



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

October 8, 2014

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: September 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 September 2014, 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	-0.58	-0.68	0.10
Large Cap	-1.39	-1.40	0.01
Small Mid Cap	-5.10	-5.08	-0.02
International	-3.81	-3.84	0.03

2014 Tracking Error

<u>Fund</u>	<u>% BTC Fund Performance</u>	<u>% Index Performance</u>	<u>Tracking Error</u>
Fixed Income	4.75	4.10	0.65
Large Cap	8.43	8.34	0.09
Small Mid Cap	1.15	1.11	0.04
International	-1.04	-1.38	0.34

The Fixed Income Fund outperformed the index by 10 basis points for the month and 65 basis points for the year to date, primarily because of securities lending and pricing differences. The International Fund outperformed the index by 34 basis points for the year as a result of the tax effect.

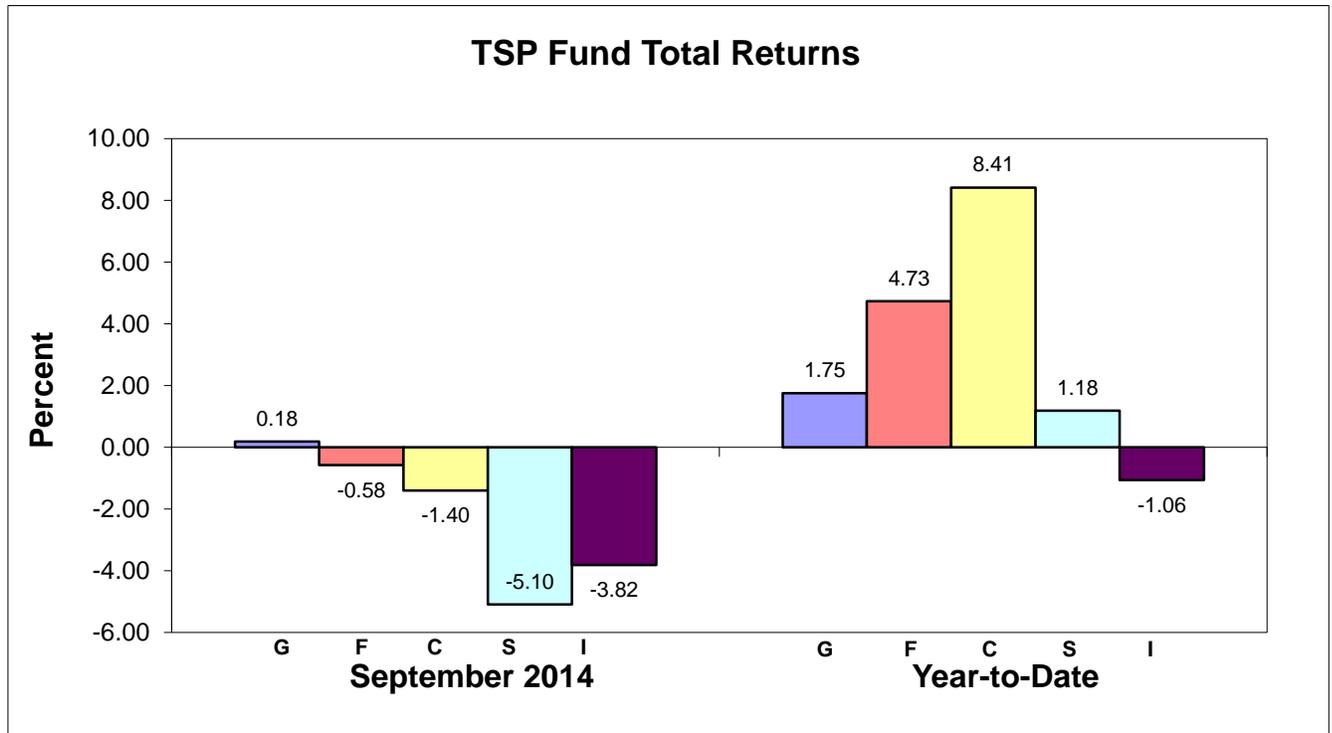
Trading Costs

	<u>Dollar Amount Traded</u>	<u>Trading Costs</u>	
		<u>\$</u>	<u>Basis Points</u>
<u>F Fund</u>			
September	534,681,547	22,984	0.4
Year-to-Date	6,655,977,799	136,524	0.2
<u>C Fund</u>			
September	1,201,149,379	80,613	0.7
Year-to-Date	10,222,394,539	(190,294)	-0.2
<u>S Fund</u>			
September	2,112,723,499	505,152	2.4
Year-to-Date	13,088,427,026	(75,194)	-0.1
<u>I Fund</u>			
September	596,670,422	28,249	0.5
Year-to-Date	6,938,054,986	1,028,327	1.5

* -- Trading Costs are comprised of commissions, fees, and the difference between where a security is traded and the closing index price.

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	-0.58	-0.58	0.00	-0.68
Large Cap	-1.40	-1.39	-0.01	-1.40
Small Cap	-5.10	-5.10	0.00	-5.08
International	-3.82	-3.81	-0.01	-3.84

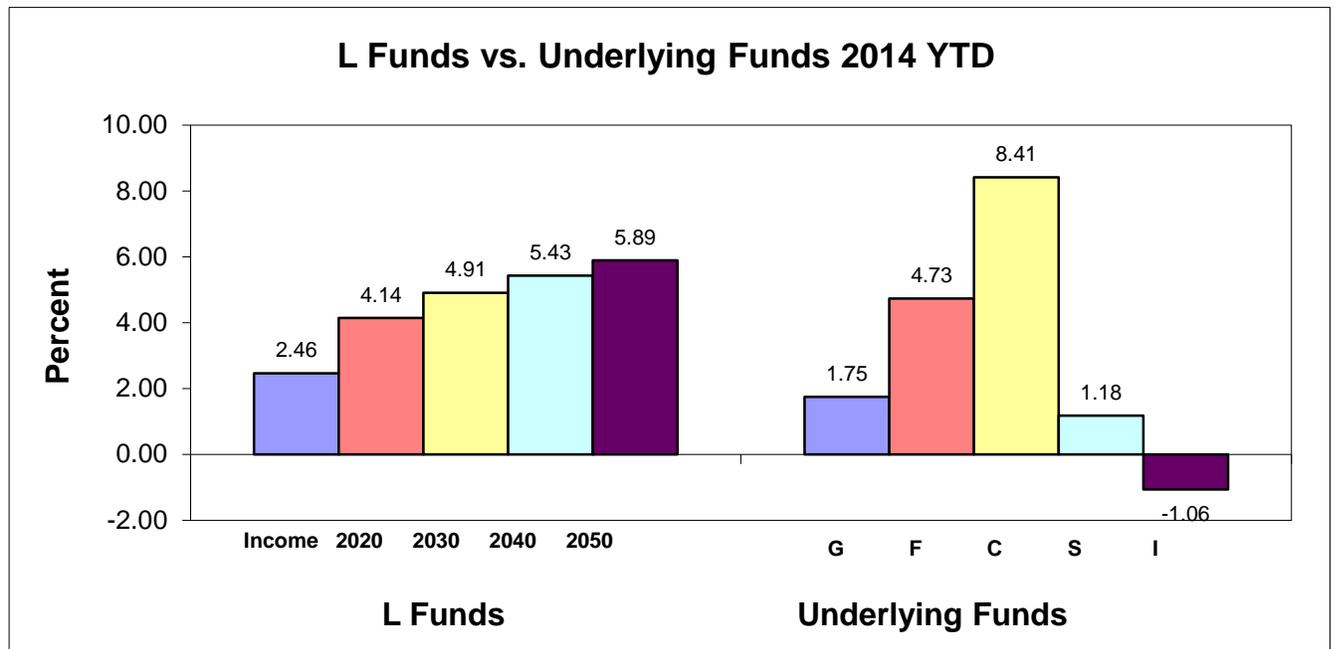
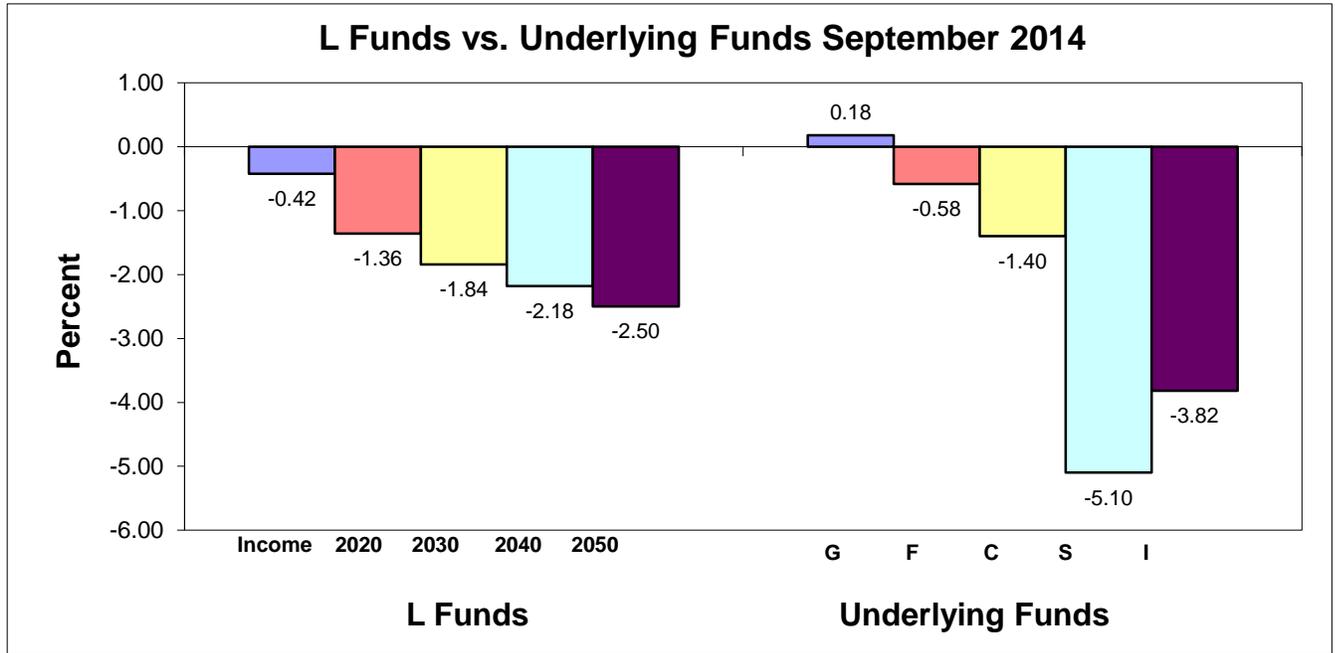
**2014
Total Return %**

<u>Fund</u>	<u>TSP</u>	<u>BTC</u>	<u>Difference</u>	<u>Index</u>
Fixed Income	4.73	4.75	-0.02	4.10
Large Cap	8.41	8.43	-0.02	8.34
Small Cap	1.18	1.15	0.03	1.11
International	-1.06	-1.04	-0.02	-1.38

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 -- SECOND QUARTER 2014

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

CLASS ACTION SETTLEMENTS -- SECOND QUARTER 2014

A total of 16 claims were opened for all of the funds during the second quarter. Sixty-four claims remain open primarily in the S Fund. Through the second quarter, 34 claims were settled in the S Fund. The TSP has received approximately \$0.77M 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 2014 (USD)</u>
F Fund	-	-	-	-
C Fund	-	1	-	-
S Fund	16	64	34	\$768,969
I Fund	-	-	-	-
Total	<u>16</u>	<u>65</u>	<u>34</u>	<u>\$768,969</u>

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

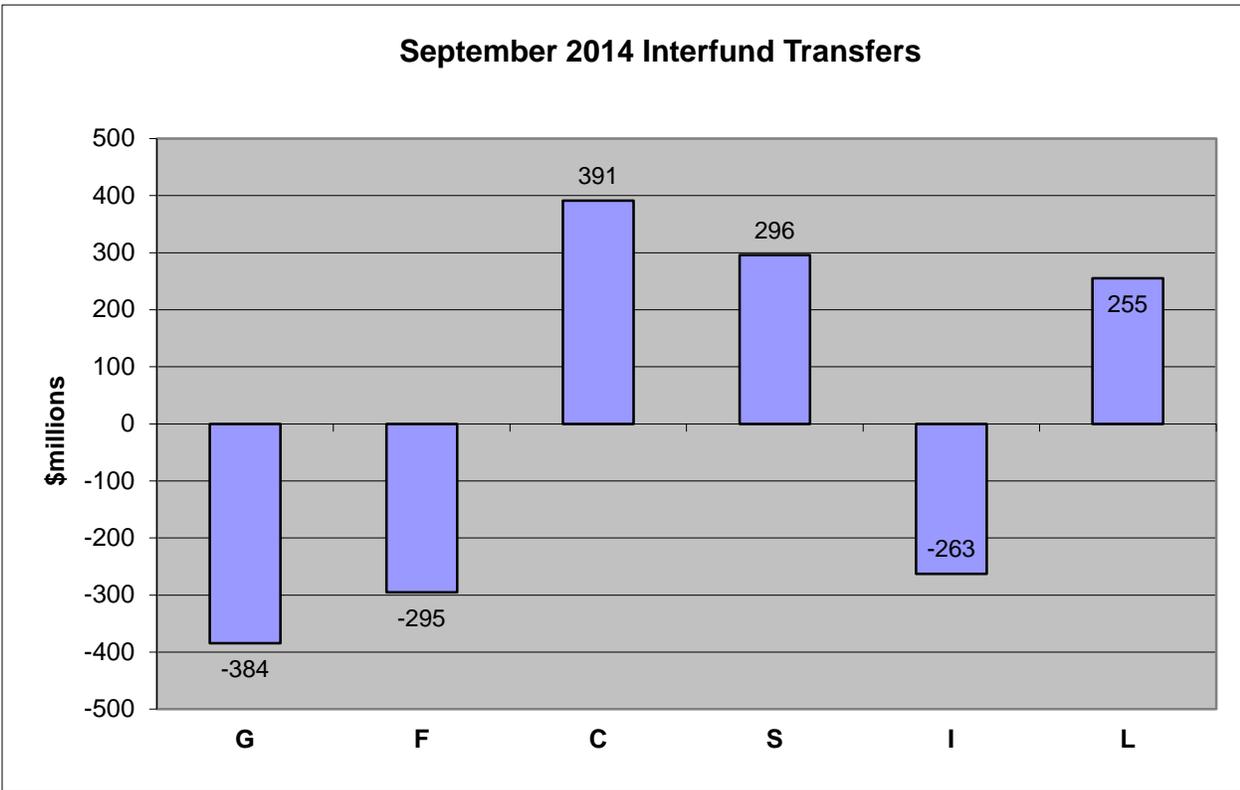
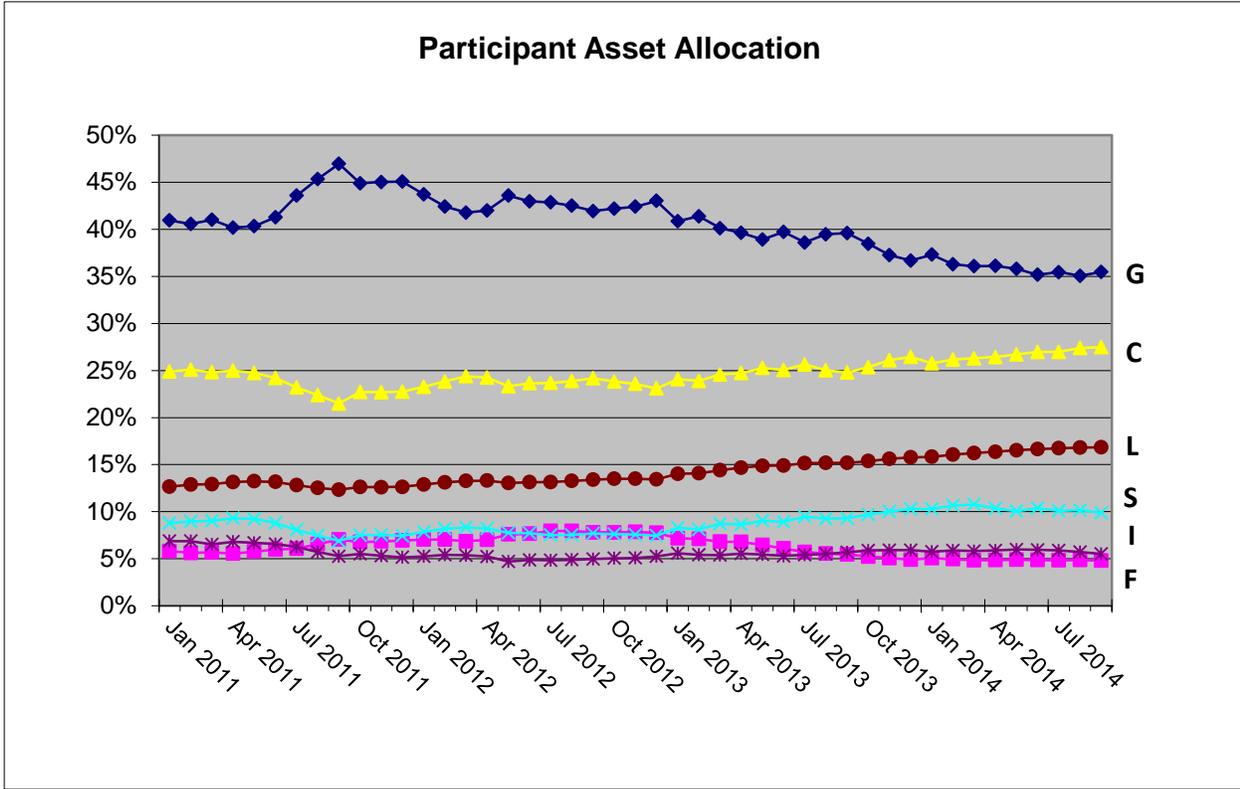
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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

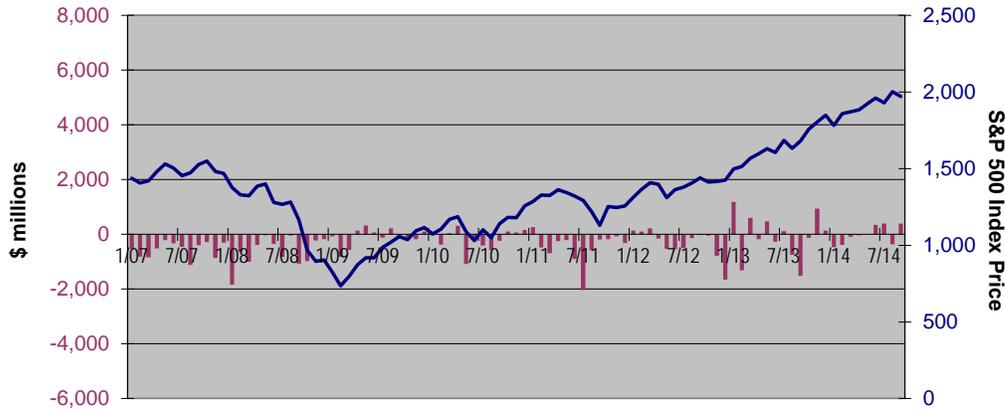
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
September 2014

Attachment 1

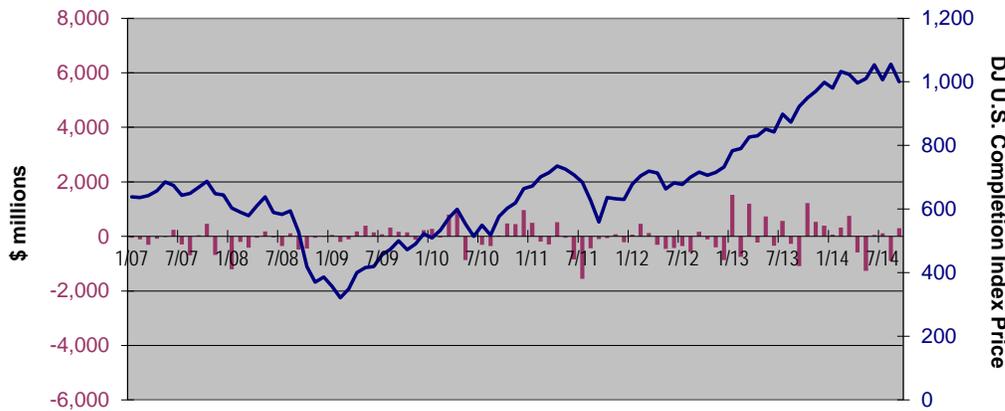


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
September 2014

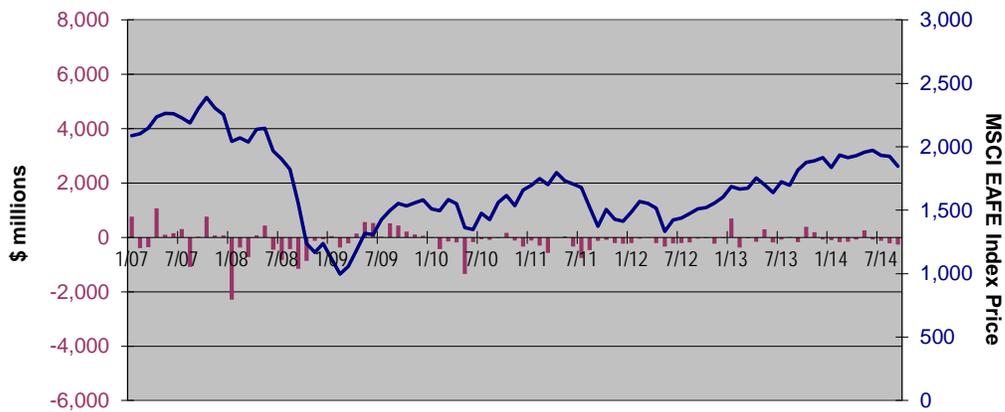
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund

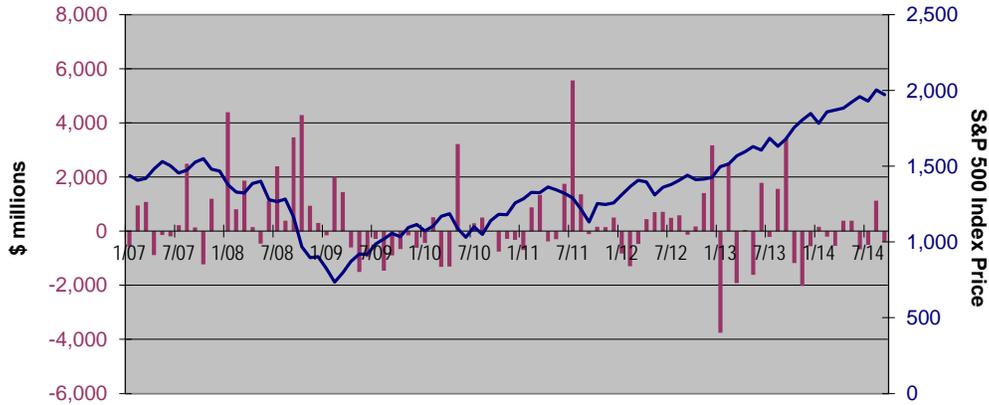


Monthly Interfund Transfers
I Fund

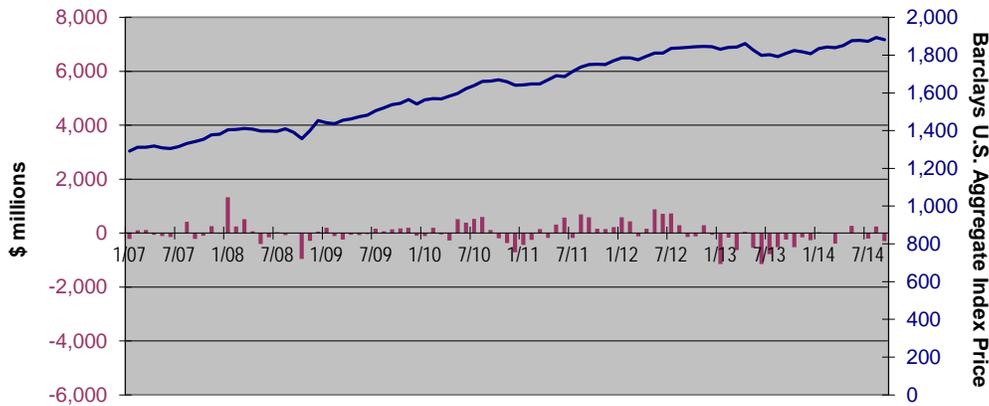


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
September 2014

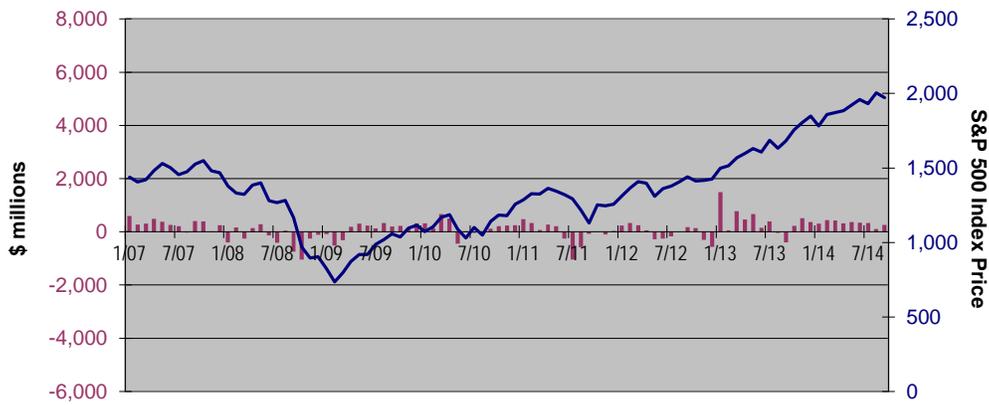
Monthly Interfund Transfers
G Fund



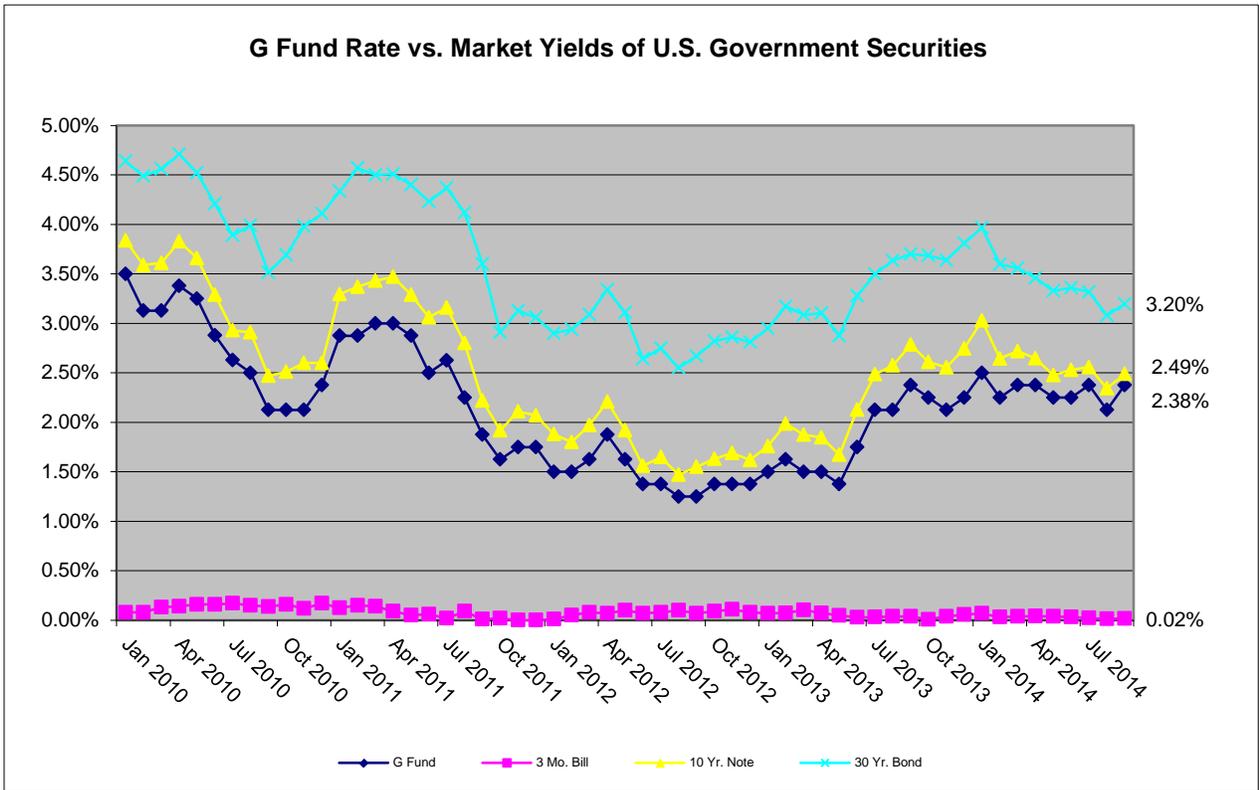
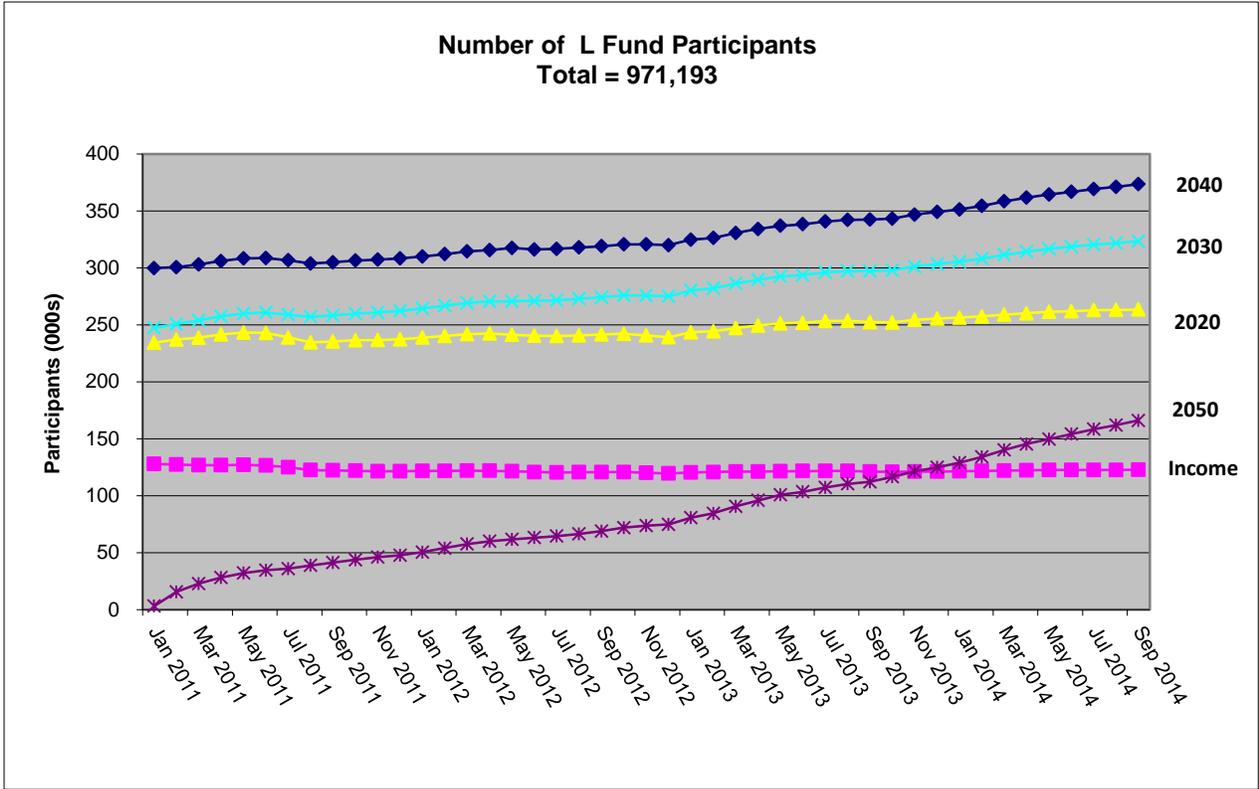
Monthly Interfund Transfers
F Fund



Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY September 2014





August 29, 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 US proxy votes by BlackRock for the 2nd quarter of 2014. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink that reads 'Fasil G. Michael'. The signature is fluid and cursive, with the first name 'Fasil' being the most prominent.

Fasil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

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

- Votes at 273 meetings were examined.
- Votes at 147 of the 273 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 126 remaining meetings, there were 200 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	73
Non-executive stock option plan	5
Employee share purchase plan	9
Section 162(m)	12
Frequency vote on MSOP	5
Advisory vote on golden parachute compensation	2
Increase in common stock	6
Reverse stock split	1
Approve conversion of securities	2
Approve sale of equity interest	1
Merger and/or reorganization	2
Issue shares in connection with acquisition	1
Change state of incorporation	2
Adjourn meeting	3
Change range in board size	1
Authorize board to fill vacancies	1
Declassify board of directors	6
Separate positions of president and CEO	1
Adopt majority voting for uncontested election of directors	3
Amend director liability and indemnification	1
Issue updated indemnification agreements to directors	1
Amend board qualifications	1
Eliminate supermajority vote requirement	2
Provide right to call special meeting	2
Provide proxy access right	1
Change company name	1
Amend bylaws	2
Amend declaration of trust	1
Approve multi-manager structure	1
Approve new investment advisory agreement	1
Approve subadvisory agreement	1
Approve jurisdiction of incorporation as exclusive forum for certain disputes	1
Other business	4
Shareholder proposal	44
Total:	200

- There were 73 votes cast on executive stock option plans:
 - a) 66 votes were cast in favor of the plans (90.4 percent);
 - b) 7 votes were cast against the plans (9.6 percent);
 - i.) 5 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 5 votes cast on a non-executive stock option plan; the votes were cast in favor of the plans.

- There were 6 votes cast on increases in authorized common stock; the votes were cast in favor of the authorizations.

- There were 3 votes cast on mergers and/or major corporate transactions, including the issuance of shares pursuant to acquisition; the votes were cast in favor of the transactions.

- There were 44 votes cast on shareholder proposal which included:
 - a) 1 shareholder proposal to declassify the board; the vote was cast in favor of the proposal.
 - b) 5 shareholder proposals to require independent board chairman:
 - i.) 1 vote was cast in favor of the proposals (20 percent);
 - ii.) 4 votes were cast against the proposals (80 percent).
 - c) 3 shareholder proposals to provide right to call special meeting :
 - i.) 2 votes were cast against the proposals (66.7 percent);
 - ii.) 1 vote was cast in favor of the proposals (33.3 percent).
 - d) 1 shareholder proposal to provide right to act by written consent; the vote was cast against the proposal.
 - e) 1 shareholder proposal to provide for cumulative voting; the vote was cast against the proposal.
 - f) 2 shareholder proposals to require majority voting for the election of directors:
 - iii.) 1 vote was cast against the proposals (50 percent);
 - iv.) 1 vote was cast in favor of the proposals (50 percent).
 - g) 5 shareholder proposals to approve recapitalization plan for all stock to have one vote per share; the votes were cast in favor of the proposals.
 - h) 1 shareholder proposal to submit SERP to shareholder vote; the vote was cast against the proposal.
 - i) 2 shareholder proposals to adopt policy on stock retention; the votes were cast against the proposals.
 - j) 1 shareholder proposal to submit shareholder rights plan to shareholder vote; the vote was cast in favor of the proposal.
 - k) 6 shareholder proposals to report on political contributions; the votes were cast against the proposals.
 - l) 1 shareholder proposals to prepare sustainability report; the vote was cast against the proposal.
 - m) 1 shareholder proposal to amend EEO policy to prohibit discrimination; the vote was cast against the proposal.
 - n) 1 shareholder proposal to adopt quantitative GHG goals for products; the vote was cast against the proposal.
 - o) 6 shareholder proposals to report on lobbying contributions; the votes were cast against the proposals.
 - p) 2 shareholder proposals to report on methane gas emissions; the votes were cast against the proposals.
 - q) 1 shareholder proposal to report on financial risk of climate change; the vote was cast against the proposal.

- r) 1 shareholder proposal to adopt policy to restrict animal testing; the vote was cast against the proposal.
 - s) 1 shareholder proposal to report on data used to make environmental goals and costs and benefits of sustainability program; the vote was cast against the proposal.
 - t) 1 shareholder proposal to screen political contributions for consistency with corporate values; the vote was cast against the proposal.
 - u) 1 shareholder proposal to assess privacy and advertising policy; the vote was cast against the proposal.
- There were 225 votes cast on management advisory votes on executive compensation:
 - a) 219 votes were cast in favor of the advisory votes (97.3 percent);
 - b) 6 votes were cast against the advisory votes, as pay did not appear to be properly aligned with performance and peers (2.7 percent).
 - There were 2 votes cast on a management advisory vote on golden parachute compensation; the votes were cast in favor of the advisory votes.

There were no exceptions to policy this period.