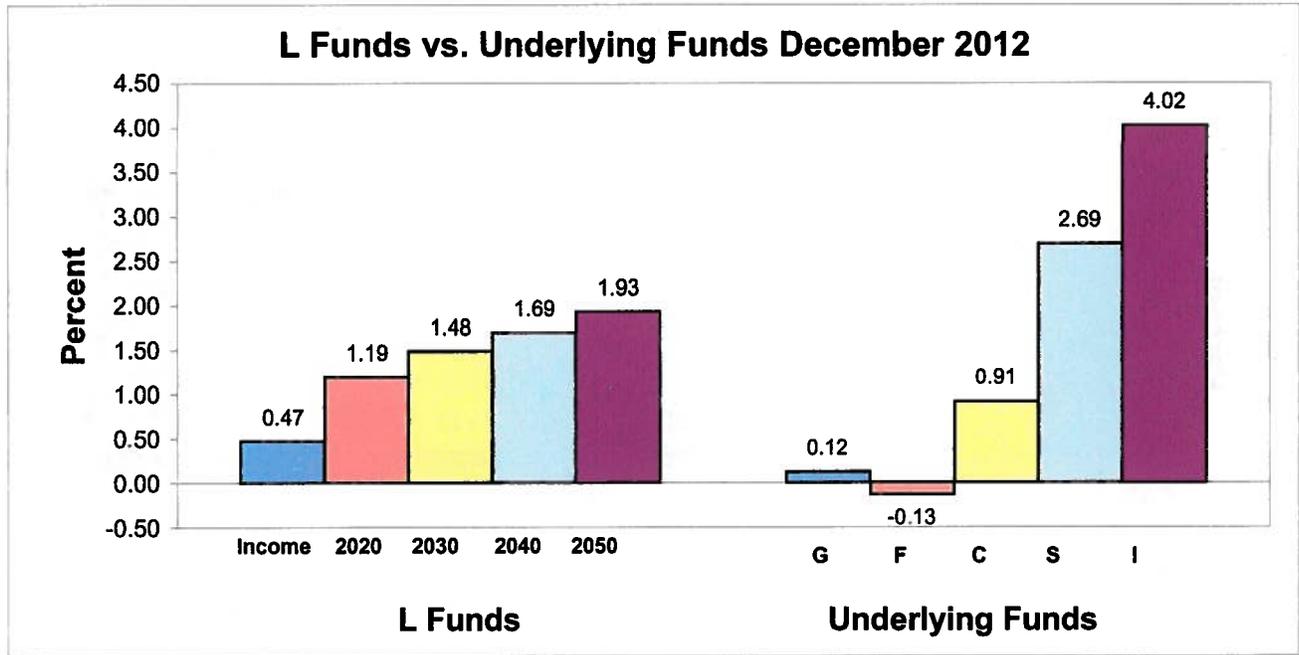
**2012
Total Return %
Fund**

Fund	TSP	BTC	Difference	Index
Fixed Income	4.29	4.31	-0.02	4.22
Large Cap	16.07	16.12	-0.05	16.00
Small Cap	18.57	18.47	0.10	17.89
International	18.62	18.60	0.02	17.32

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 third quarter of 2012. A copy of the audit report is provided as Attachment 2. The ISS audit report for the fourth quarter of 2012 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

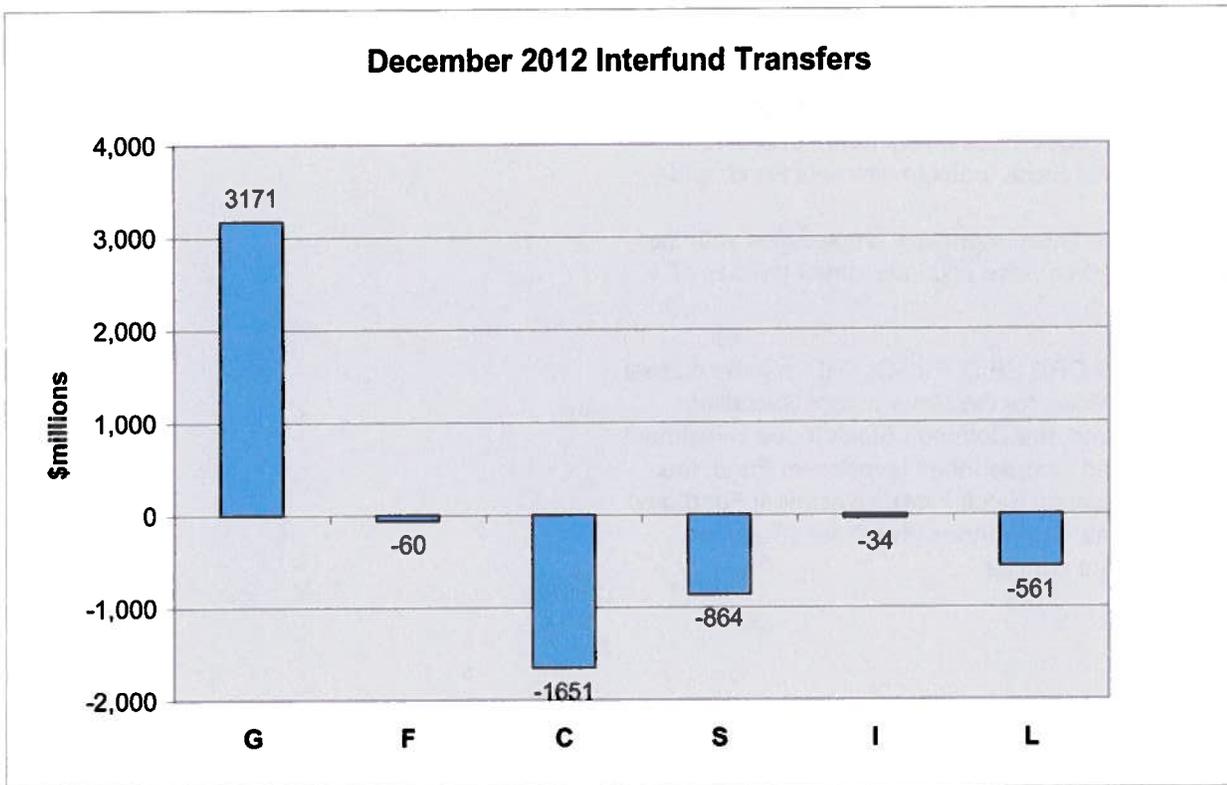
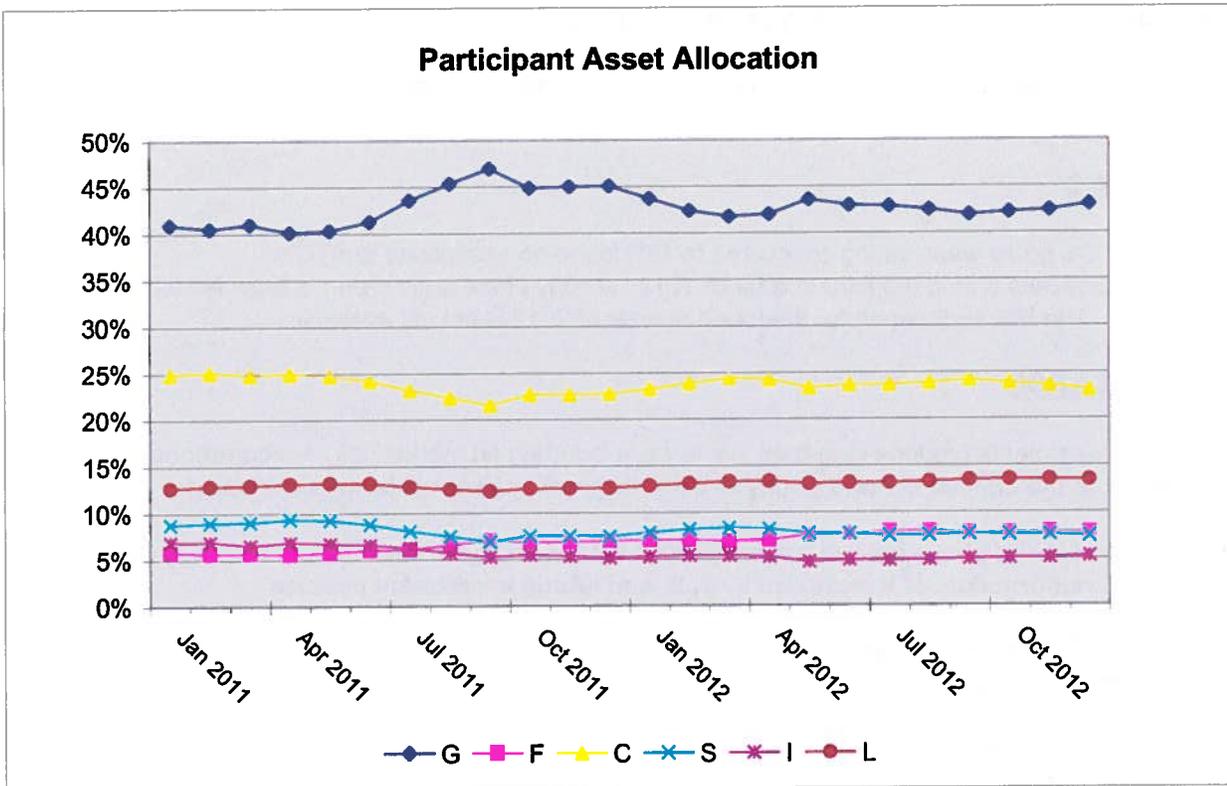
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, the Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund, and the International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

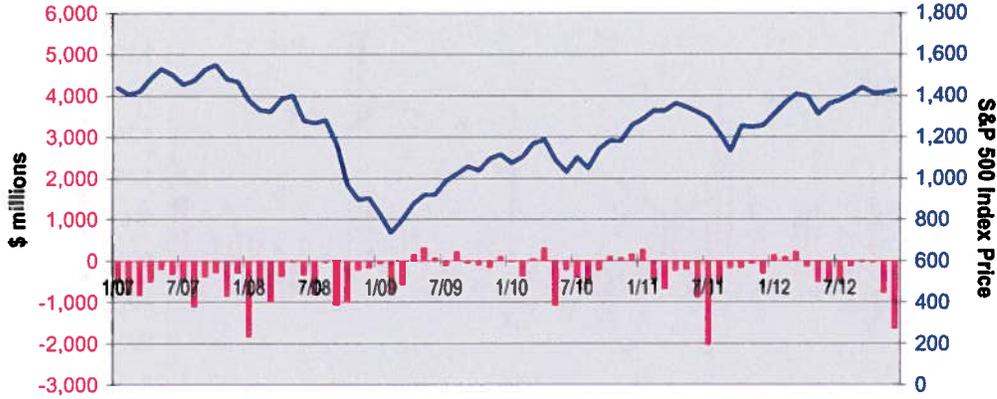
Attachments

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

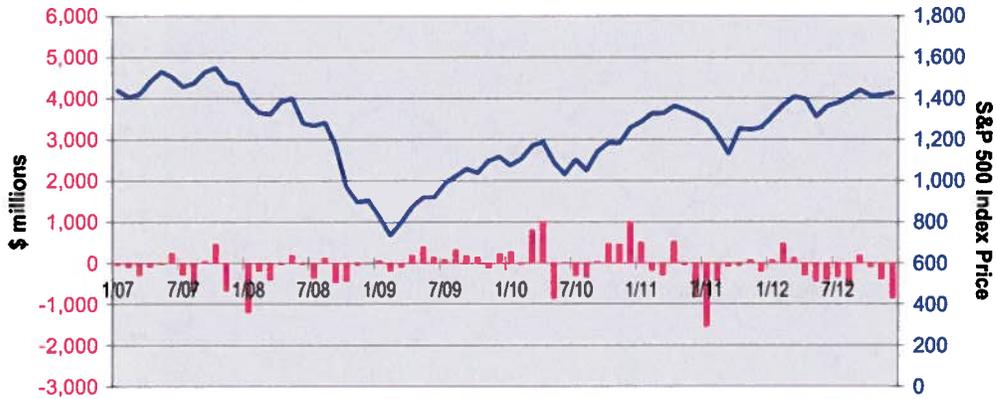


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

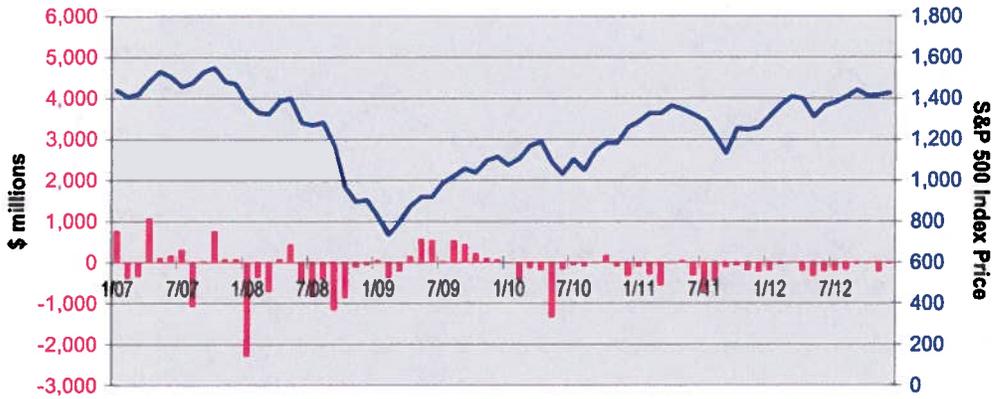
Monthly Interfund Transfers C Fund



Monthly Interfund Transfers S Fund

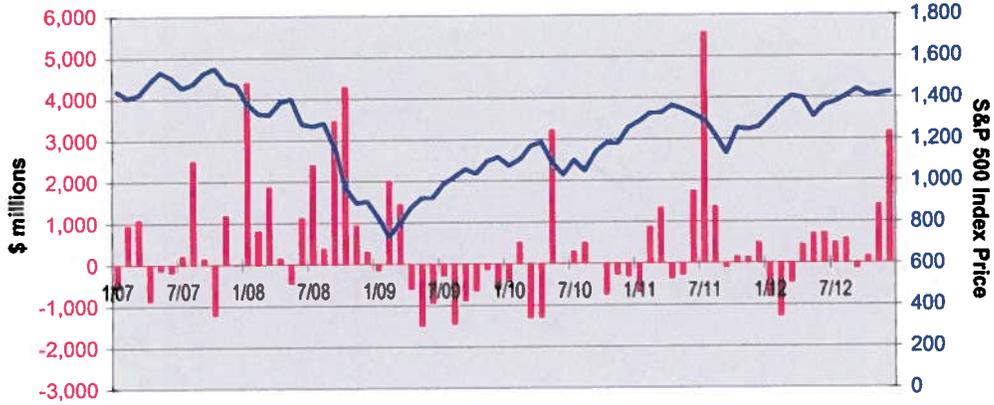


Monthly Interfund Transfers I Fund

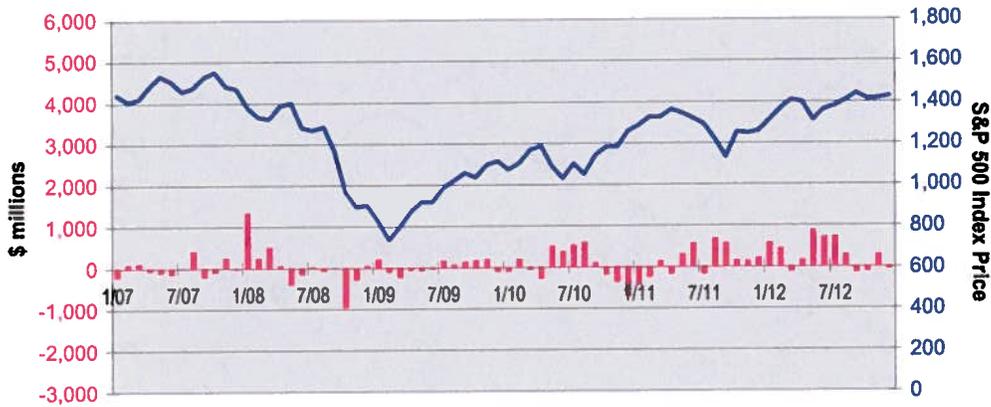


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

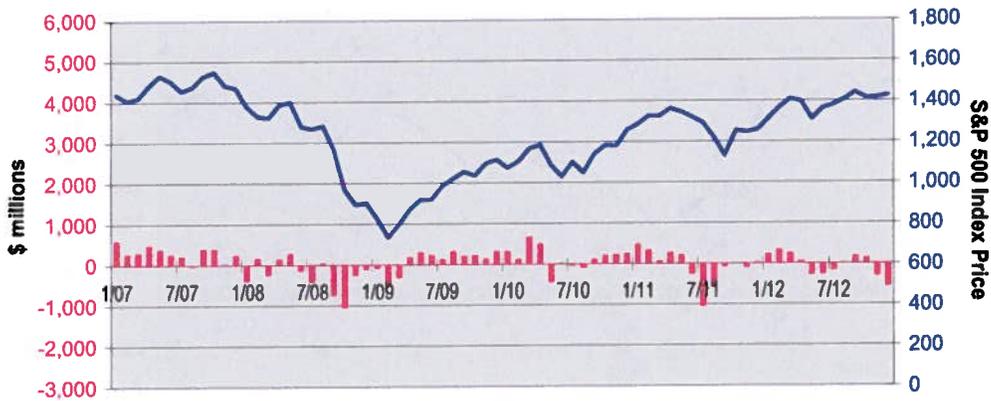
Monthly Interfund Transfers G Fund



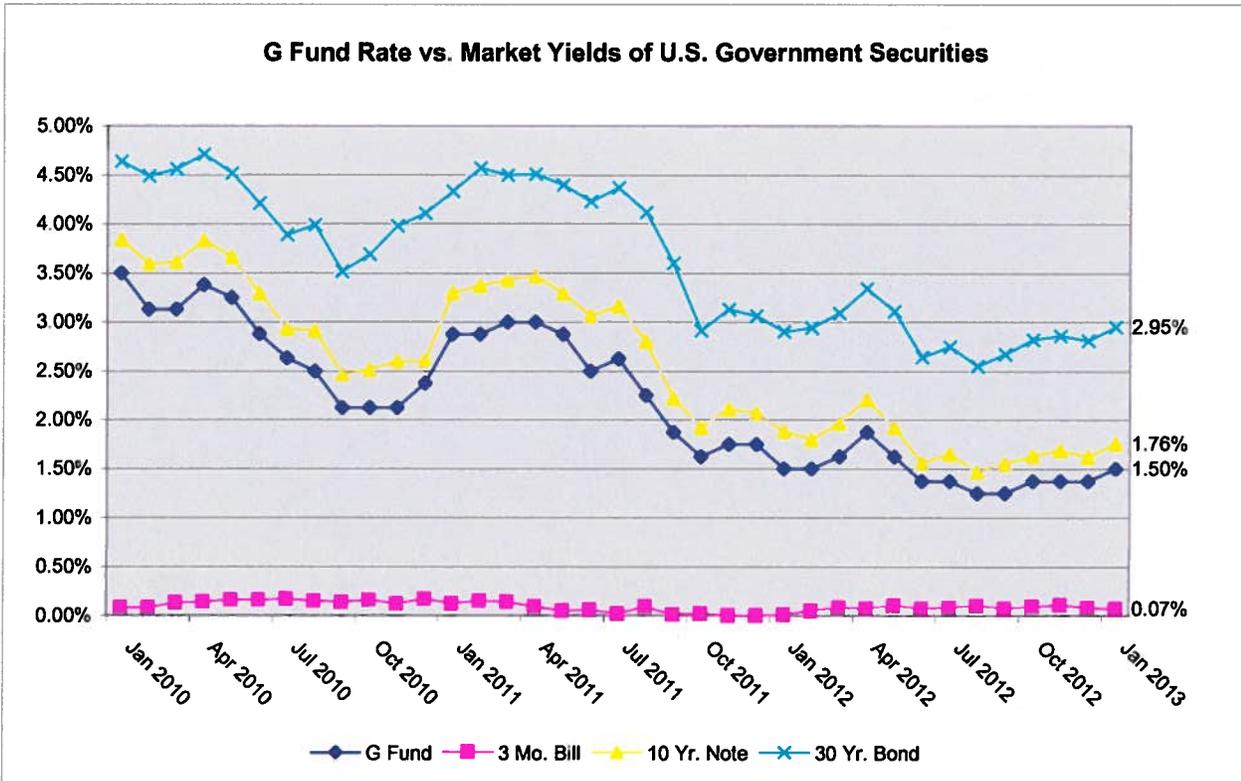
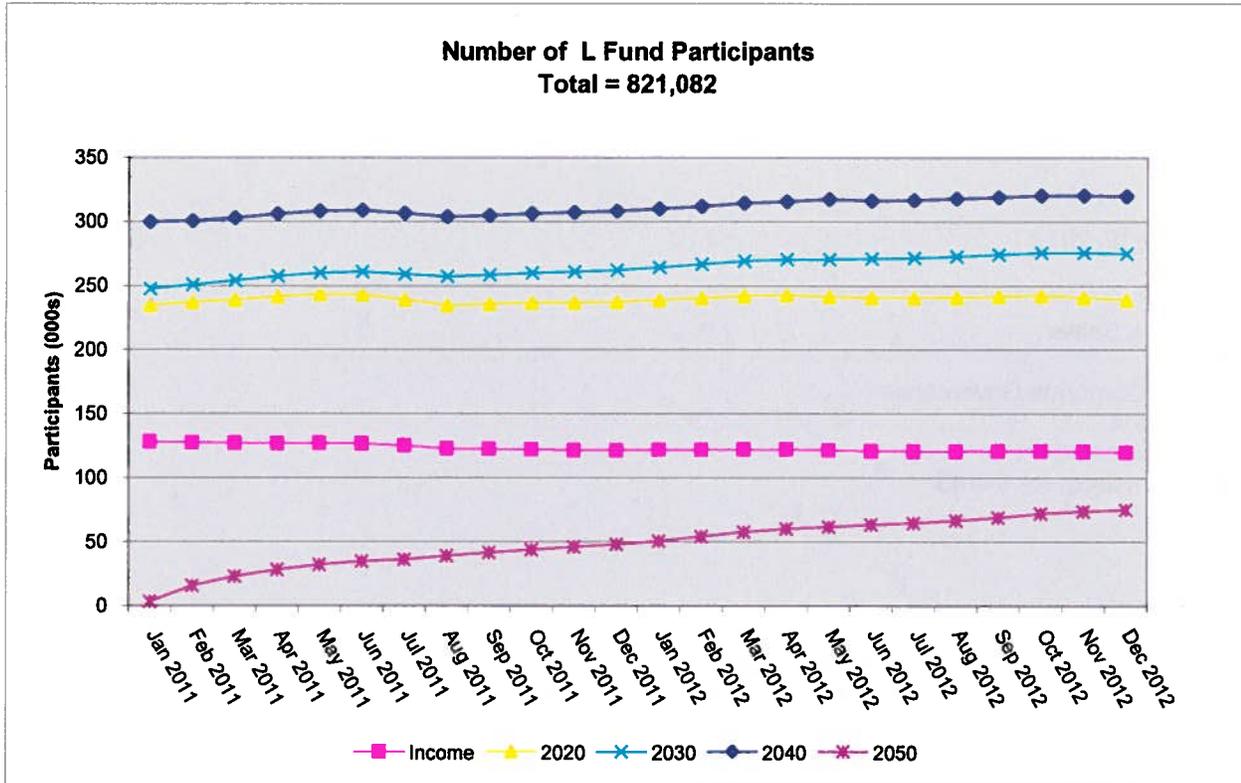
Monthly Interfund Transfers F Fund



Monthly Interfund Transfers L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY





An MSCI Brand

October 10, 2012

Mr. Chad Spitzer
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 3rd 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 Michael', written in a cursive style.

Fassil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

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

- Votes at 38 meetings were examined.
- Votes at 12 of the 38 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 26 remaining meetings, there were 41 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	13
Non-executive stock option plan	2
Employee share purchase plan	1
Section 162(m)	4
Approve frequency vote on executive compensation	2
Increase in common stock	3
Approve stock split	2
Reverse stock split	1
Merger and/or reorganization	2
Issue shares in connection with acquisition	1
Adjourn meeting	4
Change company name	1
Amend articles	1
Other business	2
Shareholder proposal	2
Total:	41

- There were 13 votes cast on executive stock option plans; the votes were cast in favor of the plans.

- There were 2 votes cast on a non-executive stock option plans; the votes were cast in favor of the plans.

- There were 3 votes cast on proposals to increase common stock; the votes were cast in favor of the increases.

- There were 3 votes cast on mergers 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 declassify the board; the vote was cast in favor of the proposal.
 - b) 1 shareholder proposal to report on political contributions; the vote was cast against the proposal.

- There were 24 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.