



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

October 4, 2013

MEMORANDUM FOR BOARD MEMBERS KENNEDY, BILYEU, McCRAY,
JONES AND JASIEN

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

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

TRACKING ERROR - BlackRock Funds (BTC)

September Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	0.99	0.95	0.04
Large Cap	3.14	3.14	0.00
Small Mid Cap	5.89	5.87	0.02
International	7.41	7.39	0.02

2013 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	-1.65	-1.89	0.24
Large Cap	19.85	19.79	0.06
Small Mid Cap	27.33	27.19	0.14
International	15.50	16.14	-0.64

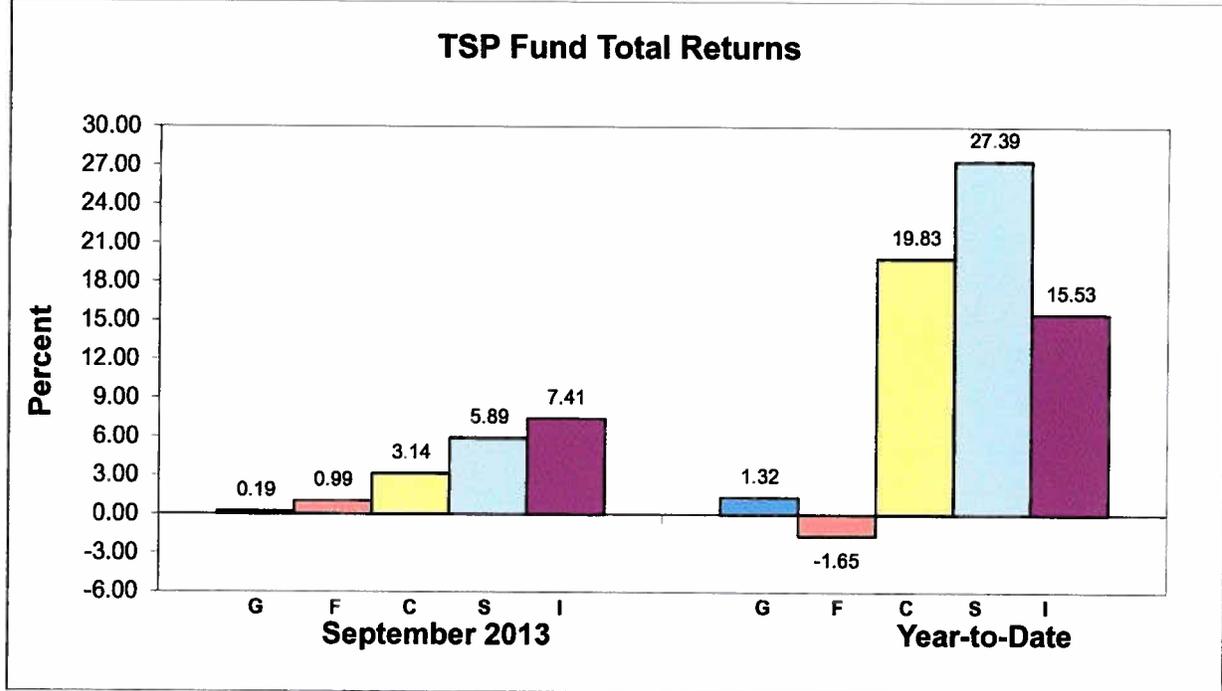
The Fixed Income Index Fund has outperformed by 24 basis points year to date, primarily due to a change in the pricing source for mortgage-backed securities that was implemented by BlackRock in January. The BlackRock Extended Equity Market Fund has outperformed by 14 basis points this year, primarily due to the optimization process. The BlackRock EAFE Equity Index Fund E has underperformed by 64 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>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
September	398,555,061	7,354	0.2
Year-to-Date	8,070,992,919	1,509,210	1.9
<u>C Fund</u>			
September	1,954,776,609	309,765	1.6
Year-to-Date	11,658,950,451	1,165,259	1.0
<u>S Fund</u>			
September	1,723,327,573	(363,240)	(2.1)
Year-to-Date	11,361,437,752	(699,653)	(0.6)
<u>I Fund</u>			
September	886,919,018	481,860	5.4
Year-to-Date	7,897,477,568	(1,725,372)	(2.2)

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.

**September
Total Return %**

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	0.99	0.99	0.00	0.95
Large Cap	3.14	3.14	0.00	3.14
Small Cap	5.89	5.89	0.00	5.87
International	7.41	7.41	0.00	7.39

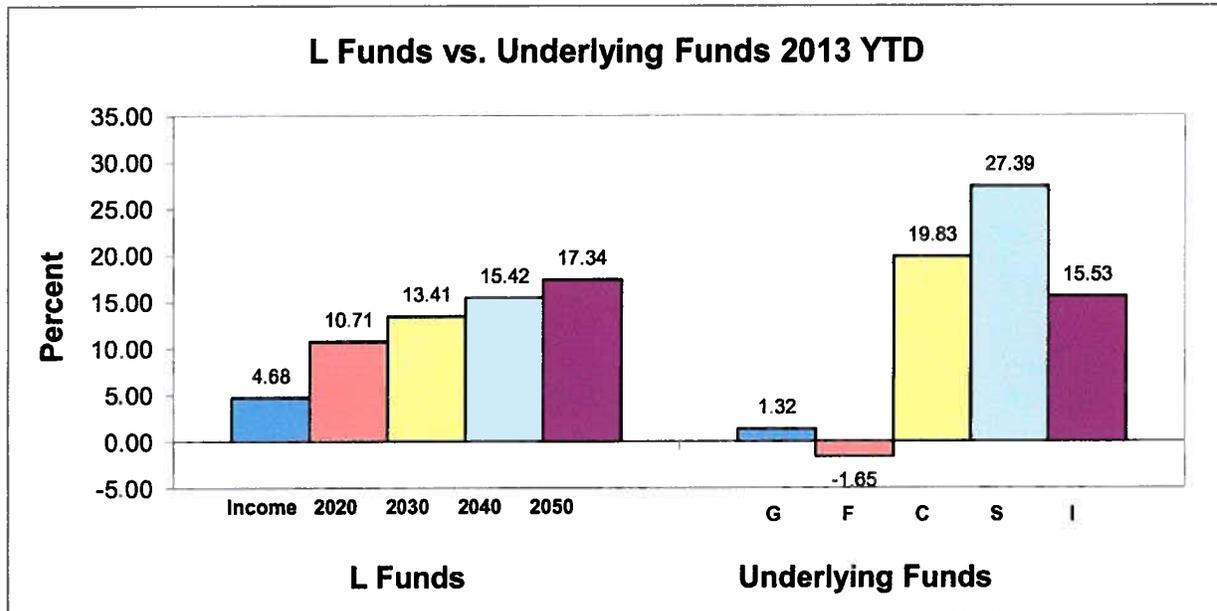
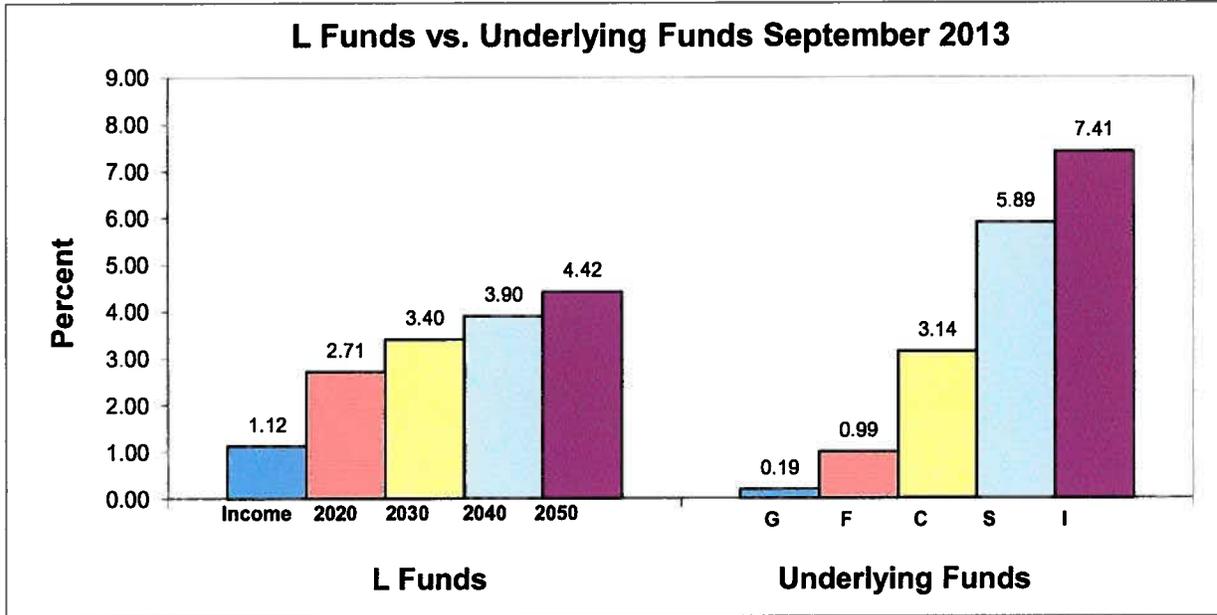
**2013
Total Return %**

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	-1.65	-1.65	0.00	-1.89
Large Cap	19.83	19.85	-0.02	19.79
Small Cap	27.39	27.33	0.06	27.19
International	15.53	15.50	0.03	16.14

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

CLASS ACTION SETTLEMENTS

A total of eight claims were opened in the S Fund during the second quarter. Sixty-seven claims remain open with 79% of the class actions associated with the S Fund. The remaining open claims are associated with the I Fund (19%) and F Fund (1%). Through the second quarter, 40 claims have been settled with all emanating from the S Fund. The TSP has received approximately \$1.876M year to date. This estimate is based on the underlying percentage ownership of the S Fund.

	<u>Claims Opened during Quarter</u>	<u>Open Claims Outstanding</u>	<u>No. of Claims Settled (YTD)</u>	<u>Estimate of Settled Claims in 2013 (USD)</u>
F Fund	-	1	-	-
C Fund	-	-	-	-
S Fund	8	53	40	\$1,876,000
I Fund	-	13	-	-
Total	8	67	40	\$1,876,000

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 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

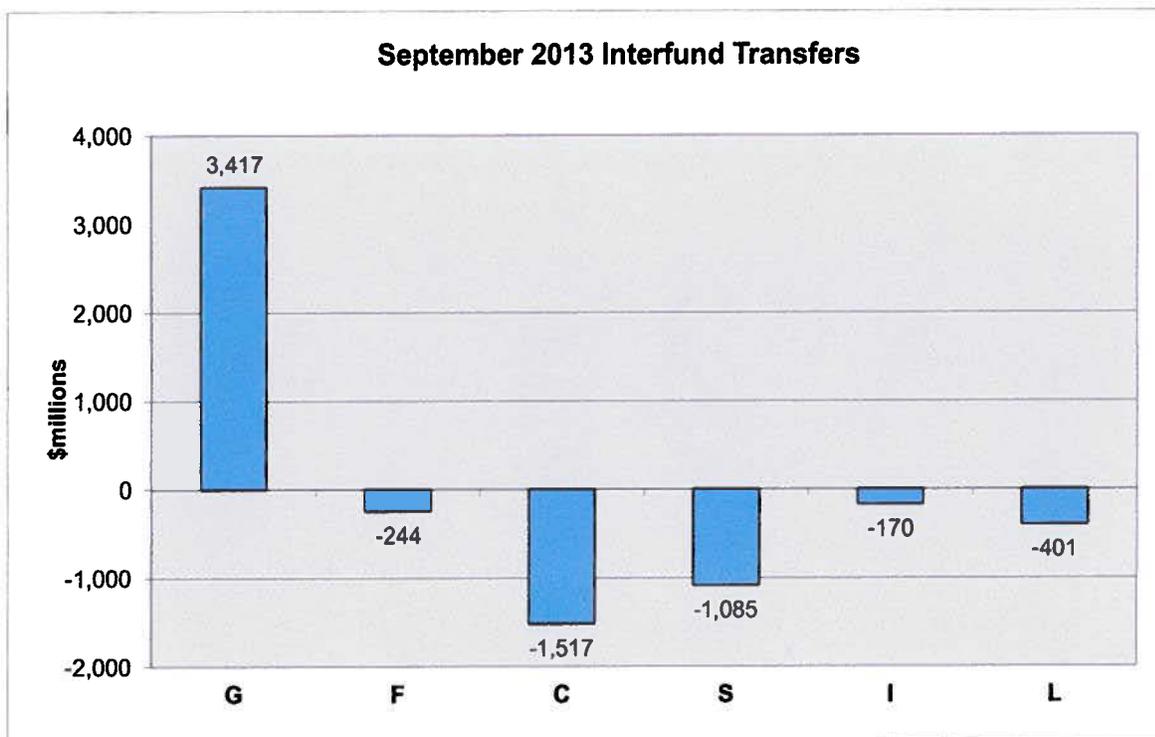
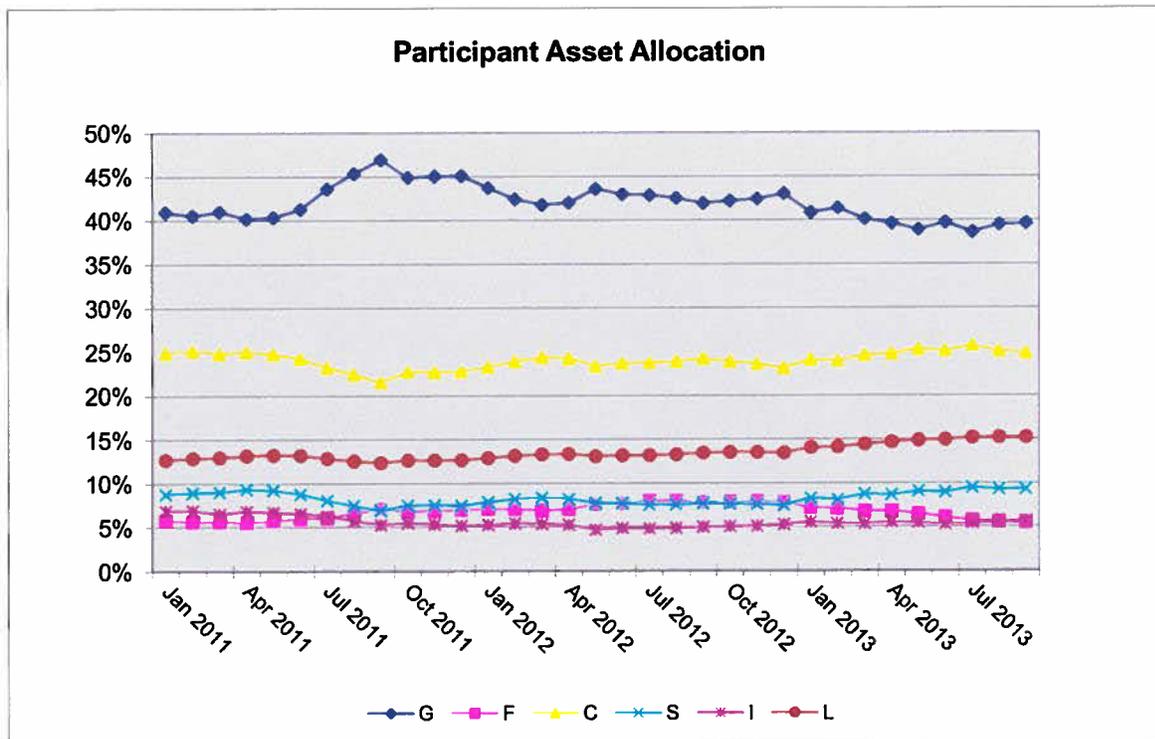
WHEREAS the Board members at this meeting have reviewed the investment performance and investment policies of the Government Securities Investment Fund, the Fixed Income Index Investment Fund, Common Stock Index Investment Fund, the Small Capitalization Stock Index Investment Fund and the International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

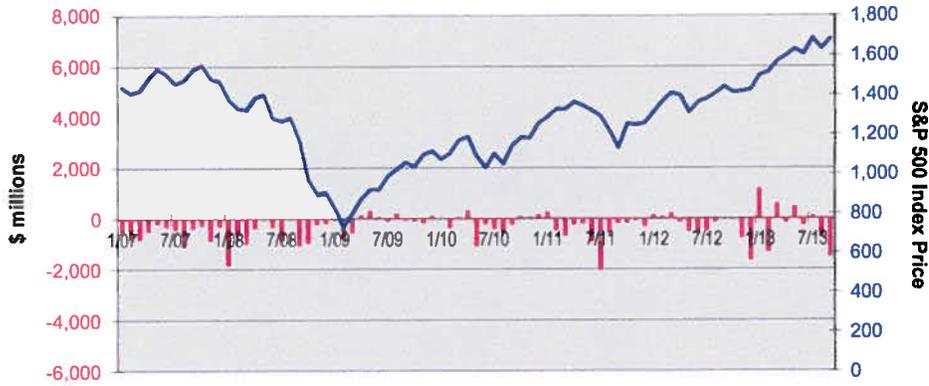
Attachments

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY September 2013

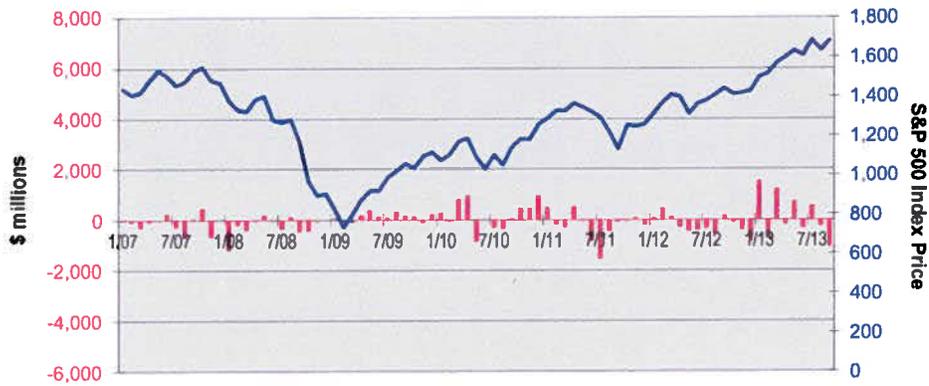


**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
September 2013**

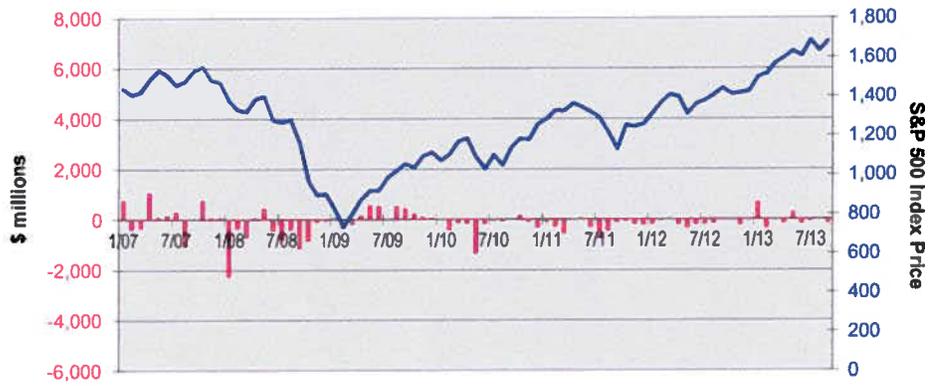
**Monthly Interfund Transfers
C Fund**



**Monthly Interfund Transfers
S Fund**

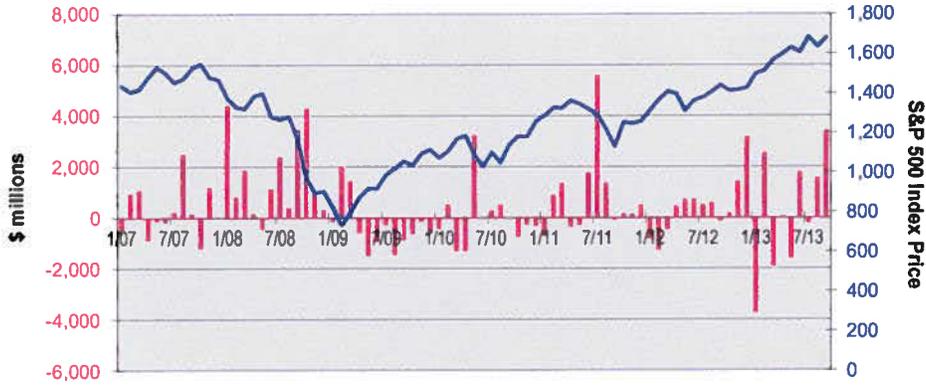


**Monthly Interfund Transfers
I Fund**

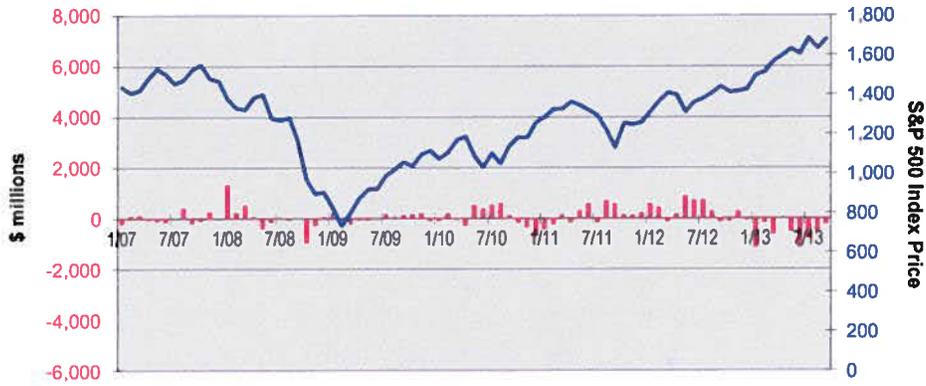


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
September 2013

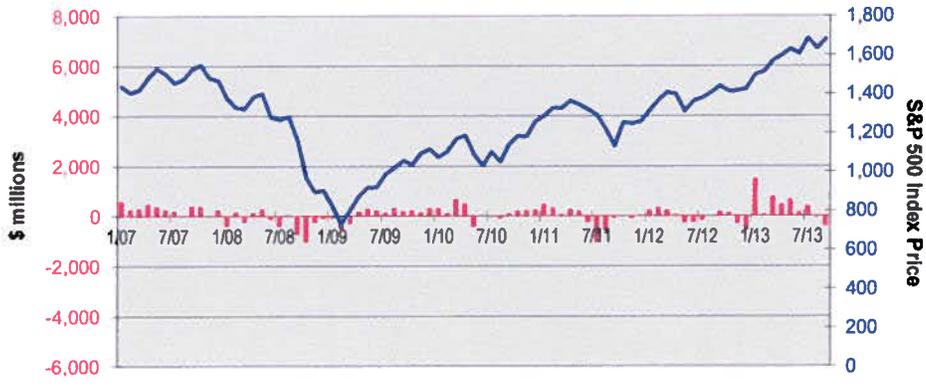
Monthly Interfund Transfers
G Fund



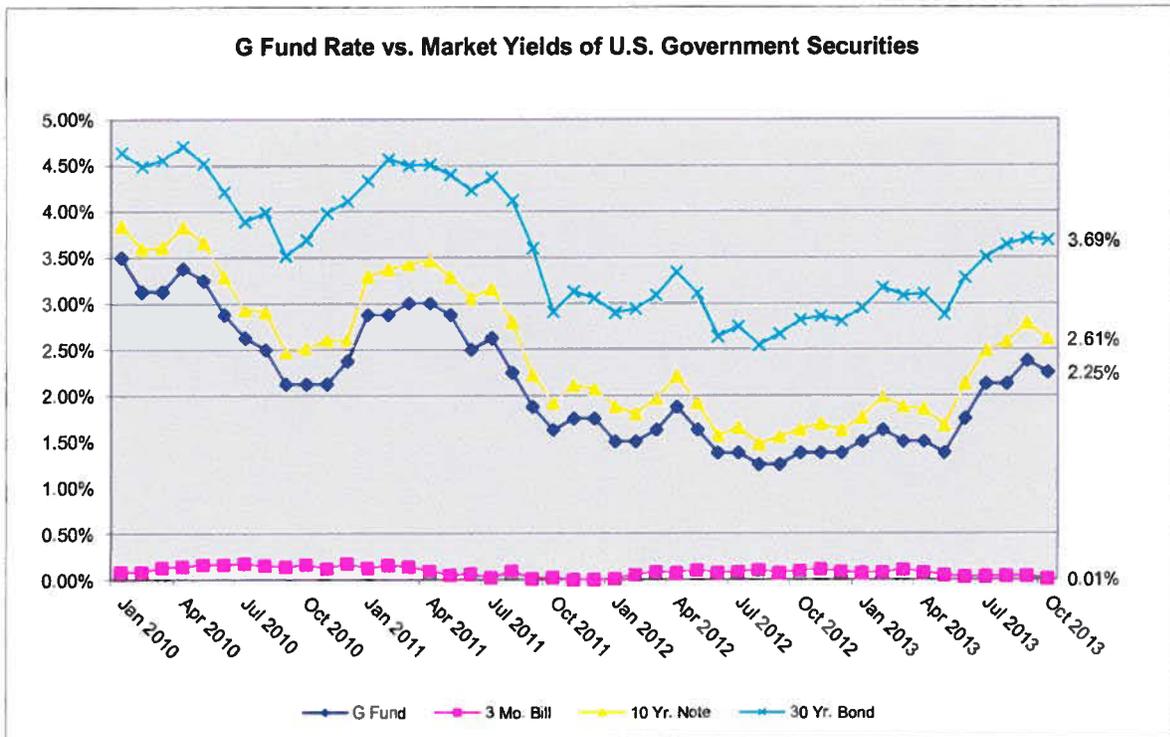
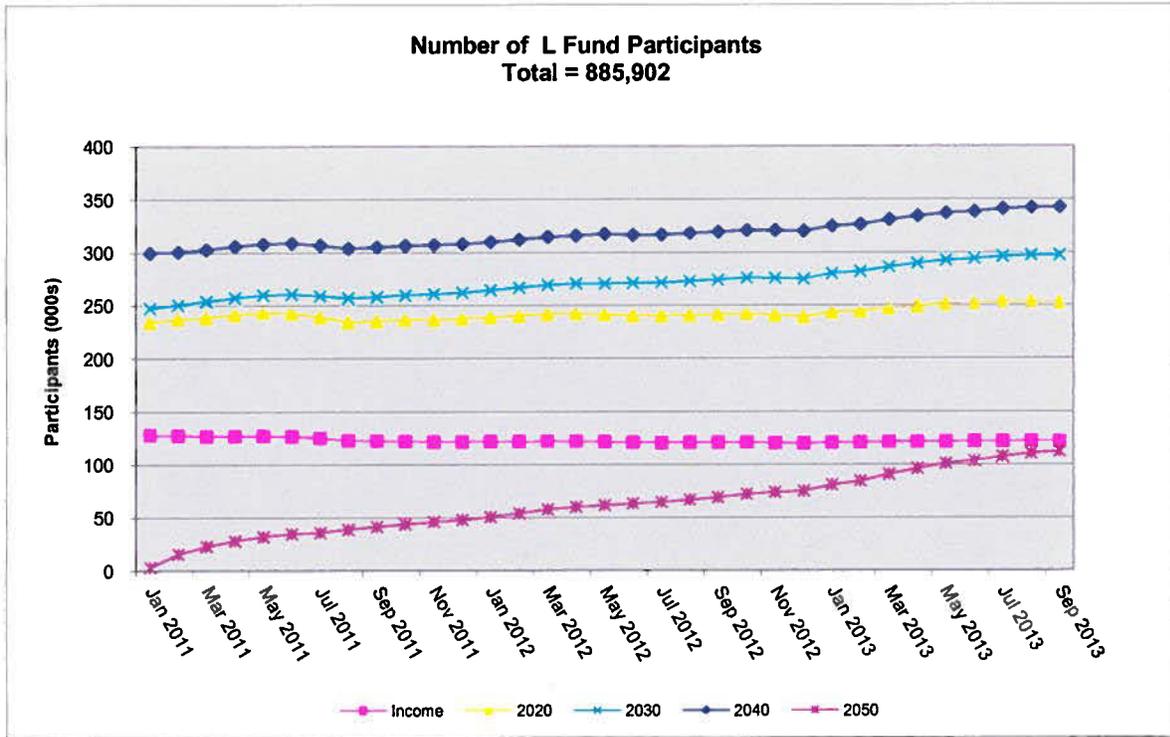
Monthly Interfund Transfers
F Fund



Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY September 2013





An MSCI Brand

July 9, 2013

Mr. Chad Spittler
Managing Director
Corporate Governance & Responsible Investment
BlackRock
400 Howard Street
San Francisco, CA 94105

Dear Chad,

Enclosed are the results of our review of proxy votes by BlackRock for the 2nd quarter of 2013. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink, appearing to read 'Fasil G. Michael', is written over a light blue horizontal line.

Fasil G. Michael
Executive Director, Head of Custom Research



An MSCI Brand

MEMORANDUM

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

- Votes at 250 meetings were examined.
- Votes at 134 of the 250 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 116 remaining meetings, there were 190 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	76
Non-executive stock option plan	3
Employee share purchase plan	9
Section 162(m)	18
Approve repricing of options	1
Advisory vote on golden parachute compensation	2
Increase in common stock	5
Reduce common stock	1
Increase in preferred stock	1
Reduce preferred stock	1
Reverse stock split	1
Issue shares below net asset value	1
Approve issuance of common stock in connection with debt restructuring	1
Private placement	4
Issue shares in connection with an acquisition	1
Merger and/or reorganization	3
Change state of incorporation	1
Adjourn meeting	8
Declassify board of directors	6
Adopt majority voting for uncontested election of directors	1
Eliminate cumulative voting in the election of directors	2
Reduce supermajority vote requirement	6
Provide right to act by written consent	1
Amend certificate of incorporation to adopt Delaware as exclusive form for certain legal actions	1
Other business	6
Shareholder proposal	30
Total:	190

- There were 76 votes cast on executive stock option plans:
 - a) 68 votes were cast in favor of the plans (89.5 percent);
 - b) 8 votes were cast against the plans (10.5 percent):
 - i.) 6 plans were opposed due to ability to reprice options without prior shareholder approval.
 - ii.) 2 plans were opposed due to its potential to be excessively dilutive to existing shareholders.

- There were 3 votes cast on non-executive stock option plans; the votes were cast in favor of the plans.

- There were 3 votes cast on mergers and/or major corporate transactions; the votes were cast in favor of the transactions.

- There were 30 votes cast on shareholder proposals which included:
 - a) 3 shareholder proposals to declassify the board; the votes were cast in favor of the proposals.
 - b) 1 shareholder proposal to call special meetings; the vote was cast in favor of the proposal.
 - c) 1 shareholder proposal to require majority voting for the election of directors; the vote was cast in favor of the proposal.
 - d) 4 shareholder proposals to report on political contributions; the votes were cast against the proposals.
 - e) 1 shareholder proposals to provide the right to act by written consent, the vote was cast in favor of the proposal.
 - f) 4 shareholder proposals to require an independent board chairman:
 - i.) 2 votes were cast in favor of the proposals (50 percent);
 - ii.) 2 votes were cast against the proposals (50 percent).
 - g) 2 shareholder proposals to prepare sustainability reports; the votes were cast against the proposals.
 - h) 2 shareholder proposals to adopt a policy to prohibit pro-rata vesting on equity plans; the votes were cast against the proposals.
 - i) 3 shareholder proposals to adopt a policy on stock retention; the votes were cast against the proposals.
 - j) 1 shareholder proposal to adopt a policy in which the company will not make or promise to make death benefit payments; the vote was cast against the proposal.
 - k) 1 shareholder proposal to disclose recoupment activity from senior officers; the vote was cast in favor of the proposal.
 - l) 1 shareholder proposal to require shareholder approval of specific performance metrics in equity compensation plans; the vote was cast against the proposal.
 - m) 1 shareholder proposal to minimize pool storage of spent nuclear fuel; the vote was cast against the proposal.
 - n) 1 shareholder proposal to report on financial risk of climate change; the vote was cast against the proposal.
 - o) 1 shareholder proposal to report on Appalachian mining health hazards; the vote was cast against the proposal.