

No TSP for the CCP | Background Brief

SUMMARY

The U.S. Government is poised to invest billions of taxpayer dollars in Chinese Communist Party (CCP) controlled companies via the U.S. Government retirement system, the Thrift Savings Plan (TSP). The Federal Retirement Thrift Investment Board (FRTIB) oversees the TSP and has determined that its Mutual Fund Window initiative is scheduled to begin this June, save for any White House or Congressional intervention. The Mutual Fund Window must be stopped because no due diligence or screening has been performed regarding which mutual funds, which collectively can contain thousands of Chinese companies that include U.S.-sanctioned or other Chinese corporate "bad actors." **Congress must demand that the FRTIB stop this egregious action.**

- At the beginning of June, the TSP's administrators on the Federal Retirement Thrift Investment Board (FRTIB) plan to **enable TSP participants to invest up to 25% of their savings (minimum of \$10,000) in one or more of 5,000 mutual funds** via a new platform called the "Mutual Fund Window."
 - More than 5,000 mutual funds anticipated to be included, creating a certainty that **at least some of them will include CCP-controlled companies** in their investment portfolios.
- **The FRTIB refuses to vet these mutual funds for national security or other investor risks, declaring¹ it does not have the time, expertise, or the resources to examine whether those funds have any CCP companies in their portfolios**, to say nothing of sanctioned companies. The FRTIB also continues to claim they are unable to remove Hong Kong from the International or "I" Fund it currently includes in its portfolio.
 - Because of a 2013 Memorandum of Understanding² (MOU) between the U.S. Public Companies Accounting Oversight Board (PCAOB) and Chinese securities regulators, **not one of the Chinese-domiciled companies potentially included in these mutual funds will be compliant with federal securities laws and regulations**, including U.S. government-mandated audits designed to protect American investors.
- The FRTIB was forced to backtrack on a similar plan in 2020³. But the board is now at it again. As a result, American servicemen and women and other government employees will be unwittingly funding their country's leading adversary – including quite possibly its acquisition of improved capabilities through financing the PLA's military modernization.

CCP-controlled companies should not be financed through the pension funds of U.S. government employees. FRTIB should not be allowed to abdicate its material risk disclosure, due diligence, or full fiduciary responsibilities to our military and federal workforce.

ACTION

Congress and the Biden Administration must require the FRTIB to postpone its planned June opening of the TSP Mutual Fund Window until all mutual funds proposed for inclusion publicly disclose whether: 1) they hold any Chinese-domiciled companies (including Hong Kong); 2) any such companies have been officially sanctioned or watch-listed by an agency of the United States government; and 3) whether any such companies are non-compliant with U.S. securities laws and regulations, including PCAOB audit requirements.

¹ May 2021 TSP FRTIB and Employee Thrift Advisory Council Meeting Minutes: https://www.frtib.gov/meeting_minutes/2021/2021May.pdf

² May 2013 PCAOB MOU: https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-enters-into-enforcement-cooperation-agreement-with-chinese-regulators_430

³ May 2020 FT article on US halt to new Chinese investment of the TSP: <https://www.ft.com/content/9bcc0af2-32fb-4444-9976-f3e7a2e20883>