



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

July 11, 2016

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

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: June 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	1.81	1.80	1.80	0.01	0.00
Large Cap	0.26	0.26	0.26	0.00	0.00
Small Mid Cap	-0.14	-0.13	-0.15	0.01	0.01
International	-3.31	-3.33	-3.36	0.04	-0.02

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	5.52	5.50	5.31	0.21	-0.02
Large Cap	3.89	3.87	3.84	0.05	-0.02
Small Mid Cap	2.73	2.71	2.37	0.36	-0.01
International	-3.40	-3.44	-4.42	1.02	-0.04

For the month, BlackRock's performance was close to index across the four funds. BlackRock outperformed the International Index by 102 basis points for the year primarily due to the reversal of a fair value pricing adjustment on December 31, 2015 and also due to tax effect. BlackRock outperformed the Small Mid-Cap Index by 36 basis points for the year primarily due to securities lending. BlackRock outperformed the Fixed Income Index by 21 basis points for the year primarily due to securities lending.

The TSP Funds closely tracked the BTC Accounts for the month. The TSP Funds also closely tracked the BTC Accounts for the year, except for the International Fund due to higher trading costs.

Trading Costs

	<u>Trading Costs</u>		
<u>F Fund</u>	<u>Dollar Amount Traded</u>	<u>Dollars</u>	<u>Basis Points</u>
June	585,579,918	141,458	2.4
Year-to-Date	4,351,007,505	334,418	0.8
<u>C Fund</u>			
June	2,448,424,510	(3,329,381)	-13.6
Year-to-Date	13,281,877,311	(3,364,485)	-2.5
<u>S Fund</u>			
June	2,400,656,198	(3,484,073)	-14.5
Year-to-Date	10,196,053,580	(3,184,800)	-3.1
<u>I Fund</u>			
June	3,273,160,079	3,689,461	11.3
Year-to-Date	10,049,958,535	6,506,060	6.5

* -- 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 June 30, 2016)

	Annualized (%)			
	1 Year	3 Year	5 Year	10 Year
G Fund	2.02%	2.14%	1.93%	2.79%

F Fund	6.41%	4.56%	4.12%	5.37%
Barclays U.S. Agg Bond Index	6.00%	4.06%	3.76%	5.13%
Tracking Error	0.41%	0.50%	0.35%	0.24%

C Fund	4.07%	11.74%	12.17%	7.48%
S&P 500 Index	3.99%	11.66%	12.10%	7.42%
Tracking Error	0.08%	0.08%	0.07%	0.06%

S Fund	-5.00%	8.71%	9.71%	7.72%
DJ U.S. Completion TSM Index	-5.63%	8.29%	9.24%	7.54%
Tracking Error	0.63%	0.42%	0.48%	0.18%

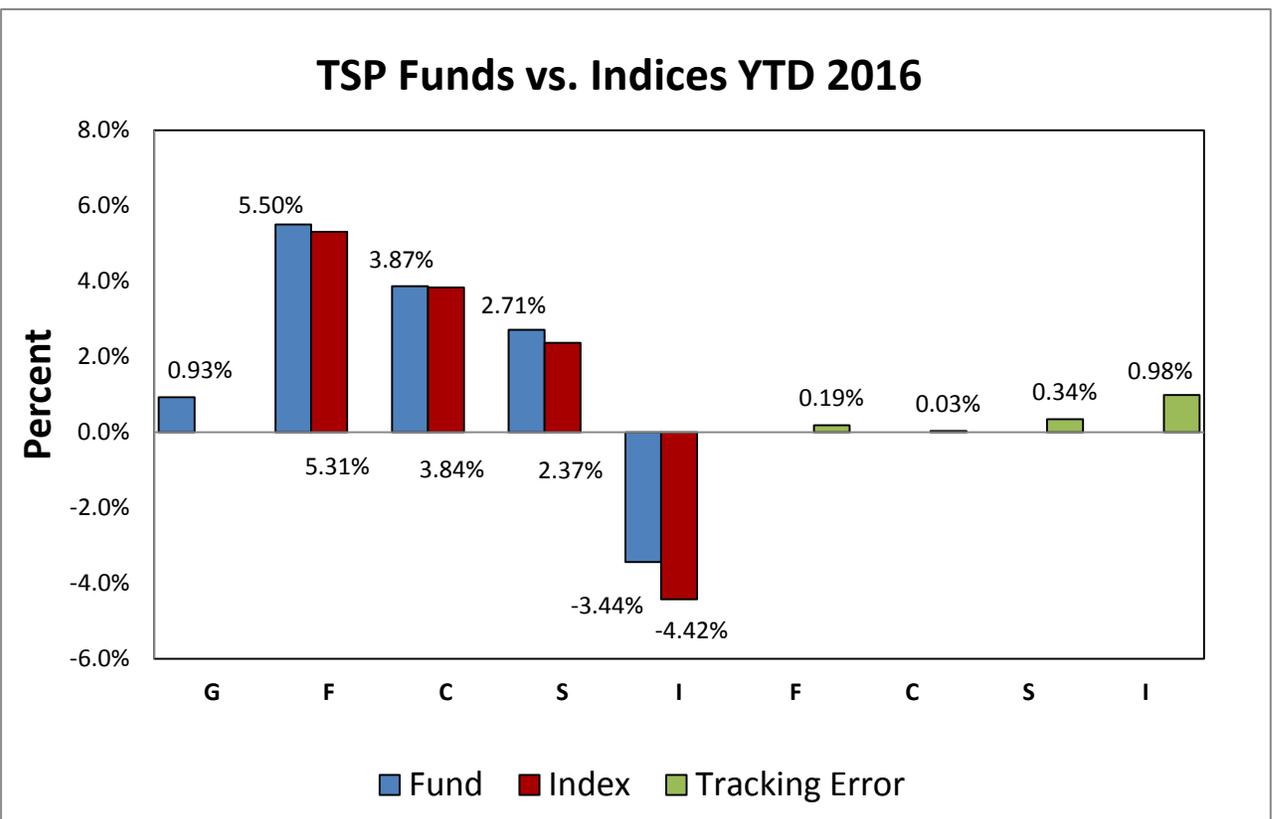
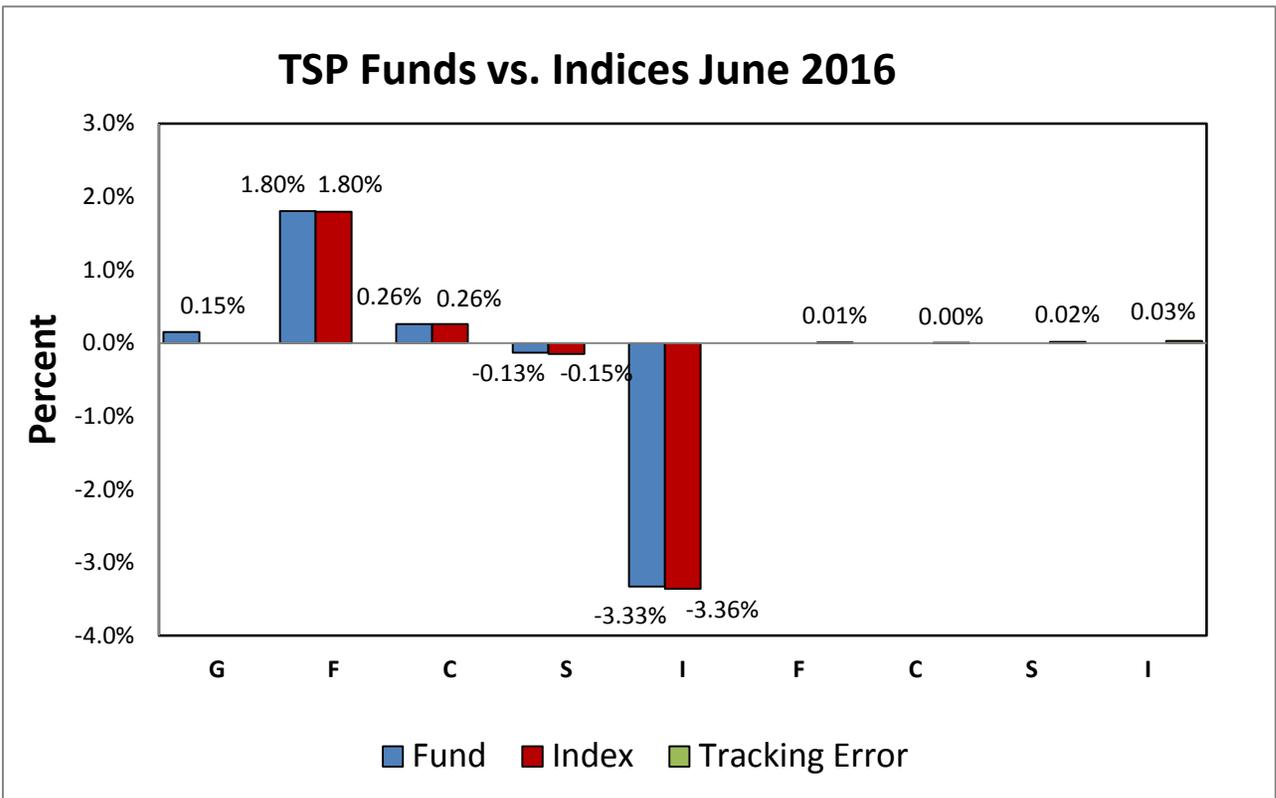
I Fund	-9.81%	2.40%	2.01%	1.84%
MSCI EAFE (Net) Index	-10.16%	2.06%	1.68%	1.58%
Tracking Error	0.36%	0.34%	0.33%	0.26%

Lifecycle Funds

L Income	1.92%	3.76%	3.69%	3.99%
L 2020	0.74%	5.81%	5.95%	5.15%
L 2030	0.16%	6.72%	6.93%	5.61%
L 2040	-0.39%	7.32%	7.58%	5.87%
L 2050	-1.05%	7.78%	8.05%	NA

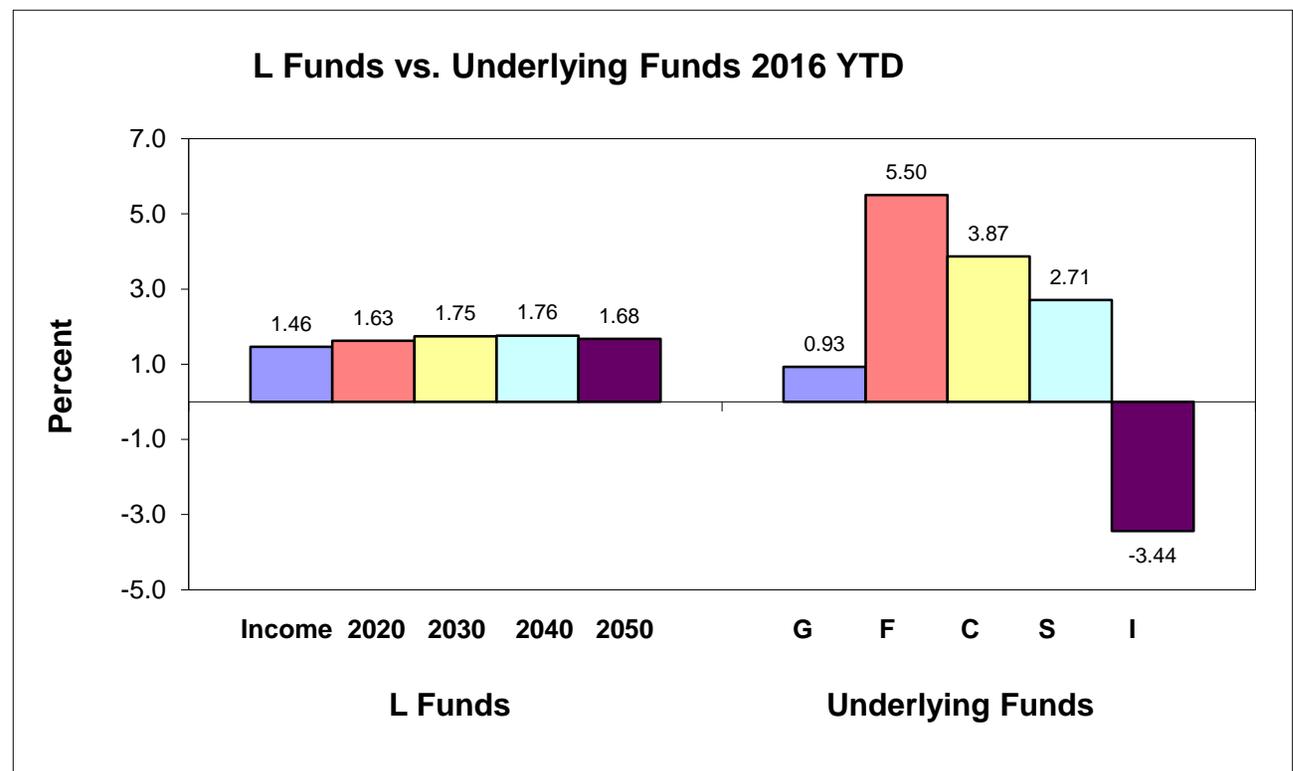
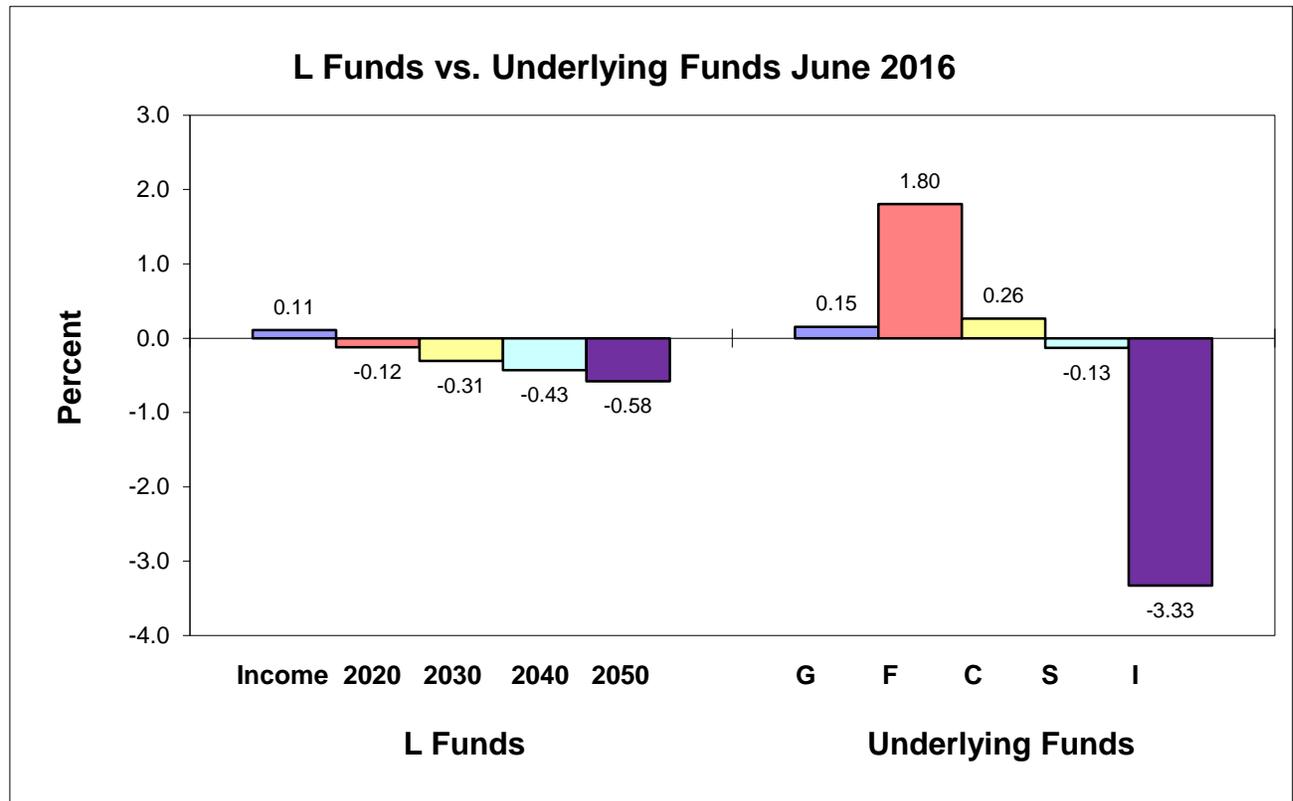
Performance of TSP Funds Total Returns

The charts below show 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 -- FIRST QUARTER 2016

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

CLASS ACTION SETTLEMENTS -- FIRST QUARTER 2016

Two claims were opened in one fund during the First Quarter. Fourteen claims remained open in three funds. Through the First 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 2016 (\$)</u>
F Fund	4	-	-	4	\$0
C Fund	7	-	-	7	\$0
S Fund	1	2	-	3	\$0
I Fund	-	-	-	-	\$0
Total	12	2	-	14	\$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

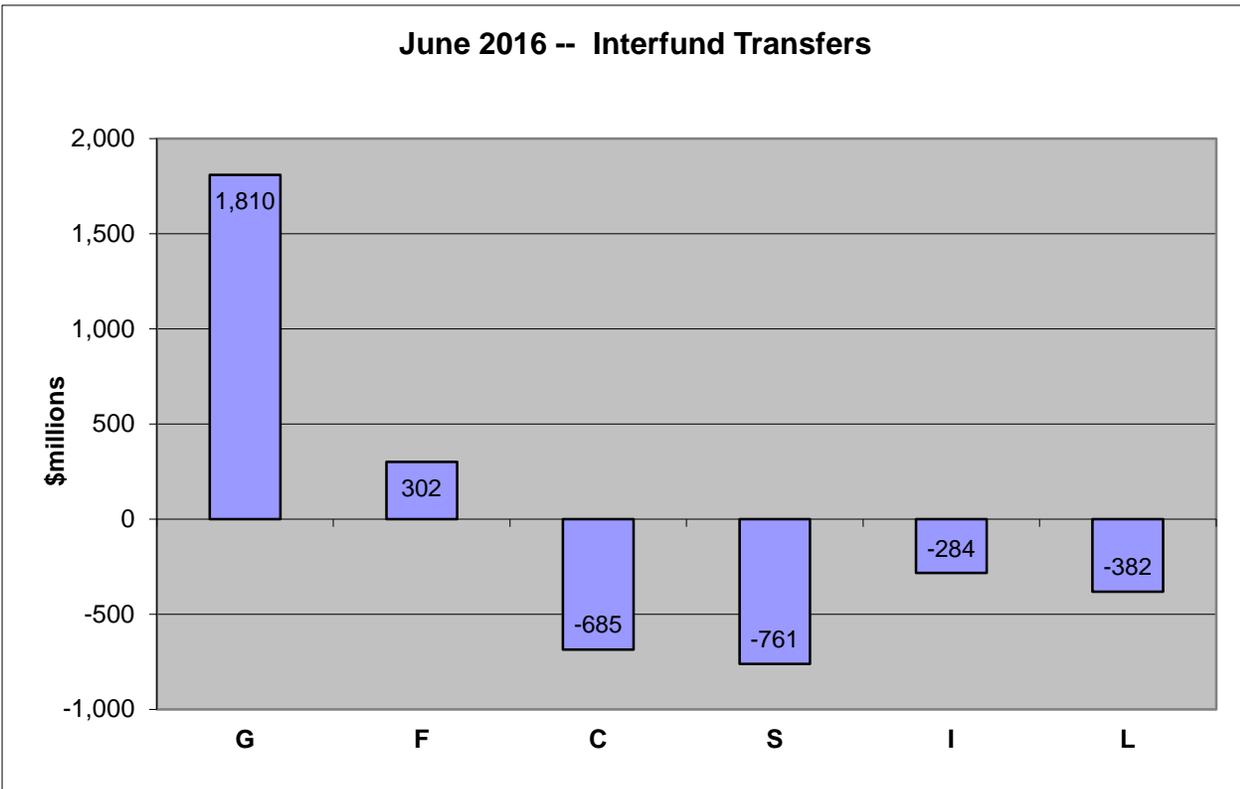
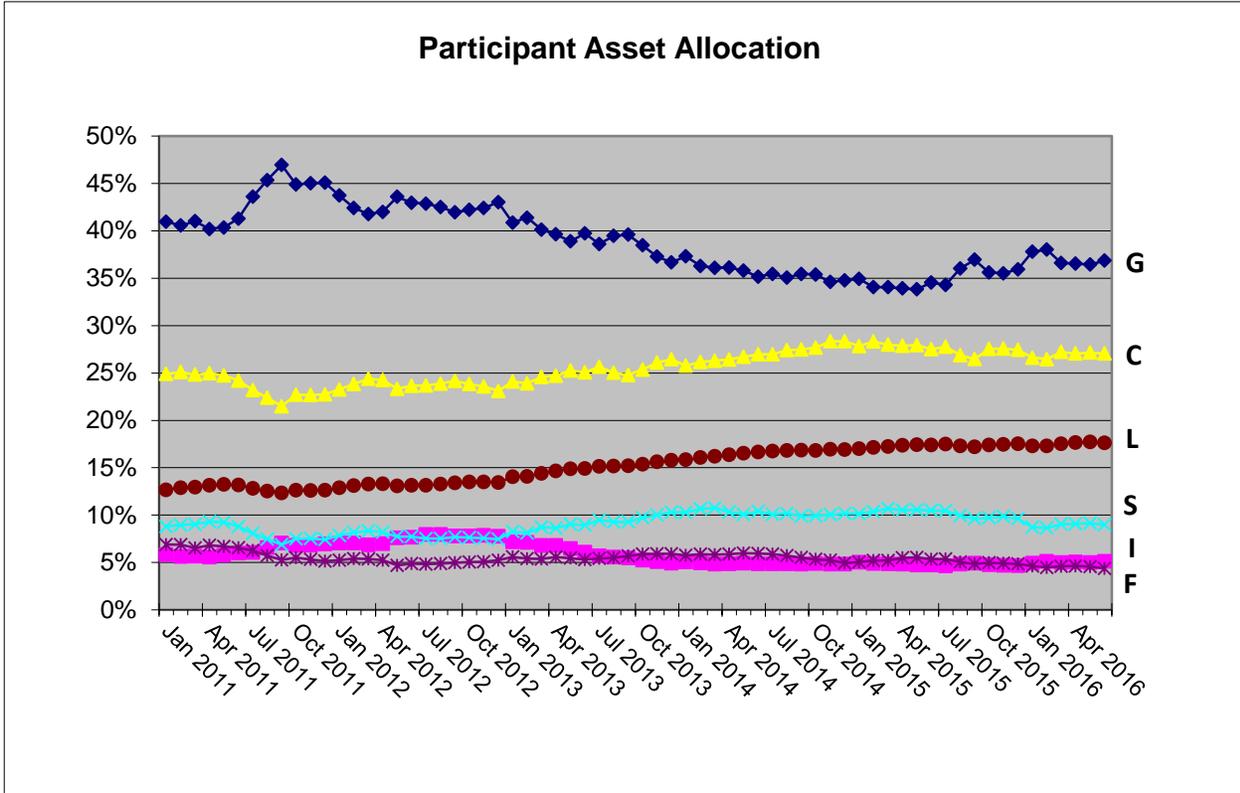
WHEREAS the Board members are satisfied with the investment performance and investment policies of these Funds;

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

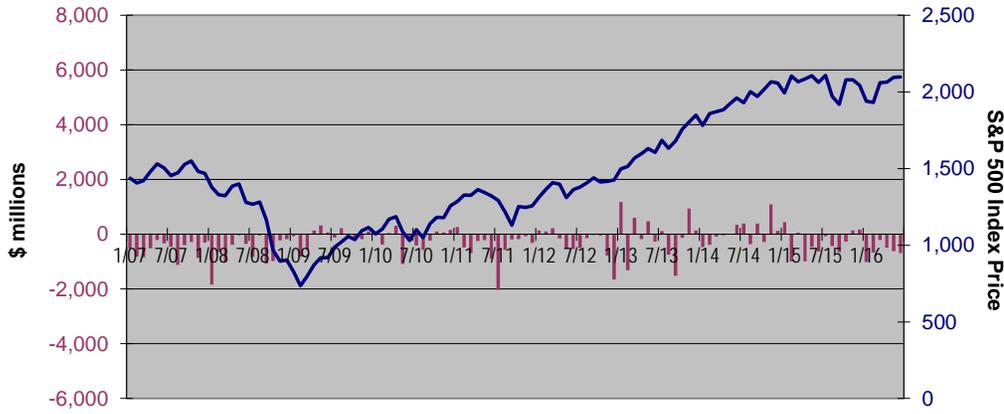
THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
June 2016

Attachment 1

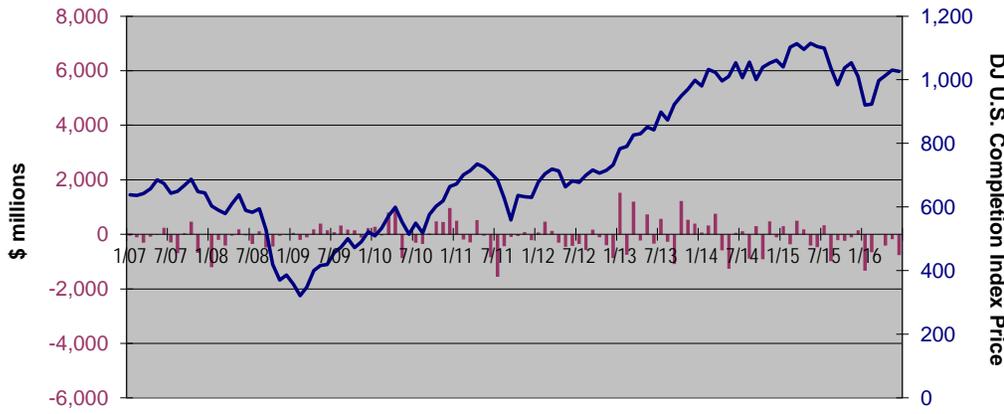


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
June 2016

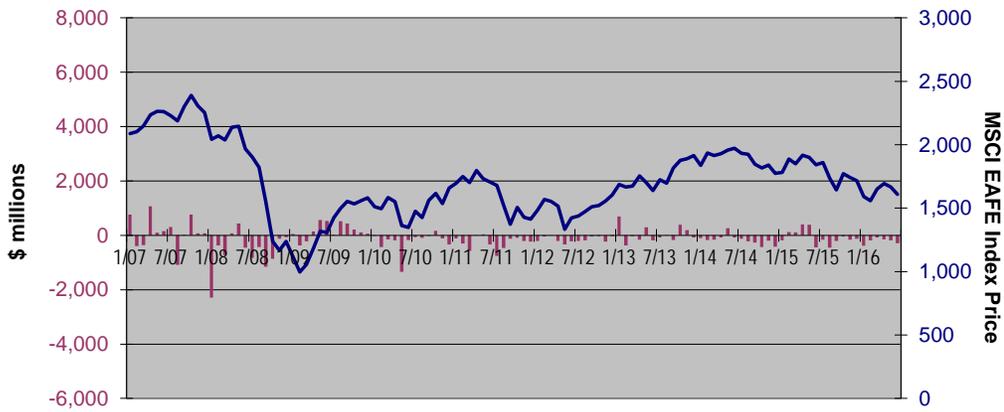
Monthly Interfund Transfers
C Fund



Monthly Interfund Transfers
S Fund

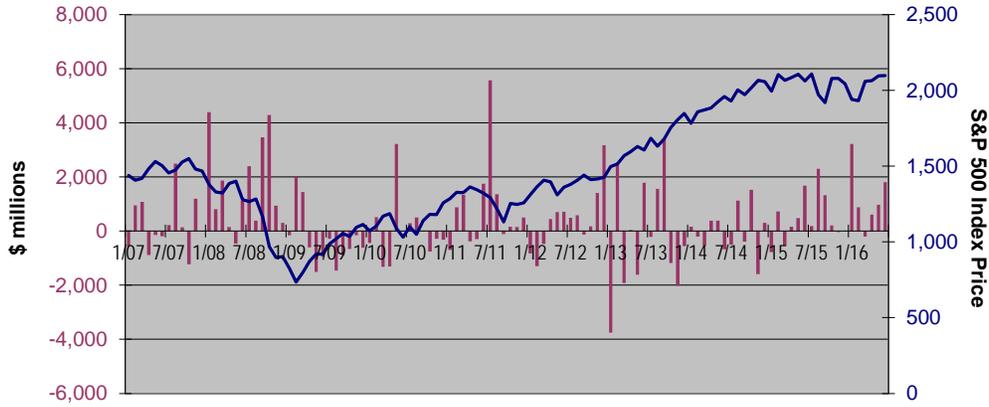


Monthly Interfund Transfers
I Fund

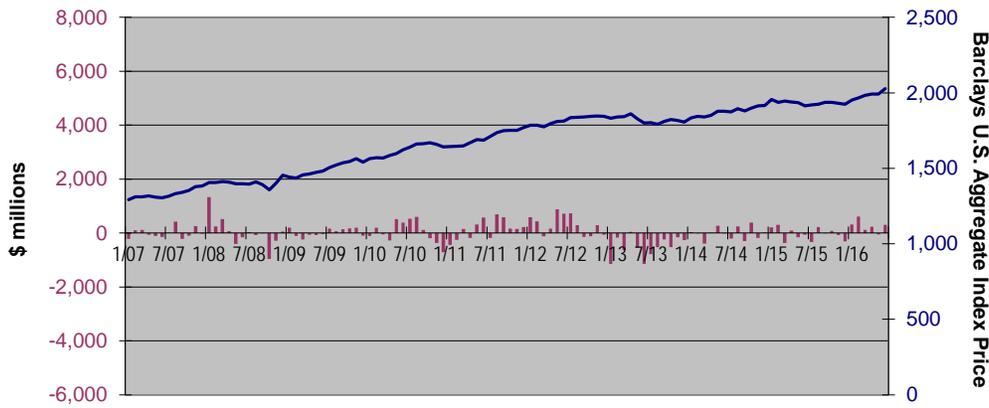


THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
June 2016

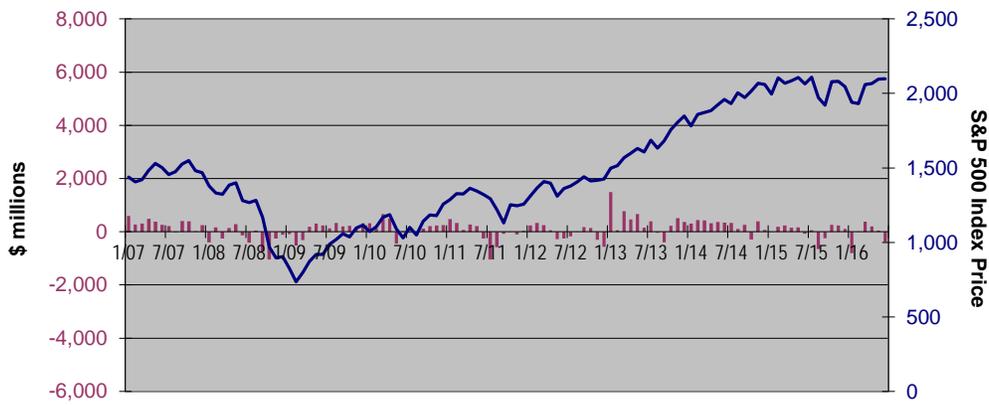
Monthly Interfund Transfers
G Fund



Monthly Interfund Transfers
F Fund

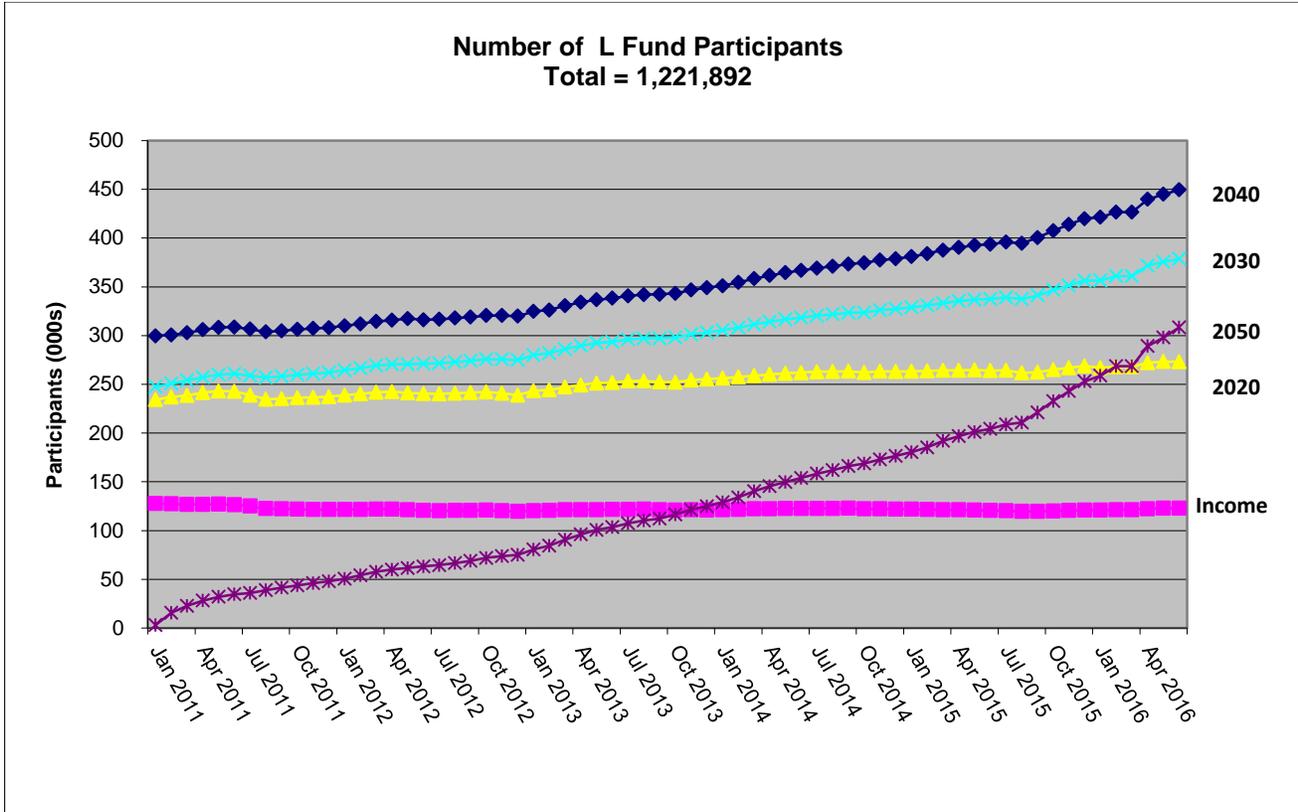


Monthly Interfund Transfers
L Funds



THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY

June 2016



April 13, 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 1st quarter of 2016. 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". The signature is fluid and cursive.

Fasil G. Michael
Executive Director, Head of Custom Research

MEMORANDUM

The results of our review of BlackRock’s 1st quarter proxy voting for US meetings are as follows:

- Votes at 39 meetings were examined.
- Votes at 18 of the 39 meetings were for directors, auditors, and/or management say-on-pay (MSOP) only.
- At the 21 remaining meetings, there were 47 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	1
Employee share purchase plan	2
Section 162(m)	2
Advisory vote on golden parachute compensation	4
Increase in common stock	1
Authorize new class of common stock	1
Reverse stock split	2
Approve conversion of securities	4
Approve merger agreement	3
Issue shares in connection with acquisition	1
Adjourn meeting	4
Approve jurisdiction of incorporation as exclusive forum for certain disputes	1
Fix number of directors	1
Shareholder proposal	7
Total:	47

- There were 13 votes cast on executive stock option plans:
 - a) 12 votes were cast in favor of the plans (92.3 percent);
 - b) 1 vote was cast against the plan (7.7 percent) due to the ability to reprice options without shareholder approval.

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

- There was 1 vote cast on an increase in authorized common stock; the vote was cast in favor of the increase.

- There were 4 votes cast on mergers, acquisitions and/or major corporate transactions, including an issuance of shares pursuant to an acquisition; the votes were cast in favor of the transactions.

- There were 7 votes cast on shareholder proposals which included:
 - a) 1 shareholder proposal to require independent board chairman; the vote was cast in favor of the proposal.
 - b) 1 shareholder proposal to approve recapitalization plan for all stock to have one vote per share; the vote was cast in favor of the proposal.
 - c) 1 shareholder proposal to provide proxy access; the vote was cast against the proposal.
 - d) 1 shareholder proposal to report on lobbying contributions; the vote was cast against the proposal.
 - e) 1 shareholder proposal to report on working conditions; the vote was cast against the proposal.
 - f) 1 shareholder proposal to report on risk associated with use of gestation crates in supply chain; the vote was cast against the proposal.
 - g) 1 shareholder proposal to implement a water quality stewardship policy; the vote was cast against the proposal.

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

- There were 4 votes cast on management advisory votes on golden parachute compensation:
 - a) 3 votes were cast in favor of the advisory votes (75 percent);
 - b) 1 vote was cast against the advisory vote (25 percent)

There were no exceptions to policy this period.