

August 4, 2022

The Honorable Michael Gerber
Chairman
Federal Retirement Thrift Investment Board
77 K Street NE
Washington, D.C. 20002

Dear Chairman Gerber:

For the past few years, I have sounded the alarm on the danger and absurdity of investing the retirement dollars of federal employees and military servicemembers into Chinese companies, which under Chinese law must adhere to the guidance and directives of the Chinese Communist Party (CCP) when requested to do so. American servicemembers' retirement funds should never be used to finance an adversary of the United States, nor should they bankroll foreign weapons or technology designed to someday harm them.

Unfortunately, the Federal Retirement Thrift Investment Board (FRTIB) seems to be unconcerned with this extraordinary malpractice. In August of 2019, and again in October of 2019, the FRTIB announced plans to track the Thrift Savings Plan (TSP) International Stock Index Investment to an index that would expose such investments to CCP military contractors and surveillance companies. It was only after I and my colleagues objected that the FRTIB reversed course.

To preclude any future attempts at such a change, Senator Shaheen and I introduced the *Taxpayers and Savers Protection (TSP) Act*, a bill that would ban TSP funds from being invested in securities listed on Chinese exchanges. Similarly, in April of this year, my colleagues and I sent a letter to President Biden's FRTIB nominees, requesting assurances that they would not steer federal retirement dollars toward Chinese companies. Weeks later, several colleagues and I again wrote to the FRTIB regarding its plan to open a new "Mutual Fund Window" for account-holders, which I noted could expose billions in federal employee retirement savings to Chinese companies. I urged the FRTIB to "cancel, or, at minimum, postpone implementation of its Mutual Fund Window initiative until [the] Board can ensure that no TSP funds are invested in dangerous, non-compliant, or opaque Chinese securities." In response to my letter, the FRTIB made no commitments to stop or postpone the mutual fund window, and instead seemed to imply that TSP participants should figure out for themselves whether or not a mutual fund might be investing in a malicious Chinese company.

The consequences of the FRTIB's decision to move forward with that misguided plan are now coming to light. The *Wall Street Journal* detailed the risks to U.S. national security incurred through TSP investment practices in an August 3, 2022 article, "U.S. Generals, Diplomats Want Chinese

Companies Out of Their Retirement Plan.”¹ Current and former service-members and diplomats have registered their alarm regarding new offerings to TSP account-holders via the new mutual fund window. Several of the more than 5,000 funds available to federal employees reportedly included companies on the U.S. Department of Commerce’s Entity List and the U.S. Department of Defense’s Chinese Military Companies trade blacklist, as well as others alleged to engage in Uyghur forced labor.

As you no doubt concur, it is unacceptable that American service-members’ and other public servants’ retirement savings would end up financing Chinese companies guilty of human rights abuses, or ones that the federal government has explicitly identified as national security threats. In fact, in a June 2, 2022 letter, four current members of the FRTIB, then awaiting confirmation, explicitly noted as much, writing: “We agree it is unfitting for Americans to invest in companies from China or elsewhere that undermine U.S. national security.”

I am aware that the FRTIB contends that it lacks the resources to properly vet the 5,000 new fund options accessible to TSP account-holders for Chinese companies. However, this news confirms that proceeding with the mutual fund window means steering federal employees’ savings into dangerous, sanctioned Chinese companies. As such, I request responses to the following questions:

1. What actions is the FRTIB taking to remove funds that include Chinese companies blacklisted by the federal government or that are alleged to engage in Uyghur forced labor?
2. Given the confirmation of these companies’ inclusion, what actions is the FRTIB taking to search for blacklisted companies listed among other funds and expeditiously remove them?
3. Will the FRTIB commit to building out more options for TSP account-holders looking to invest in emerging markets funds that exclude China- and Hong Kong-based companies?
4. Will the FRTIB reconsider, reverse, or amend its Mutual Fund Window initiative in response to the clear risks associated with it?

Beyond the blacklisted entities, companies based in China or Hong Kong do not provide U.S. securities regulators access to independent audits. The lack of transparency and compliance with U.S. law significantly increases risks for American investors. It is not an exaggeration to say that the FRTIB appears to be failing in its fiduciary duty to our servicemembers and federal employees.

I appreciate your attention to this urgent matter and look forward to your timely response.

Sincerely,



Marco Rubio
U.S. Senator

¹ <https://www.wsj.com/articles/u-s-generals-diplomats-want-chinese-companies-out-of-their-retirement-plan-11659528001?mod=e2tw>