

**United States Senate**  
WASHINGTON, DC 20510-3005

October 21, 2021

Mr. David A. Jones  
Acting Chairman  
Federal Retirement Thrift Investment Board  
77 K Street, N.E., Suite 1000  
Washington, DC 20002

Dear Mr. Jones,

I understand that the Federal Retirement Thrift Investment Board (“the Board”) aims to offer federal workers more flexible investment options within the Thrift Savings Plan (TSP) starting next year. As part of this initiative, I urge you to create opportunities for federal workers to invest in funds run by racially, ethnically, and gender diverse asset managers. When it comes to their retirement investments, federal workers deserve the chance to make the strategic and values-driven choice to prioritize diversity.

The TSP is the world’s largest defined contribution retirement plan, with approximately \$735 billion in assets.<sup>1</sup> The Federal Retirement Reform Act of 2009 (P.L. 111-31) granted the Board the authority to establish a mutual fund window for the TSP, which would provide participants with more self-directed investment options. I understand that the Board aims to offer a mutual fund window that includes actively managed funds with Environmental, Social, and Governance (ESG) goals starting in summer 2022.<sup>2</sup>

The mutual fund window is an especially critical opportunity given that the TSP’s current investment managers are failing at diversity, particularly at the executive level. While the Board internally manages a portion of the TSP’s funds, the Board contracts with BlackRock as its primary investment manager and State Street Global Advisors as a secondary investment manager. In 2020, BlackRock’s executive management was approximately 20% female, 5% African American, and just 3% Hispanic.<sup>3</sup> State Street’s executive management was 32% female, 2% African American, and 3% Hispanic.<sup>4</sup>

For nearly five years, Congress has urged the Board to take concrete steps towards improving diversity among asset managers. In 2017, the United States Government Accountability Office (GAO) identified four key practices for increasing opportunities for minority- and women-

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<sup>1</sup> <https://www.frtib.gov/ReadingRoom/FinStmnts/TSP-FS-Dec2020.pdf>

<sup>2</sup> <https://www.frtib.gov/MeetingMinutes/2021/2021Mar.pdf>; [https://www.frtib.gov/ReadingRoom/Congress/TSP-Annual-Report\\_2020.pdf](https://www.frtib.gov/ReadingRoom/Congress/TSP-Annual-Report_2020.pdf)

<sup>3</sup> [https://www.frtib.gov/ReadingRoom/Congress/TSP-Annual-Report\\_2020.pdf](https://www.frtib.gov/ReadingRoom/Congress/TSP-Annual-Report_2020.pdf)

<sup>4</sup> Ibid.

Owned (MWO) Asset Managers greater. At the time, the Board was the only surveyed entity that failed to adopt any of those practices, arguing that the Board would take further action when developing the 2020 mutual fund window platform<sup>5</sup>. We understand that the Board did work with Accenture Federal Services (Accenture) in November 2020 to develop a screener tool for plan participants to screen for funds managed by women and minority-owned firms.<sup>6</sup> However, there are still significant shortcomings that should be addressed through increased outreach, communicating priorities, and other practices identified by the GAO to broaden the pool of qualified asset managers.

The mutual fund window should offer funds managed by diverse asset managers because executive diversity is a good business practice that has been shown to improve returns. A 2020 study by McKinsey found that companies in the top quartile for racial, ethnic and gender diversity were more likely to have returns above their industries' national medians.<sup>7</sup> A Goldman Sachs study found that 48% of female-managed mutual funds outperformed the market from March 2020 through August 2020, compared with 37% for all-male-managed funds.<sup>8</sup> A diverse team of asset managers is more likely to hold varied perspectives and may be better equipped to identify novel investment opportunities.<sup>9</sup> Diversity can also help firms avoid the dangerous pitfalls of "groupthink."<sup>10</sup>

Additionally, many Americans today are actively seeking opportunities to combat discrimination and reduce racial and gender inequality. Minorities and women are underrepresented among asset managers hired by institutional investors, and discrimination is a serious concern.<sup>11</sup> If the Board offers TSP funds specifically managed by diverse asset managers, more federal workers may elect to participate in the TSP or to increase their contributions. By being responsive to consumer interest in diversity, the Board could improve TSP participation and retirement security among values-driven federal workers.

In light of the issues detailed above, I respectfully request that the Board provide a detailed summary of the Board's progress towards the implementation of GAO's recommendation and its further plans for the mutual fund window related to asset manager diversity no later than November 5<sup>th</sup>, 2021. Following receipt of your response, I also request that the Board provide a briefing for my staff on this topic no later than November 20<sup>th</sup>, 2021.

Thank you for your timely consideration of this matter.

Sincerely,

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<sup>5</sup> <https://www.gao.gov/assets/gao-17-726.pdf>

<sup>6</sup> <https://www.gao.gov/products/gao-17-726>

<sup>7</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

<sup>8</sup> <https://www.forbes.com/sites/jacobwolinsky/2021/07/31/female-hedge-fund-managers-get-boost-from-are-less-confident-which-may-boost-returns/?sh=4c423f121796>

<sup>9</sup> <https://www.sec.gov/files/amac-background-dami-fiduciary-guide.pdf>

<sup>10</sup> Ibid.

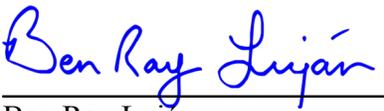
<sup>11</sup> <https://www.sec.gov/files/amac-background-dami-fiduciary-guide.pdf>; [https://knightfoundation.org/wp-content/uploads/2019/01/2019\\_KF\\_DIVERSITY\\_REPORT-FINAL.pdf](https://knightfoundation.org/wp-content/uploads/2019/01/2019_KF_DIVERSITY_REPORT-FINAL.pdf)



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