



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

April 11, 2016

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: March 2016 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, investment manager performance and tracking error, trading costs, TSP fund performance, and L Fund participation.

TRACKING ERROR - TSP Separate Accounts at BlackRock (BTC)

Monthly Tracking Error

<u>Fund</u>	<u>% BTC Returns</u>	<u>% TSP Returns</u>	<u>% Index Returns</u>	<u>BTC T.E.</u>	<u>TSP vs. BTC</u>
Fixed Income	0.93	0.93	0.92	0.01	0.00
Large Cap	6.79	6.79	6.78	0.01	0.00
Small Mid Cap	8.24	8.24	8.18	0.06	0.00
International	6.59	6.59	6.51	0.08	0.00

2016 Year-to-Date (YTD) Tracking Error

<u>Fund</u>	<u>% BTC Returns</u>	<u>% TSP Returns</u>	<u>% Index Returns</u>	<u>BTC T.E.</u>	<u>TSP vs. BTC</u>
Fixed Income	3.14	3.13	3.03	0.11	-0.01
Large Cap	1.38	1.37	1.35	0.04	-0.01
Small Mid Cap	-0.69	-0.70	-0.94	0.25	-0.01
International	-2.22	-2.24	-3.01	0.78	-0.02

BlackRock outperformed the International index by 8 basis points for the month due to tax effect and by 78 basis points for the year primarily due to fair value pricing adjustment on December 31, 2015. BlackRock outperformed the Small Mid-Cap Index by 6 basis points for the month and 25 basis points for the year due to securities lending. Black Rock outperformed the Fixed Income Index by 11 basis points for the year due to securities lending.

The TSP Funds closely tracked the BTC Accounts for the month and for the year.

Trading Costs

		<u>Trading Costs</u>	
<u>F Fund</u>	<u>Dollar Amount</u> <u>Traded</u>	<u>Dollars</u>	<u>Basis</u> <u>Points</u>
March	699,791,882	57,561	0.8
Year-to-Date	2,615,684,508	126,490	0.5
 <u>C Fund</u>			
March	1,663,961,487	(497,351)	-3.0
Year-to-Date	7,028,693,278	(347,207)	-0.5
 <u>S Fund</u>			
March	1,357,197,175	(461,317)	-3.4
Year-to-Date	5,360,831,536	104,700	0.2
 <u>I Fund</u>			
March	1,088,627,459	297,616	2.7
Year-to-Date	4,157,451,351	2,054,220	4.9

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

TSP Funds (as of March 31, 2016)

	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
G Fund	2.07%	2.12%	1.98%	2.88%

F Fund	2.35%	2.98%	4.11%	5.12%
Barclays U.S. Agg Bond Index	1.96%	2.50%	3.78%	4.90%
Tracking Error	0.39%	0.48%	0.34%	0.23%

C Fund	1.87%	11.91%	11.65%	7.06%
S&P 500 Index	1.78%	11.82%	11.58%	7.01%
Tracking Error	0.09%	0.08%	0.07%	0.06%

S Fund	-8.53%	8.33%	8.81%	6.96%
DJ U.S. Completion TSM Index	-9.14%	7.93%	8.37%	6.79%
Tracking Error	0.61%	0.40%	0.44%	0.18%

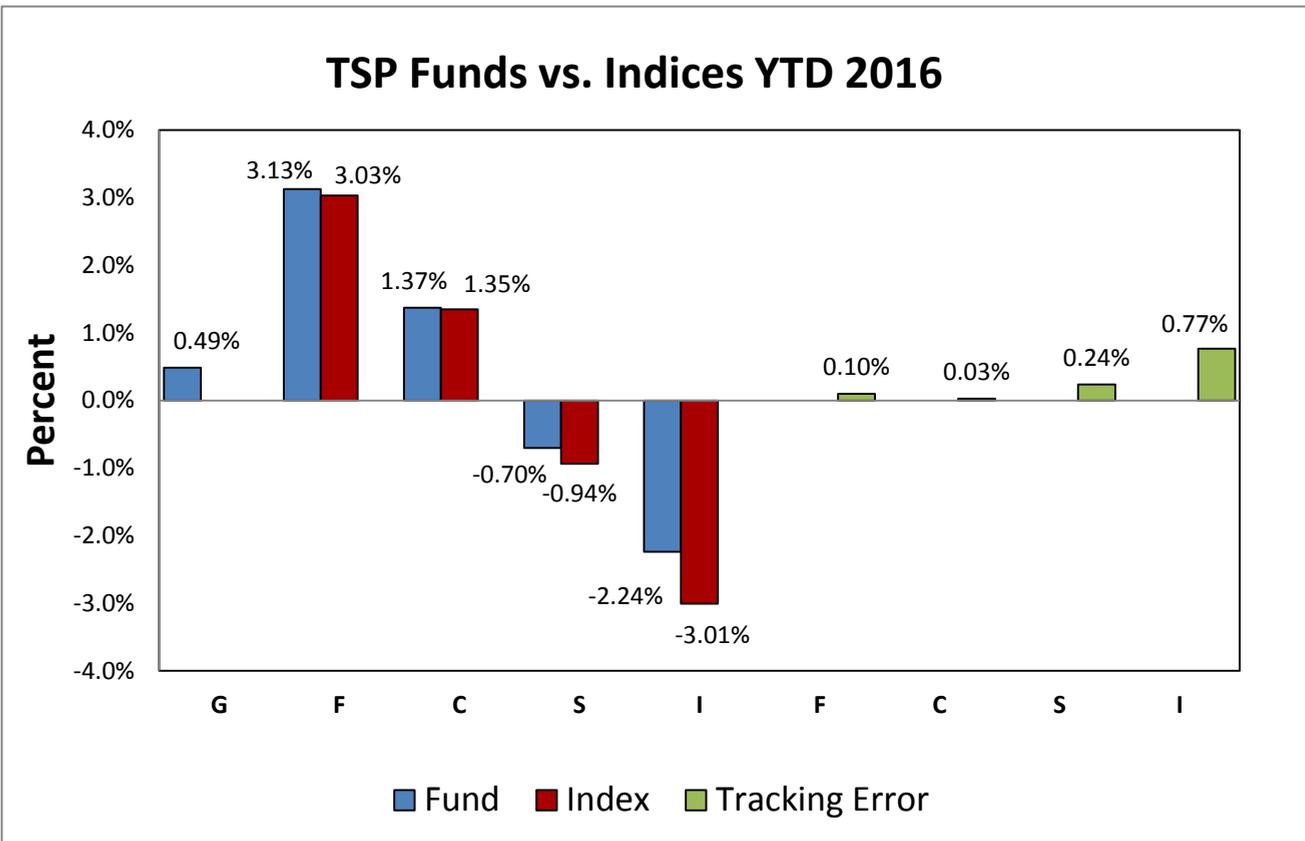
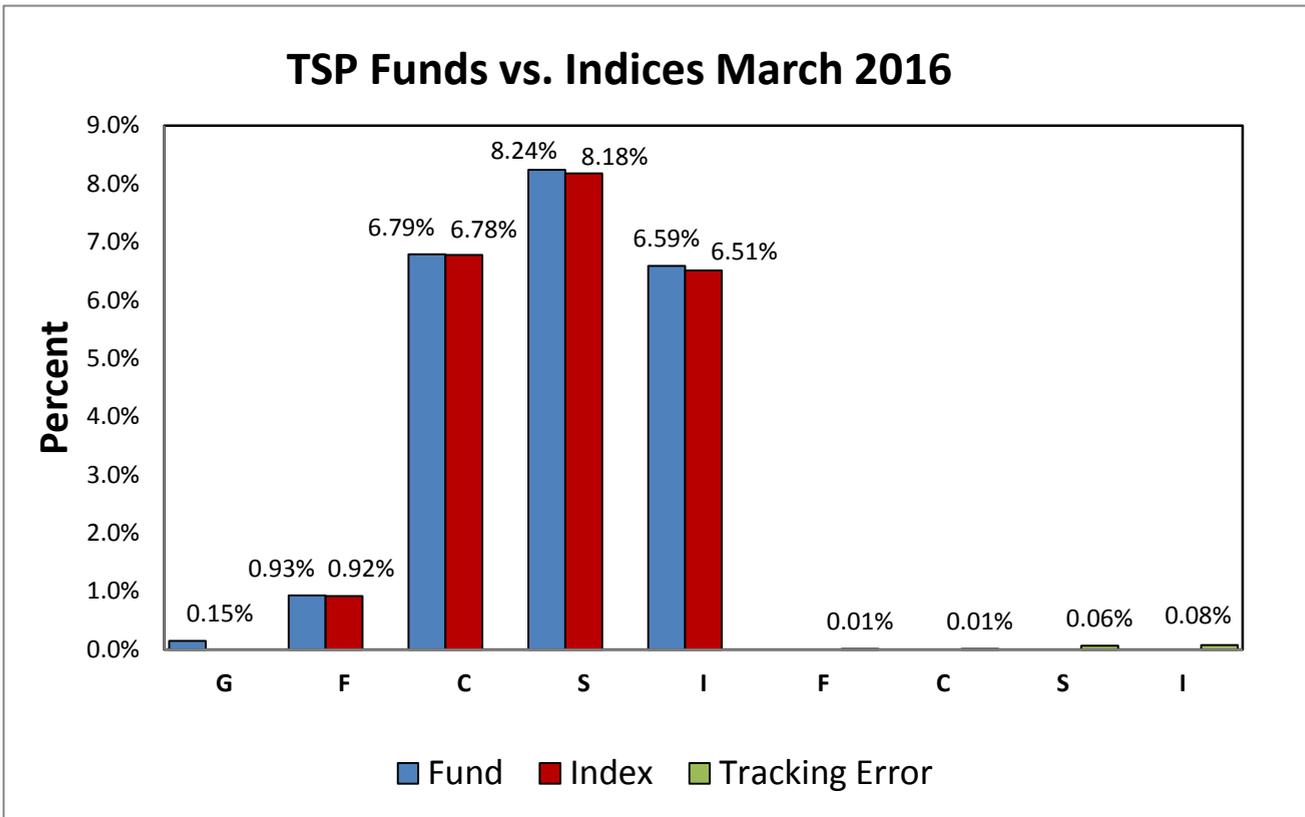
I Fund	-7.98%	2.56%	2.62%	2.04%
MSCI EAFE (Net) Index	-8.27%	2.23%	2.29%	1.80%
Tracking Error	0.29%	0.32%	0.32%	0.25%

Lifecycle Funds

L Income	1.43%	3.67%	3.68%	3.98%
L 2020	-0.07%	5.74%	5.87%	4.99%
L 2030	-0.89%	6.64%	6.79%	5.41%
L 2040	-1.59%	7.24%	7.41%	5.62%
L 2050	-2.29%	7.71%	7.85%	NA

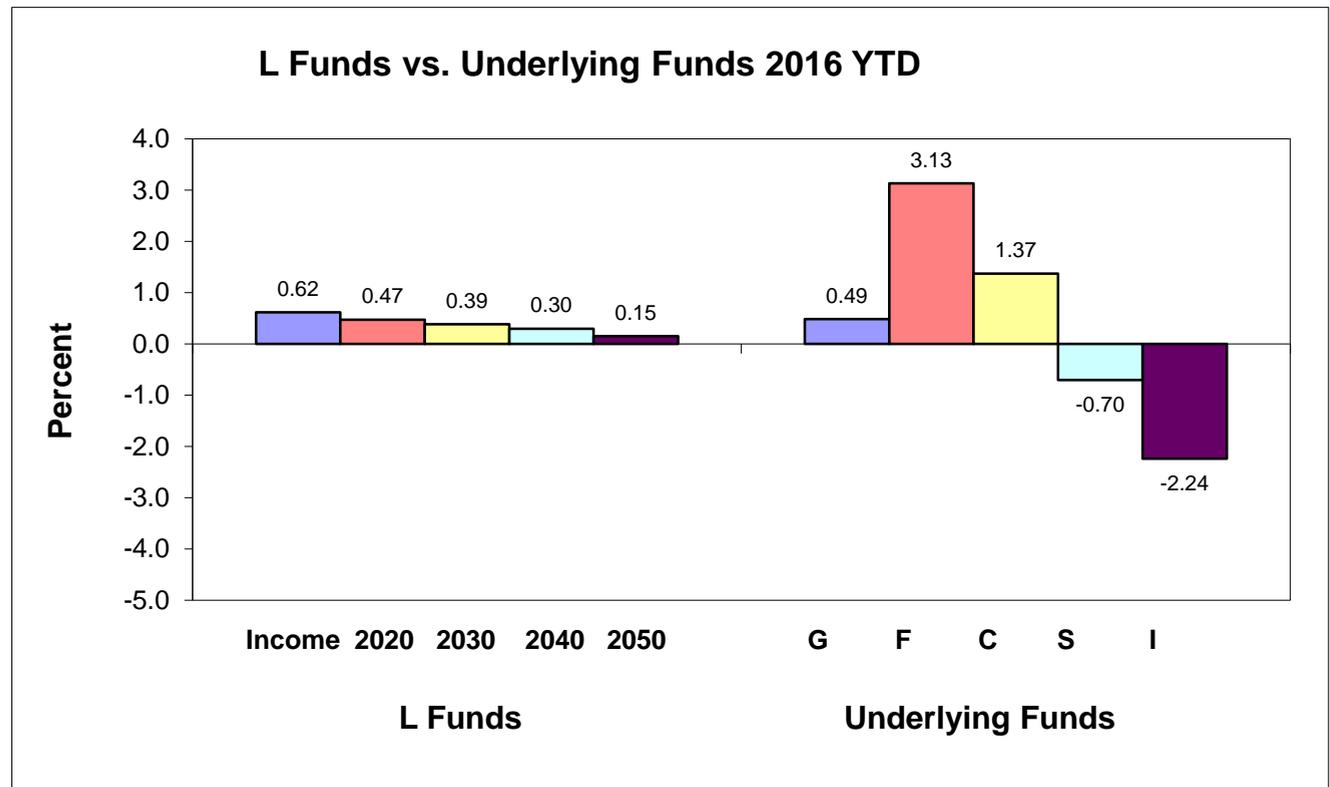
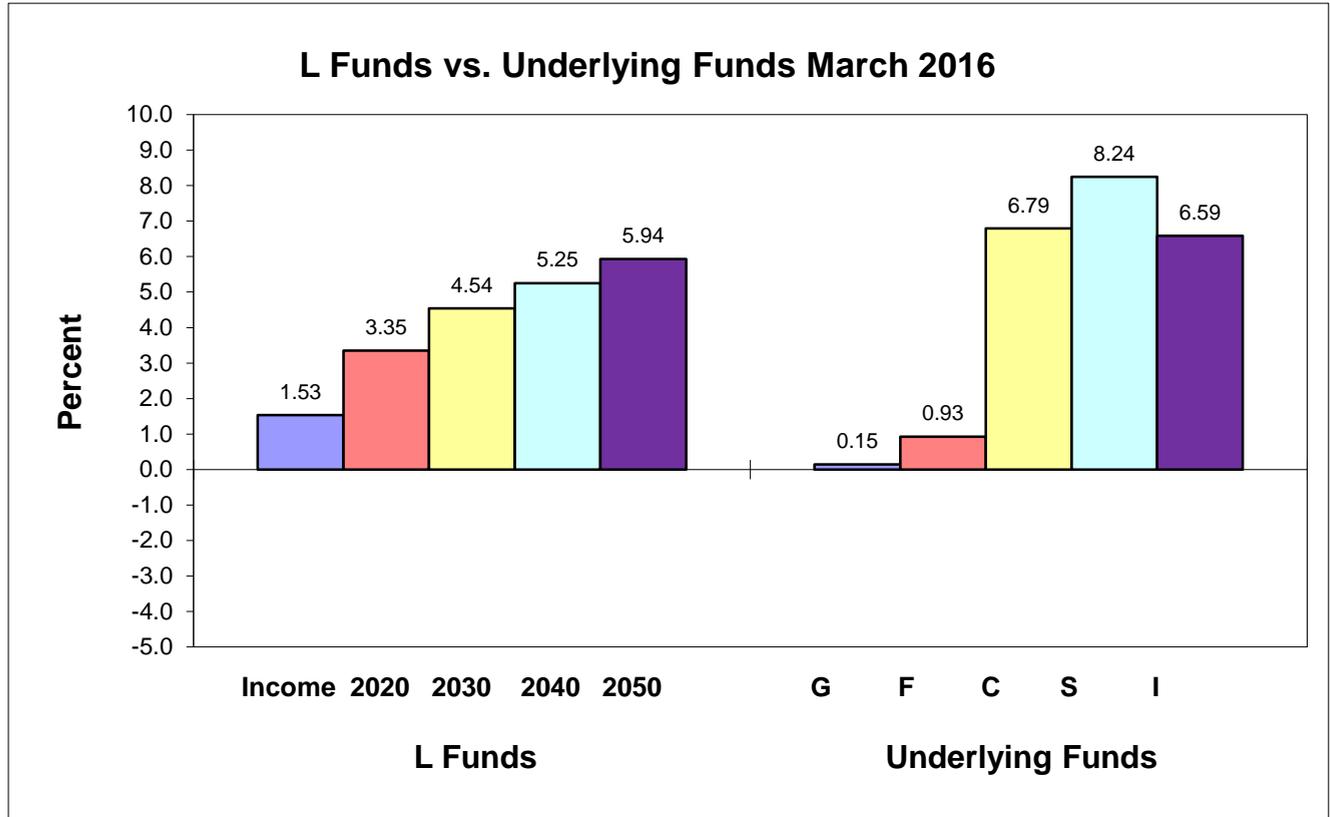
Performance of TSP Funds Total Returns

The charts below shows the G, F, C, S, and I Fund net rates of return vs. respective benchmark index.



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 2015

An audit of BTC’s proxy voting conducted by ISS found no exceptions to BTC’s established guidelines during the fourth quarter of 2015. A copy of the audit report is provided as Attachment 2. The ISS audit report for the first quarter of 2016 is not yet available.

CLASS ACTION SETTLEMENTS -- FOURTH QUARTER 2015

One claim was opened in one fund during the Fourth Quarter. Eleven claims remained open in three funds. Through the fourth quarter, no claims were settled in any of the the funds. The TSP has not settled on any settlement claims year to date.

	<u>Open at Start of Quarter</u>	<u>Opened during Quarter</u>	<u>Closed during Quarter</u>	<u>Open Claims Outstanding</u>	<u>Estimate of Settled Claims in 2015 (\$)</u>
F Fund	4	-	-	4	\$0
C Fund	6	1	-	7	\$0
S Fund	1	-	-	1	\$0
I Fund	-	-	-	-	\$0
Total	11	1	-	12	\$0

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

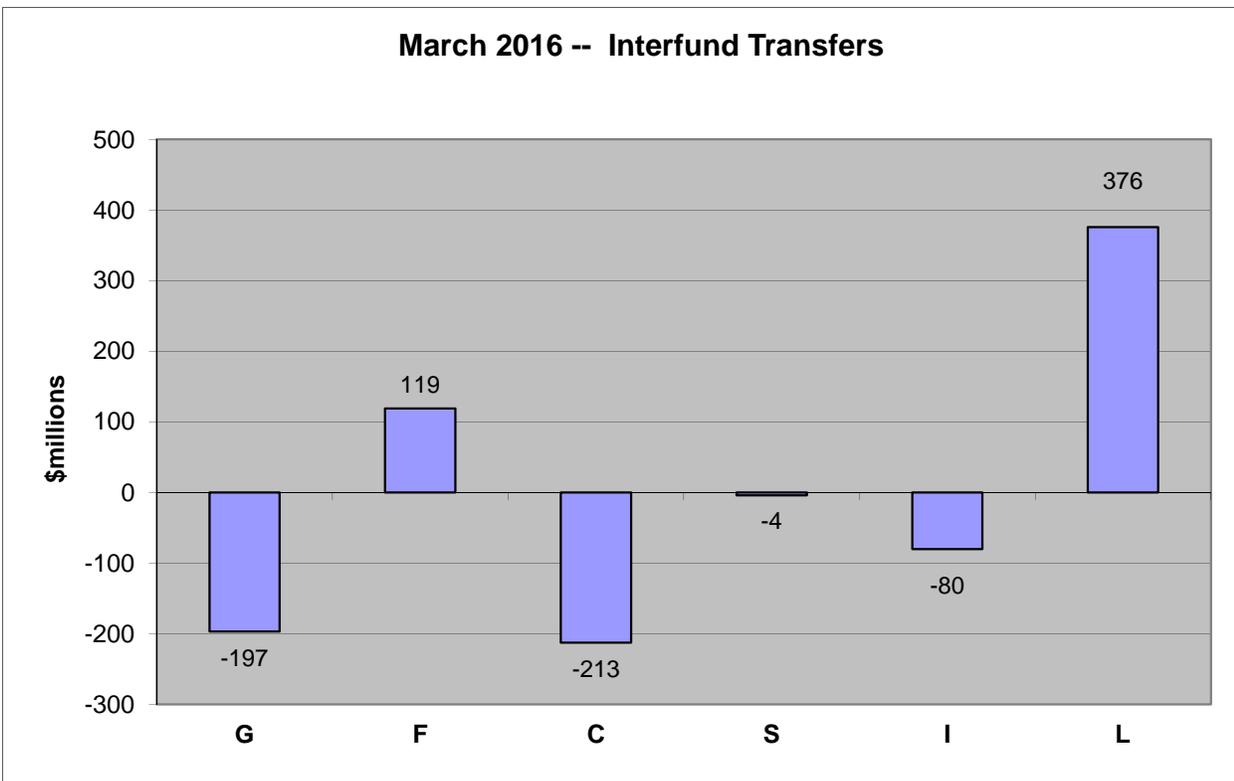
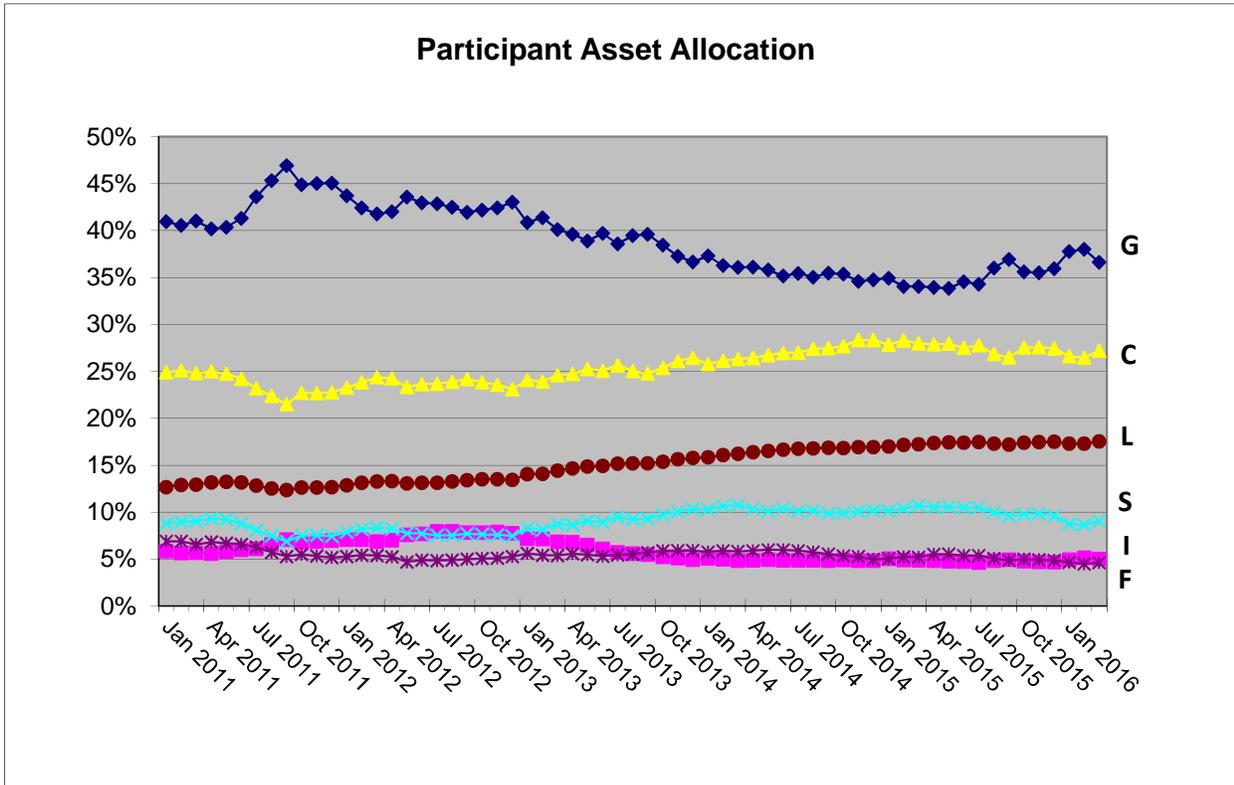
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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

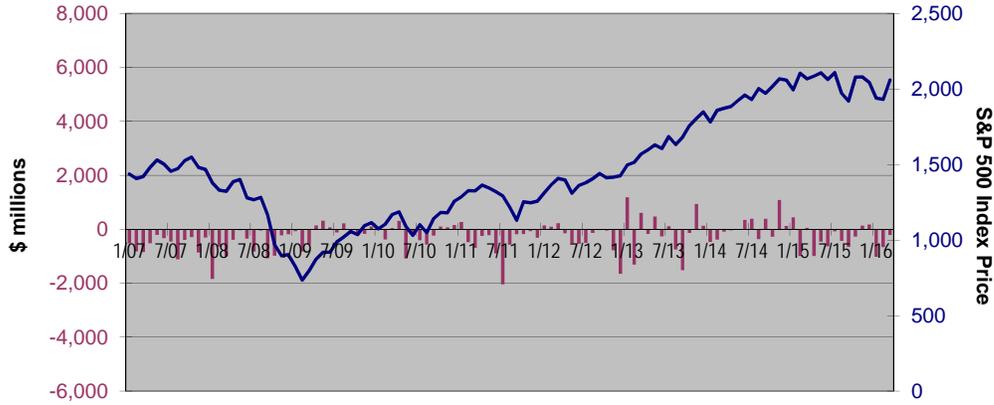
**THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
March 2016**

Attachment 1

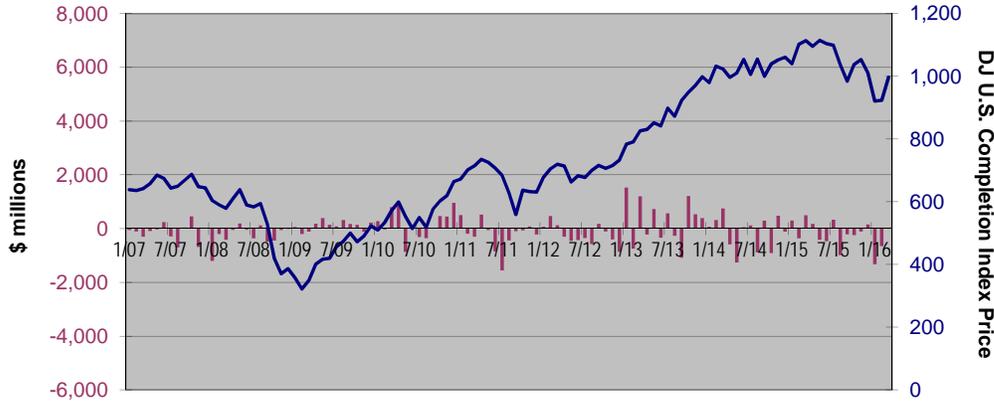


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March 2016

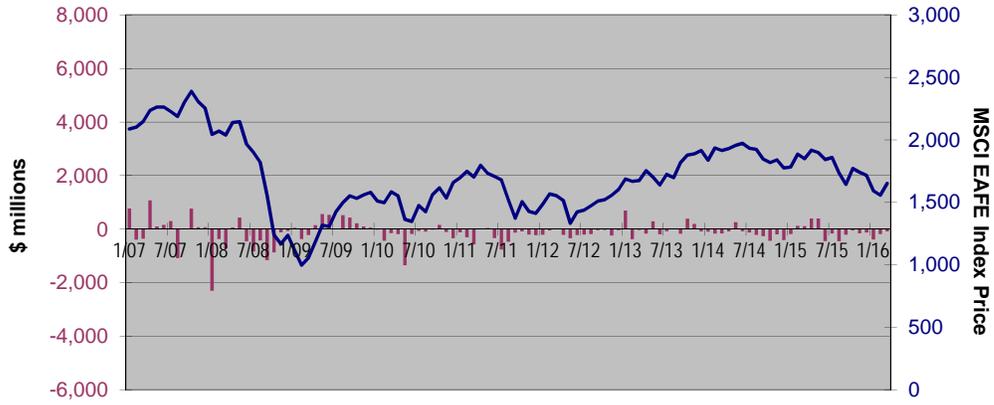
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund

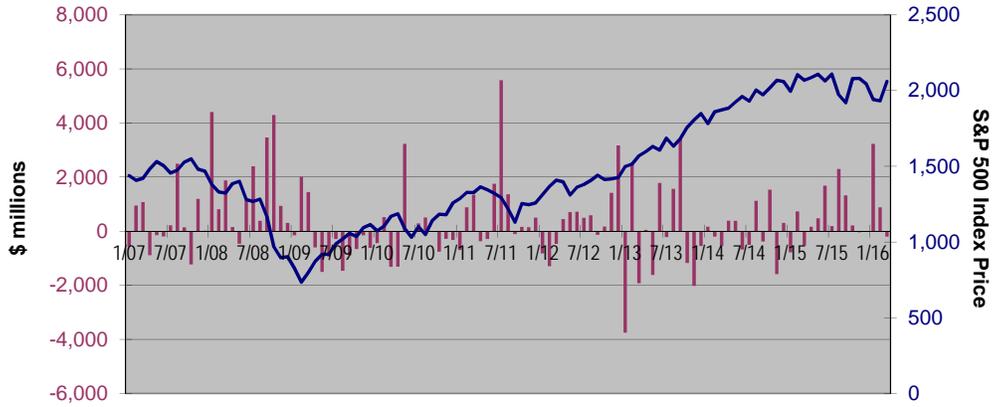


Monthly Interfund Transfers
I Fund

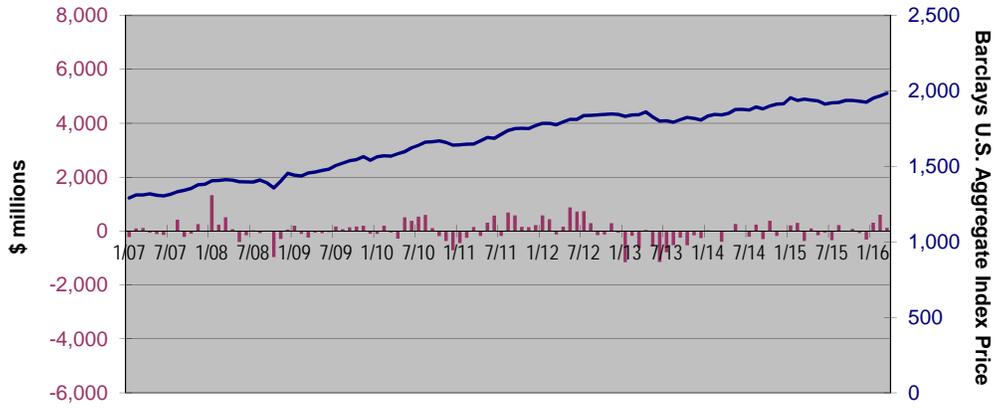


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March 2016

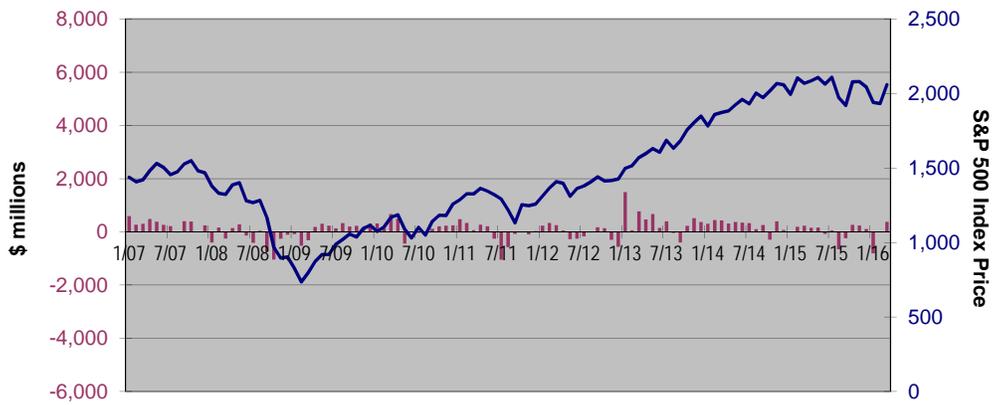
Monthly Interfund Transfers
G Fund



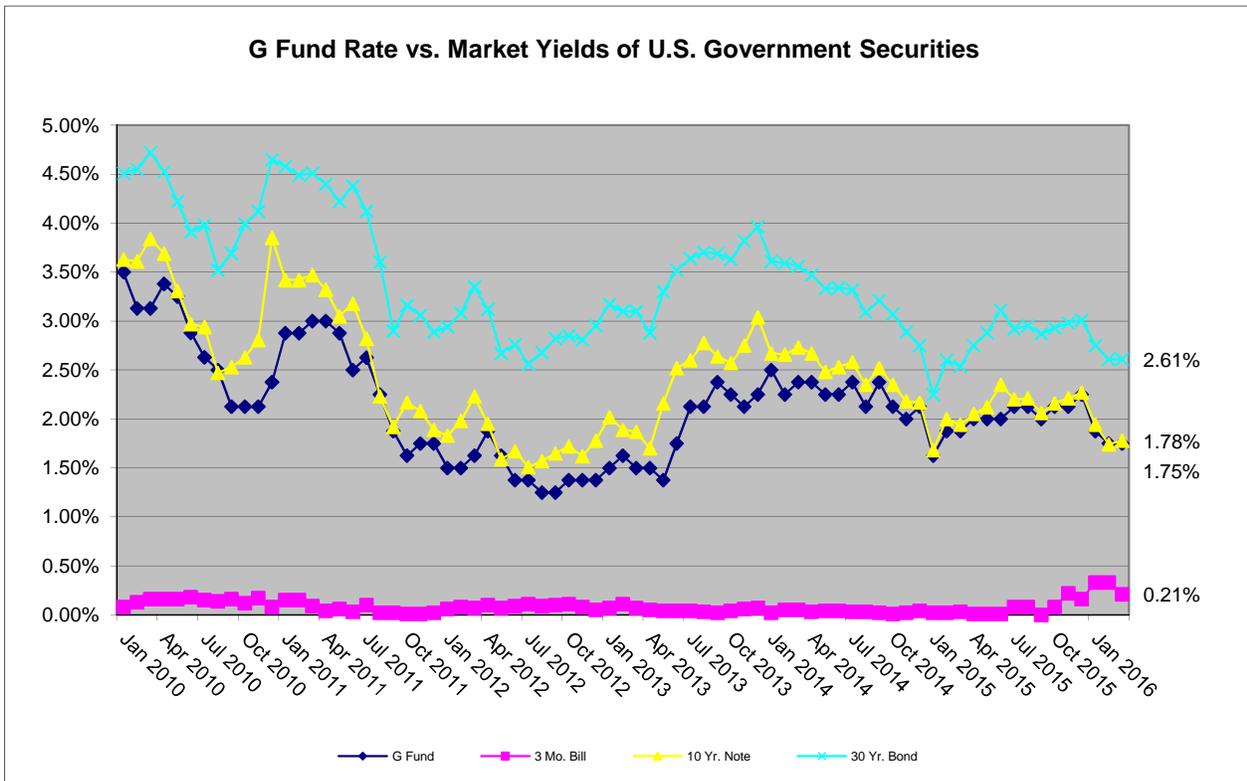
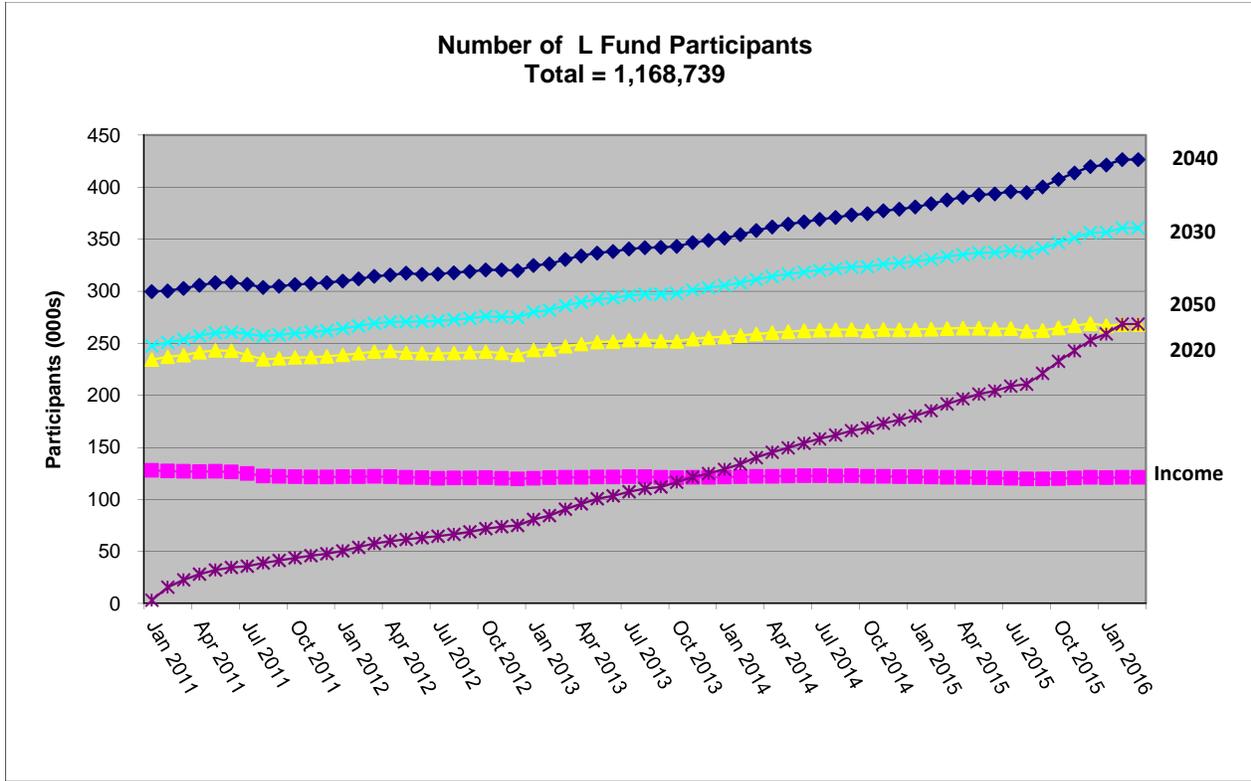
Monthly Interfund Transfers
F Fund



Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY March 2016





January 15, 2016

Mr. Zach Oleksiuk, CFA
Director
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 4th quarter of 2015. Our review found that there were no exceptions to policy over this period.

Best regards,

A handwritten signature in blue ink that reads "Fassil G. Michael". The signature is written in a cursive, flowing style.

Fassil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

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

- Votes at 39 meetings were examined.
- Votes at 20 of the 39 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 19 remaining meetings, there were 42 non-director/auditor/MSOP proposals.

The following table illustrates the votes involved by proposal type:

Proposal	Votes
Executive stock option plan	10
Non-executive stock option plan	1
Section 162(m)	2
Advisory vote on golden parachute compensation	3
Increase in common stock	3
Reverse stock split	2
Approve private placement	1
Approve conversion of securities	1
Approve merger agreement	4
Approve acquisition	1
Issue shares in connection with acquisition	2
Approve spin-off agreement	1
Adjourn meeting	9
Change state of incorporation	1
Approve jurisdiction of incorporation as exclusive forum for certain disputes	1
Total:	42

- There were 10 votes cast on executive stock option plans:
 - a) 7 votes were cast in favor of the plans (70 percent);
 - b) 3 votes were cast against the plans (30 percent);
 - i.) 1 plan was opposed due to the presence of an evergreen provision;
 - ii.) 1 plan was opposed due to the ability to reprice options without prior shareholder approval;
 - iii.) 1 plan was opposed as the plans do not align employee interests with those of shareholders.

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

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

- There were 8 votes cast on mergers, acquisitions and/or major corporate transactions, including 2 issuances of shares pursuant to an acquisition; the votes were cast in favor of the transactions.

- There were 21 votes cast on management advisory votes on executive compensation; the votes were cast in favor of the advisory votes.
 - a) 20 votes were cast in favor of the advisory votes (95.2 percent);
 - b) 1 vote was cast against the advisory votes (4.8 percent);

- There were 3 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.