FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

TSP Fact Sheet – Investment in China

August 2023

Among the funds available for investment by individual TSP account holders is the International or I Fund. This fund does not, nor has it ever, include investments in mainland China. In addition, no funds within the TSP are invested in companies that the U.S. government has sanctioned through its Office of Foreign Assets Control (OFAC) in the Department of the Treasury for activities that pose threats to U.S. national security.

I Fund (International Fund)

The TSP's fiduciary responsibility requires the TSP to offer appropriate investment choices to save for retirement. The TSP offers fewer, but comparable, investment options that are similar to other 401(k) or IRA plans.

Any restriction on TSP investment opportunities should apply equally to any other retirement savings plan used by more than 60 million Americans.

The success of the TSP rests on Congressional directives to use passively managed index funds that track the market as closely as possible. The TSP is prohibited by statute from choosing individual companies within any of its funds.

For the I Fund, the Board is statutorily required to "select an index which is a ***commonly recognized*** index comprised of stock the aggregate market value of which is a ***reasonably complete*** representation of the international equity markets excluding the United States equity markets."

The I Fund benchmark has been the MSCI EAFE (Europe, Australasia and Far East) Index since the I Fund's inception in 2003. Hong Kong has been less than 4% of that index since the I Fund's inception in 2001.

The I Fund does not, nor has it ever, invested in mainland China. Additionally, no funds within the TSP are invested in OFAC-sanctioned companies.

The TSP represents less than 1% of all investment assets in the United States.

- The more than 6.8 million Federal employees, retirees, and servicemembers should not be discriminated against by restricting their ability to direct their money and save for their retirement.

Mutual Fund Window (MFW)

Congress authorized a MFW to provide additional investment options outside the five core funds for TSP participants and in June 2022, the MFW became operational. Importantly, the MFW is ***entirely*** optional, and a participant must ***affirmatively*** elect to invest in the MFW subject to the terms of the window.

The TSP did not design the MFW or select the funds available on the MFW platform. It provides TSP participants with access to roughly 4,700 commercially available mutual funds, including funds from Berkshire, BNY Mellon, Calvert, Cohen & Steers, Fidelity, Franklin Templeton, Goldman Sachs, John Hancock, JPMorgan, Morgan Stanley, Schwab, T Rowe Price, TIAA, Vanguard, and Voya, among many others.

Identical to other similar 401(k) or IRA plans, all the mutual funds available through the MFW comply with Securities and Exchange Commission (SEC) and OFAC requirements.

If national security warrants the exclusion of one or more securities, OFAC at the U.S. Treasury has the tools, power, experience, and mandate to protect American interests. OFAC requires no new authority or direction and is well-positioned to fulfill that goal without discriminating against any single group of retirees.

The largest publicly traded U.S. companies, top Federal contractors, state pension plans and all six of the largest target date fund providers invest in emerging markets, including China.

- This includes the Florida Retirement System (offers MSCI ACWI ex-US IMI); the Missouri State Employees' Retirement system (invests in MSCI ACWI); the New Hampshire Public Employees 457(b) Deferred Compensation Plan (offers MFS International Diversification R4 and Vanguard Total International Stock Index I); the Iowa Public Employees' Retirement System (invests in the MSCI ACWI ex-U.S.); and the Kentucky Public Pensions Authority (invests in China and Hong Kong).

Background

By law, the Board Members and Executive Director serve as fiduciaries legally obligated to act "solely in the interest of the [TSP] participants and beneficiaries" and for the exclusive purpose of providing benefits to participants and their beneficiaries." The law requires the Board to develop investment policies which provide for "prudent investments suitable for accumulating funds for payment of retirement income."

The Board acts in TSP participants' interest by providing them with the ***same*** opportunities to save for their retirement as are afforded to every other American.

By law, the assets in the TSP are held in trust for each individual participant.

No taxpayer money or Federal appropriation is spent on the operations of the TSP or the FRTIB.