



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

April 10, 2014

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: March 2014 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 2014, 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	-0.15	-0.17	0.02
Large Cap	0.85	0.84	0.01
Small Mid Cap	-0.69	-0.72	0.03
International	-0.56	-0.64	0.08

2014 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	2.06	1.84	0.22
Large Cap	1.83	1.81	0.02
Small Mid Cap	2.69	2.82	-0.13
International	0.76	0.66	0.10

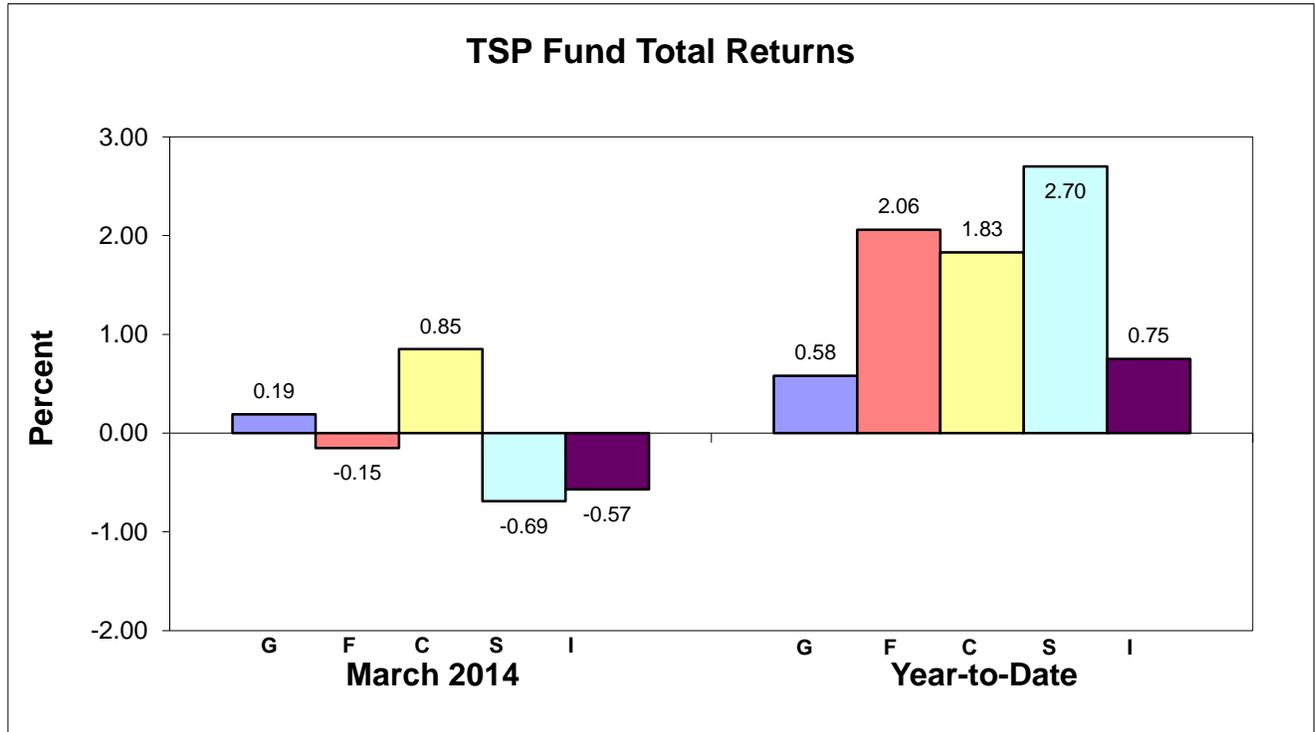
The International Fund outperformed the index by 8 basis points for the month due to the tax effect. The Fixed Income Fund outperformed the index by 22 basis points for the year to date, primarily due to pricing differences and securities lending. The Black Rock Extended Market Index Fund underperformed by 13 basis points for the year, primarily as a result of the optimization process.

Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
March	2,409,560,028	(14,981)	-0.1
Year-to-Date	3,582,043,342	(130,895)	-0.4
<u>C Fund</u>			
March	1,065,086,859	88,089	0.8
Year-to-Date	2,483,372,564	(279,999)	-0.8
<u>S Fund</u>			
March	1,341,060,574	511,797	3.8
Year-to-Date	4,536,740,530	(774,915)	-1.7
<u>I Fund</u>			
March	1,152,512,309	(37,590)	-0.3
Year-to-Date	2,546,713,490	(234,530)	-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.

March

Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	-0.15	-0.15	0.00	-0.17
Large Cap	0.85	0.85	0.00	0.84
Small Cap	-0.69	-0.69	0.00	-0.72
International	-0.57	-0.56	-0.01	-0.64

2014

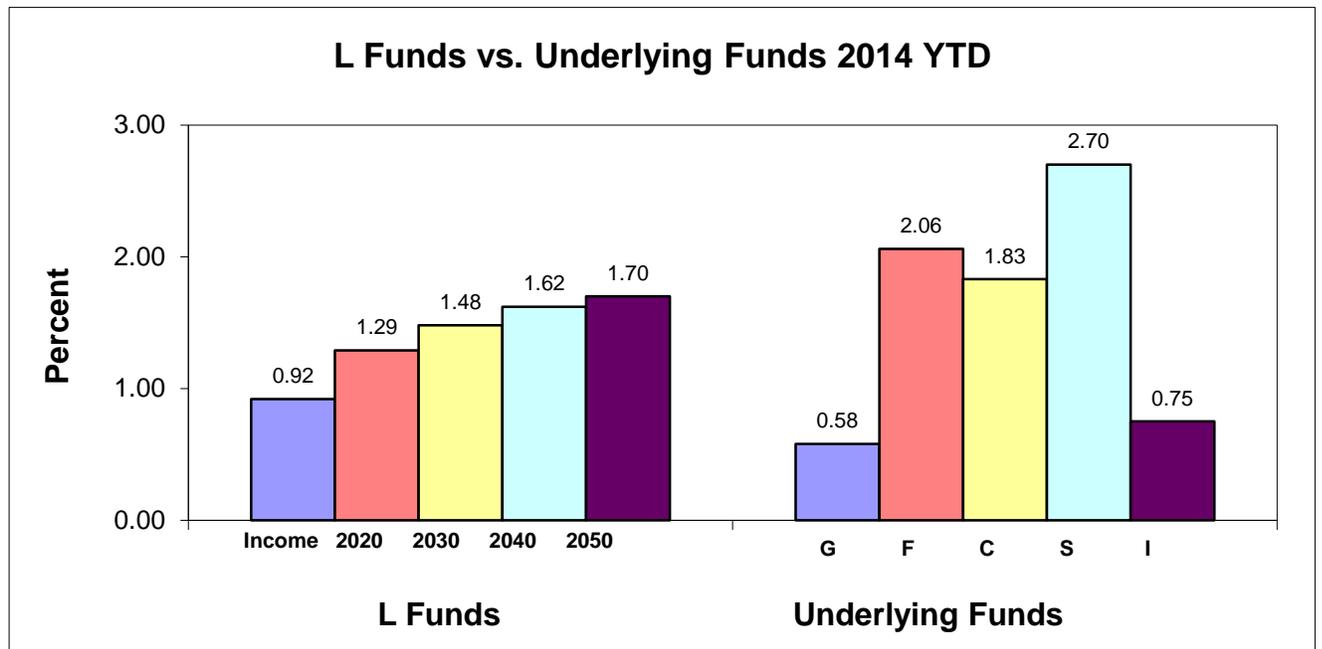
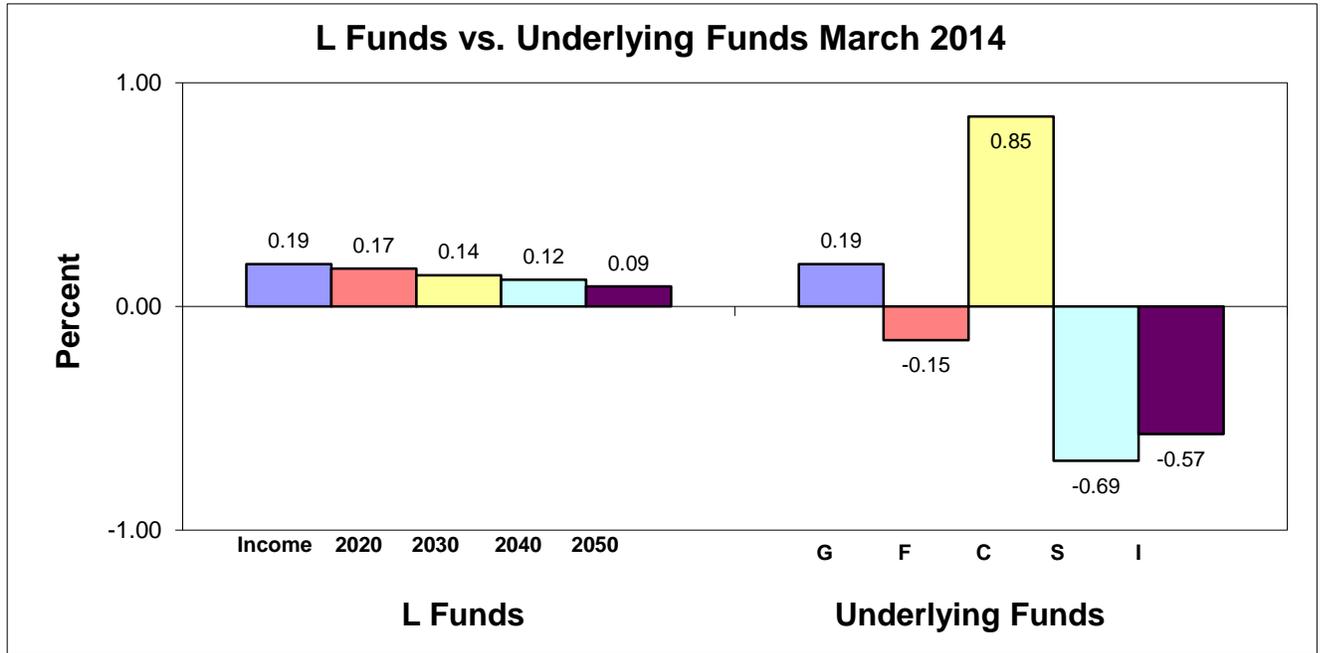
Total Return %

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	2.06	2.06	0.00	1.84
Large Cap	1.83	1.83	0.00	1.81
Small Cap	2.70	2.69	0.01	2.82
International	0.75	0.76	-0.01	0.66

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 -- FOURTH QUARTER 2013

An audit of BTC's proxy voting conducted by ISS found no exceptions to BTC's established guidelines during the fourth quarter of 2013. A copy of the audit report is provided as Attachment 2. The ISS audit report for the first quarter of 2014 is not yet available.

CLASS ACTION SETTLEMENTS -- FOURTH QUARTER 2013

A total of 11 claims were opened for all of the funds during the fourth quarter. Fifty-seven claims remain open with 86% of the class actions associated with the S Fund. The remaining open claims are associated with the I Fund (12%) and C Fund (2%). Through the fourth quarter, 84 claims have been settled with the majority emanating from the S Fund. The TSP has received approximately \$4.48M year to date. This estimate is based on the underlying percentage ownership of the S and I Funds.

	<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	-	-	-	-
C Fund	-	1	1	\$ 644,748
S Fund	7	49	81	3,806,329
I Fund	3	7	2	28,440
Total	10	57	84	\$4,479,517

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

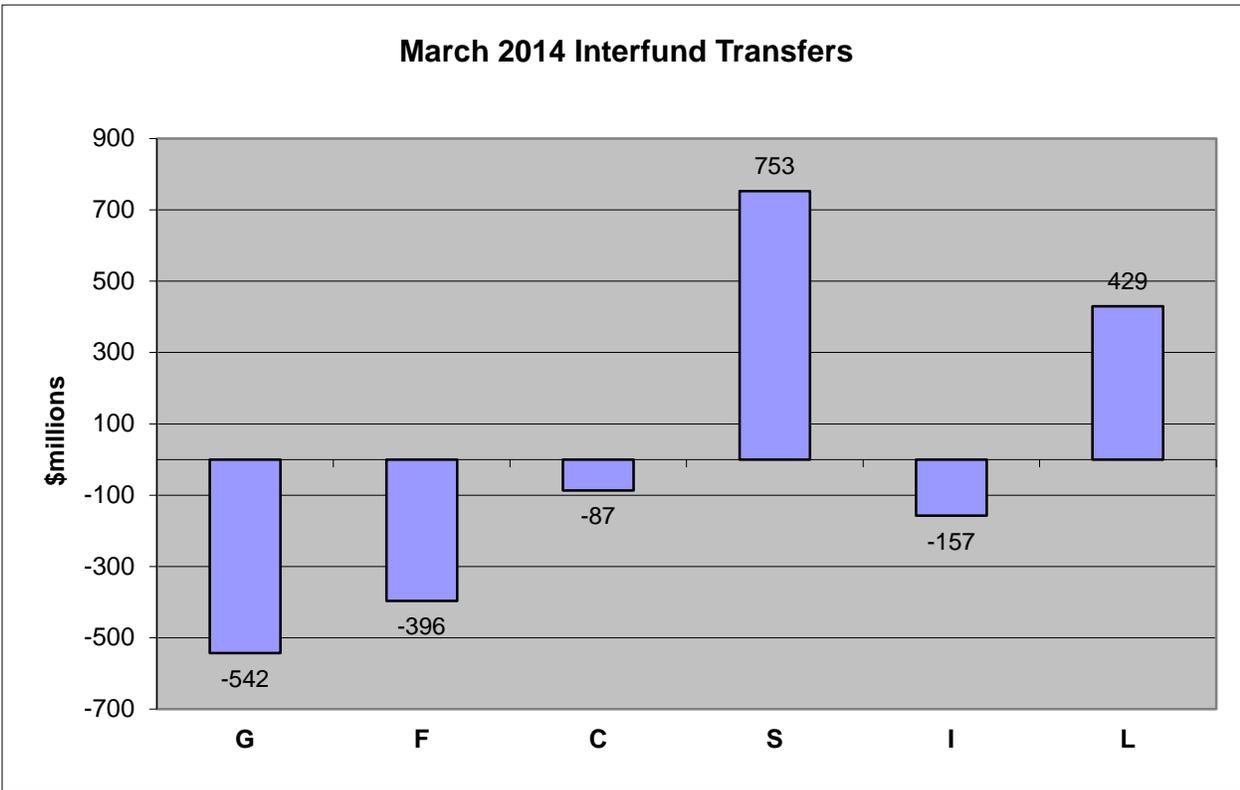
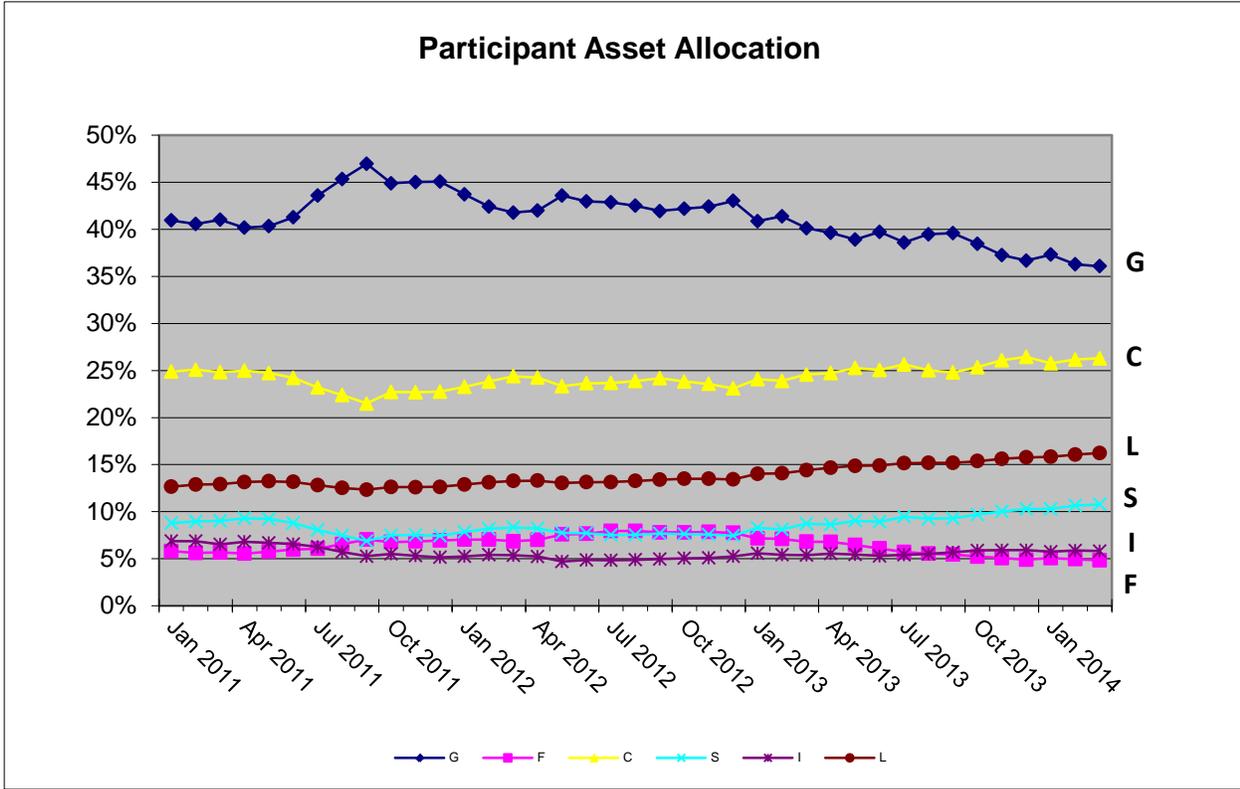
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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

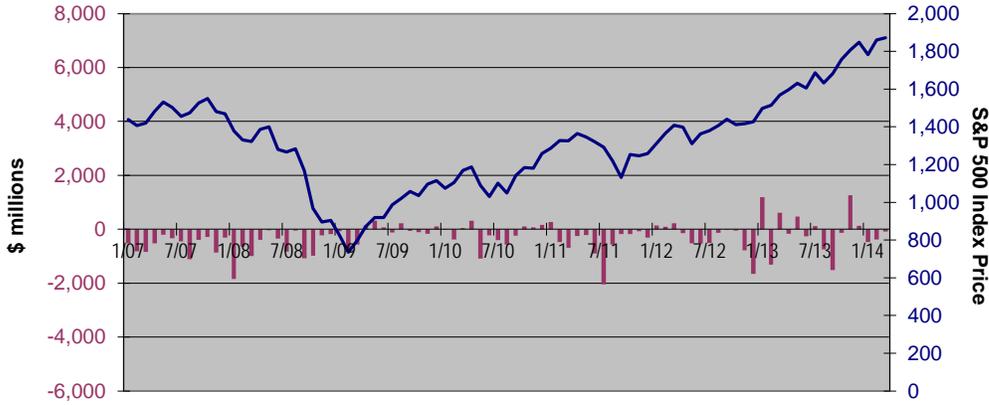
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
March 2014

Attachment 1

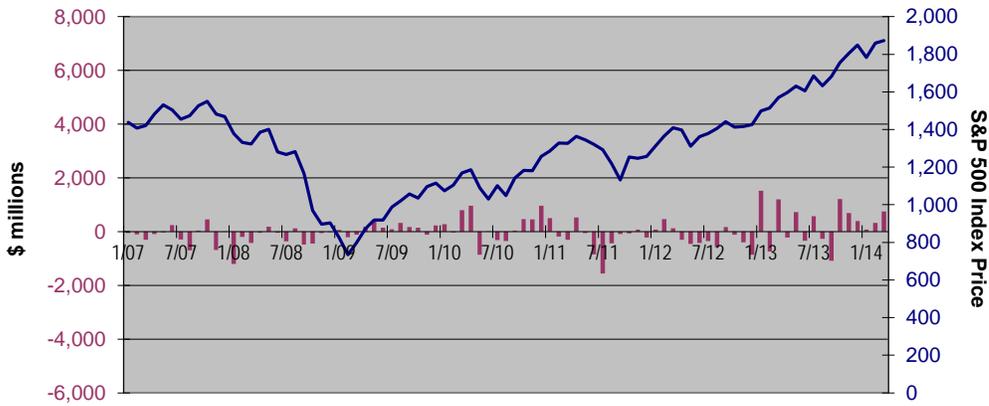


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March 2014

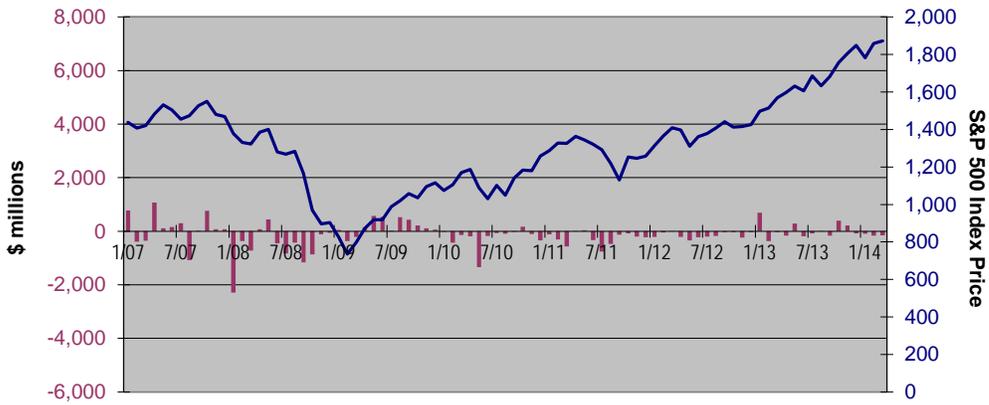
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund

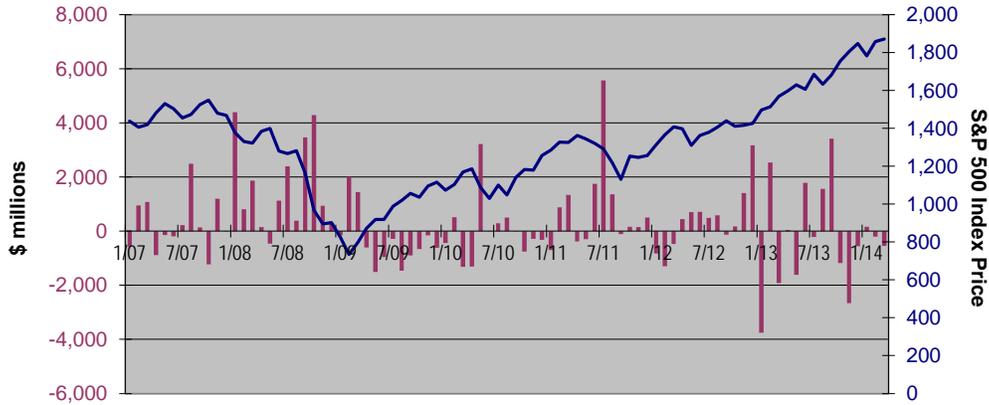


Monthly Interfund Transfers
I Fund

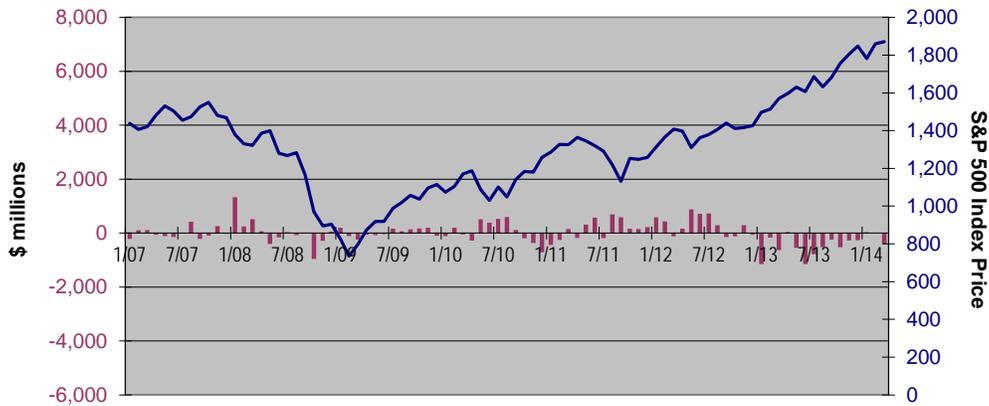


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March 2014

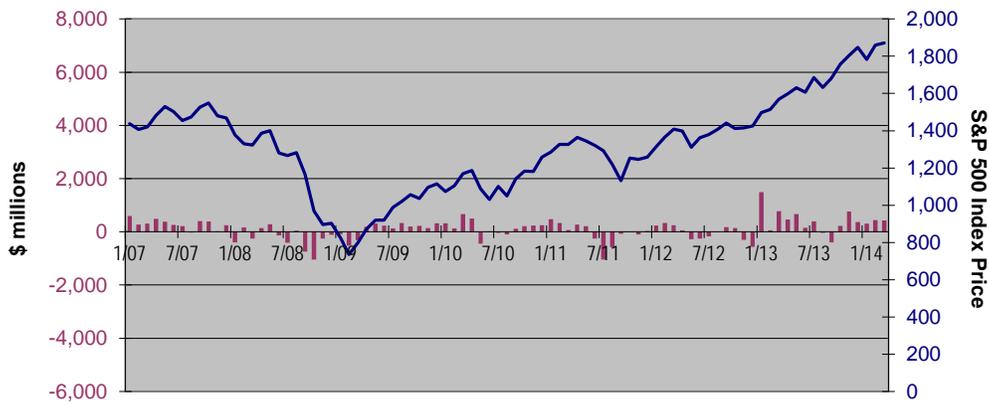
Monthly Interfund Transfers
G Fund



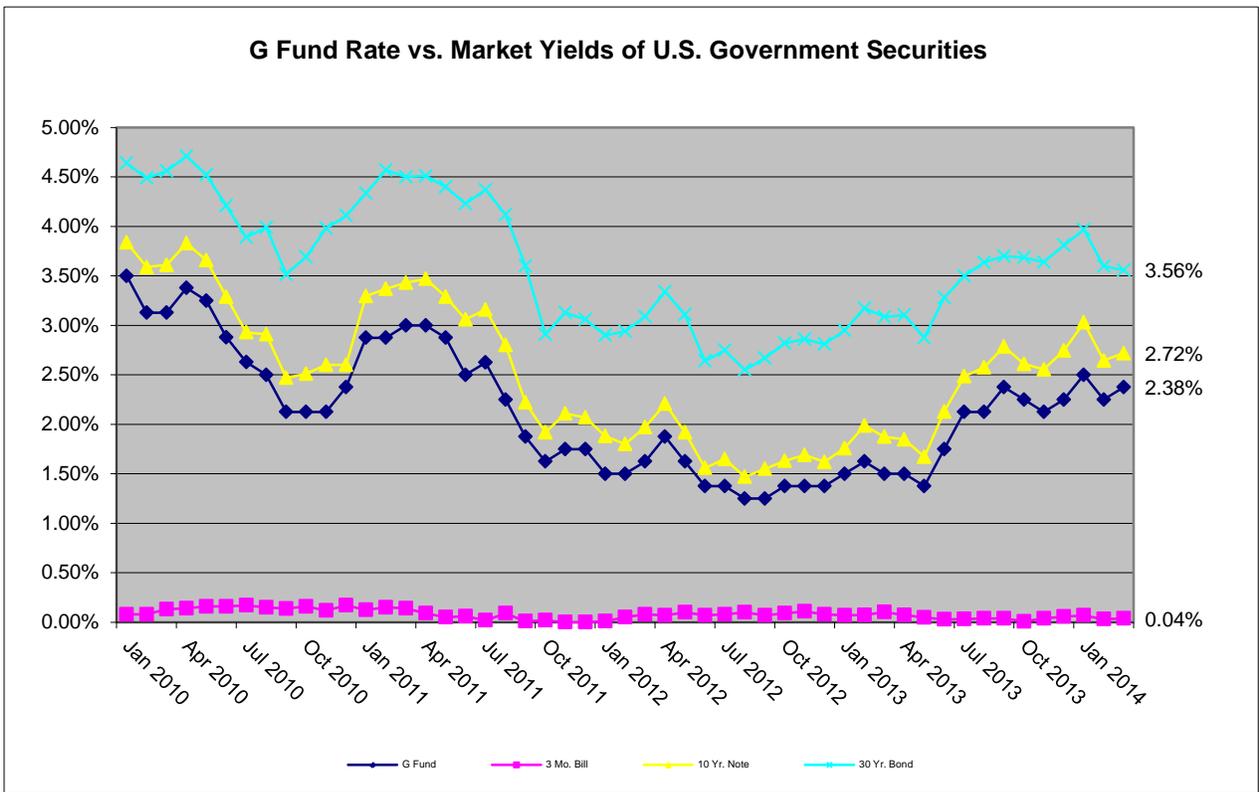
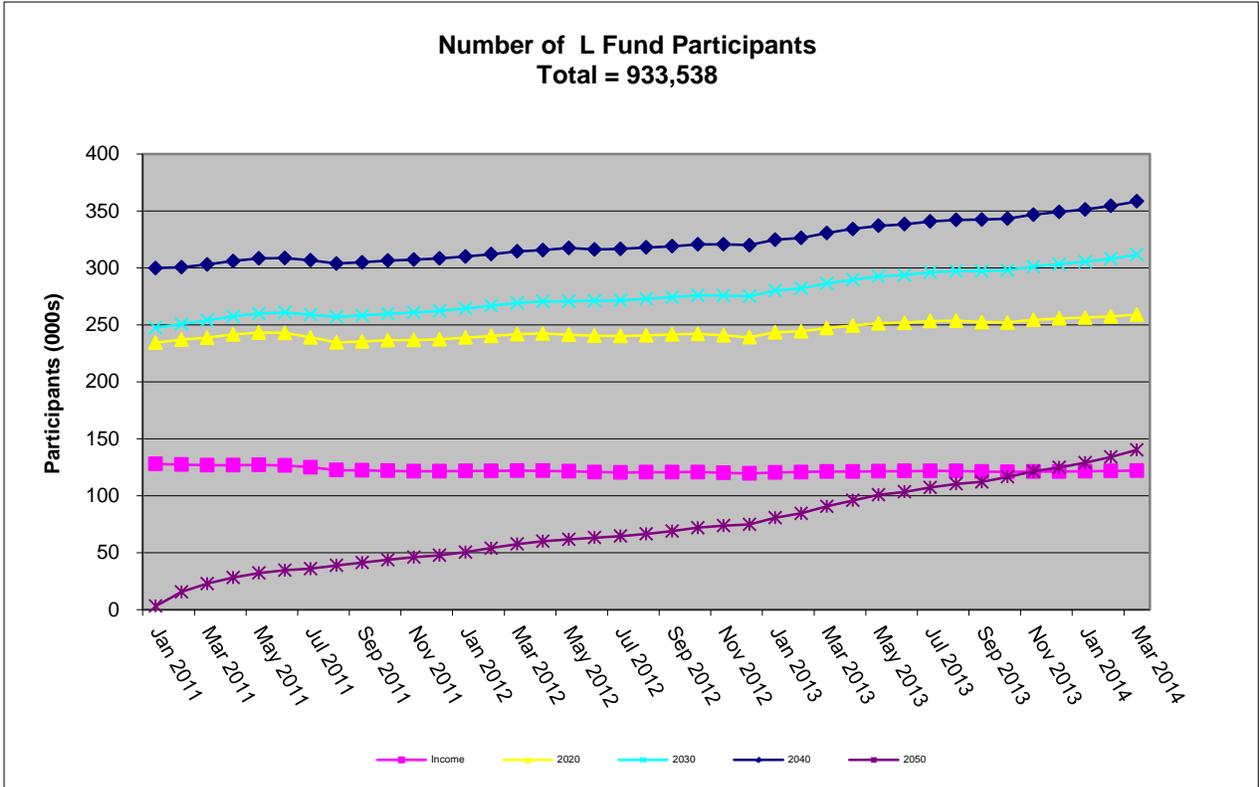
Monthly Interfund Transfers
F Fund



Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY March 2014





An MSCI Brand

February 4, 2014

Mr. Zach Oleksiuk
Vice President, Americas Head
Corporate Governance & Responsible Investment
BlackRock
55 East 52nd St
New York, NY 10055

Dear Zach,

Enclosed are the results of our review of proxy votes by BlackRock for the 4th 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 'Fassil G. Michael', is written in a cursive style.

Fassil G. Michael
Executive Director, Head of Custom Research



An MSCI Brand

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 29 non-director/auditor/MSOP proposals. The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	4
Non-executive stock option plan	1
Section 162(m)	1
Advisory vote on golden parachute compensation	4
Increase in common stock	2
Issue shares below net asset value	1
Approve formation of holding company	1
Merger/acquisition	4
Adjourn meeting	5
Adopt supermajority vote requirements	2
Fix number of directors	1
Shareholder proposal	3
Total:	29

- There were 4 vote cast on executive stock option plans; the votes were cast in favor of the plans.

- There was 1 vote cast on a non-executive stock option plan; the vote was cast in favor of the plan.

- There were 4 votes cast on mergers and/or major corporate transactions; the votes were cast in favor of the transactions.

- There were 2 votes cast on proposals to increase common stock; the votes were cast in favor of the authorizations.

- There were 20 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.

- There were 4 votes cast on management advisory votes on golden parachute compensation:
 - a) 3 votes were cast in favor of the advisory votes (66.7 percent);
 - b) 1 vote was cast against the advisory votes, as pay did not appear to be properly aligned with performance and peers (33.3 percent).

- There were 3 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to limit voting rights of shares beneficially owned in excess of 10 percent of company stock; the vote was cast against the proposal.
 - b) 1 shareholder proposal to require majority voting for the election of directors; the vote was cast in favor of the proposal.
 - c) 1 shareholder proposal to report on animal testing; the vote was cast against the proposal.

There were no exceptions to policy this period.