

## #NoTSP4CCP FAQ

Q: *Why are people concerned about the TSP offering mutual funds?*

A: The Federal Retirement Thrift Investment Board (FRTIB) controls the Thrift Savings Plan (TSP) – the main retirement plan for current and former government employees. The Board made a closed-door decision to add 5,000 mutual funds to the plan, and has never explained the selection criteria for these funds or provided a public list of the funds chosen. They have also explicitly stated that they take no responsibility for any investments made via the Mutual Fund Window or for the products offered in it. The concern is these funds are unvetted and risk billions in retirement savings if the funds are entangled with entities under the control of the Chinese Communist Party.

Q: *What are you asking the Biden Administration, Congress, and the FRTIB to do?*

A: It is critical that people have choices in their retirement. The #NoTSP4CCP Coalition, however, is asking the Administration, Congress, and the FRTIB to ensure the TSP Mutual Fund Window contains no funds with holdings that are non-compliant with U.S. securities law, are on the U.S. sanctions lists, or are entities controlled by the Chinese Communist Party (CCP) or the People's Liberation Army (PLA). It is incumbent on the TSP, not the participants, including federal workers, active-duty military, veterans, and retired government employees, to ensure TSP funds are safe and secure from Chinese influence.

Q: *This sounds familiar? Has this been in the news before?*

A: Yes. In 2019, the FRTIB tried to do the something similar, but they were stopped by Congress. In 2020, the TSP board had to halt their plans for switching to a different index for the TSP's International or "I"-Fund that would have increased exposure to problematic Chinese equities.

Q: *What are the FRTIB and TSP saying?*

A: That it is up to TSP participants to decide and that they are on their own to research and figure out which of the 5,000 mutual funds to invest in. The FRTIB has [publicly stated](#) that trying to remove problematic Chinese equities from the Mutual Fund Window would “would prove too costly for the plan.”

Q: *Are the mutual funds on offer in the TSP Mutual Fund Window free of Chinese entities with links to the Chinese military and human rights violators? Are they all in good standing with U.S. sanctions and U.S. securities regulations?*

A: No; our research has found that in some of the largest emerging funds in the Mutual Fund Window, Chinese equities make up an average of 20 percent of the funds' holdings. Many of these companies are tied directly to the Chinese Communist Party and appear on one or more U.S. sanctions lists.

Q: *What's the alternative?*

A: The concern is not with offering participants more options, but with U.S. taxpayer dollars funding Chinese Communist Party-controlled entities that pose a national security risk, are contributing to human rights abuses, and are not in compliance with U.S. laws and regulations. The TSP should live up to its commitments to remove Chinese companies from the International

Fund (I Fund) and screen all funds offered in the Mutual Fund Window to ensure that any funds holding shares in sanctioned or bad actor companies are removed. \*

*Q: What type of Chinese-controlled entities are of particular concern?*

A: Funds include companies that have been sanctioned for forced labor by the United States, such as [KTK GROUP CO.](#), and/or publicly traded companies [selling](#) cotton produced through Uyghur forced labor. There are also many companies that support China's military modernization as contractors or service providers to the Peoples Liberation Army, including by stealing U.S. strategic technology. These include companies such as Aviation Company of China (AVIC) and China General Nuclear (CGN).

*Q: By removing Chinese companies, won't TSP participants lose an opportunity to get a higher return on investment for their retirement savings?*

A: Not necessarily. Substantial research has shown that investors can actually realize better returns through other international or emerging markets funds that screen out dictatorships. For example, the Tennessee Consolidated Retirement System (TCRS) Emerging Markets fund screens out investments in emerging markets that have authoritarian governments, such as Russia and China. Since adopting this model, TCRS has enjoyed comparable or even better rates of return than the popular MSCI Emerging Markets Index that include equities from those countries.

<i>Returns as of Dec. 2021</i>	<b>TCRS – EM Portfolio</b>	<b>MSCI – EM Index</b>
<b>1-YR</b>	7.71%	-2.5%
<b>3-YR</b>	12.25%	10.9%
<b>5-YR</b>	10.16%	9.9%