

United States Senate
WASHINGTON, DC 20510

June 30, 2021

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

Dear Mr. Jones:

We are writing to you regarding troubling statements by the companies that manage federal employees' retirement investments suggesting those asset managers are not putting federal employees' retirement security first. Specifically, recent statements by the CEOs of BlackRock and State Street Global Advisors (SSGA) indicate they are using their control of proxy votes for federal employees' Thrift Savings Plan ("the Plan") investments to pressure other companies to adhere to their own environmental and social policy views. We are concerned that BlackRock and SSGA may be prioritizing their CEOs' personal policy views over retirees' financial security. Federal law explicitly requires all fiduciaries of the Plan, including BlackRock and SSGA, to discharge their responsibilities "*solely* in the interest of the participants and beneficiaries and for the *exclusive* purpose of providing benefits to participants and their beneficiaries."¹

The TSP serves as a retirement investment plan available to federal employees and members of the uniformed services. As of December 31, 2020, TSP had 6.2 million participants and more than \$735 billion in total assets making it the largest defined contribution retirement program in the United States.² Of the \$735 billion invested in the fund, \$293 billion is held in U.S. Government Securities and managed directly by the government, but the remaining \$442 billion is managed by two third-party investment managers, BlackRock and SSGA. For millions of federal employees, the Plan is a critical part of their retirement benefits and is often described as one of the legs of the "three-legged stool" that is the Federal Employees Retirement System (FERS), along with Social Security and a small defined benefit pension.

Established along with FERS in 1986, the Plan is predicated on the idea that its investments should only be driven by the financial interests of its participants. To that end, federal law requires that the members of the Federal Retirement Thrift Investment Board (FRTIB) "discharge their responsibilities solely in the interest of participants and beneficiaries" of the Plan.³ Reinforcing this non-political and return-focused mission, federal law also affirmatively

¹ 5 U.S.C. 8477(b) (emphasis added).

² Thrift Savings Fund, Financial Statements, December 31, 2020 and 2019, <https://www.frtib.gov/ReadingRoom/FinStmnts/TSP-FS-Dec2020.pdf>.

³ 5 U.S.C. 8472(h).

bars FRTIB, FRTIB's Executive Director, other government agencies, and Plan participants from exercising voting rights associated with securities invested in the Plan.⁴

While federal law bars the Federal government from exercising voting rights associated with funds in the Plan, FRTIB has taken the position that this prohibition does not apply to third-party investment managers serving as stewards of a large portion of the Plan's assets. In fact, it appears that the only restriction on BlackRock and SSGA's voting authorities is whether a vote is taken in accordance with each entity's respective proxy voting guidelines.⁵

Further, while these proxy voting guidelines are ostensibly focused on the investor's fiduciary advantage, both entities are increasingly incorporating left-leaning environmental, social, and corporate governance ("ESG") priorities into these guidelines. For example, BlackRock announced that in 2021 "key changes" in its voting guidelines "address board quality; the transition to a low-carbon economy; key stakeholder interests; diversity, equity and inclusion; alignment of political activities with stated policy positions; and shareholder proposals."⁶ Not to be outdone, SSGA's CEO stated "our main stewardship priorities for 2021 will be the systemic risks associated with climate change and a lack of racial and ethnic diversity."⁷

In light of these concerns, we ask that you provide a briefing detailing BlackRock's and SSGA's policies for using proxy voting rights derived from Plan assets, Board oversight of proxy voting use by Plan investment managers, and Board recourse if an investment manager is found to have violated their fiduciary duty no later than the week of July 26, 2021.

Additionally, please provide the following not later than close of business July 26, 2021:

1. Any analysis or determinations by FRTIB or its agents that the federal law barring the Federal government from exercising voting rights associated with funds in the Plan does not apply to the Plan's investment managers.
2. The most recent contracts between FRTIB and BlackRock and SSGA regarding the management of Plan assets, including any provision related to proxy voting authorities.
3. Any documents or communications between FRTIB and its employees or agents and BlackRock or SSGA discussing proxy voting policies or guidelines.

⁴ 5 U.S.C. 8438(f).

⁵ December 2020 Performance Review – G, F, C, S, I and L Funds, Memorandum for Board Members, Fed. Retirement Thrift Investment Board, January 14, 2021, <https://www.frtib.gov/pdf/minutes/2021/Jan/MM-2021Jan-Att2.pdf>.

⁶ BlackRock, Our 2021 Stewardship Expectations, Global Principles and Market-level Voting Guidelines at 3, <https://www.blackrock.com/corporate/literature/publication/our-2021-stewardship-expectations.pdf>.

⁷ Cyrus Taraporevala, CEO SSGA, Letter on Our 2021 Proxy Voting Agenda, Jan. 11, 2021, <https://www.ssga.com/us/en/institutional/ic/insights/ceo-letter-2021-proxy-voting-agenda>.

4. Any analysis or determinations by FRTIB or its agents that BlackRock and SSGA's proxy voting policies or guidelines are consistent with the fiduciary obligations imposed by Federal law on Plan assets.
5. Any analysis or determinations by FRTIB or its agents that proxy voting by investment managers is in the fiduciary interests of Plan participants.
6. For any proxy vote within the last five years on a shareholder proposal in which BlackRock or SSGA did not vote in accordance with a company's management, copies of any analysis documenting the anticipated increase in financial return in the investment as a result of such a vote.

Thank you for your prompt attention to this important matter.

Sincerely,



Pat Toomey
Ranking Member
Senate Committee on Banking,
Housing, and Urban Affairs



Ron Johnson
Ranking member
Permanent Subcommittee on Investigations
Senate Committee on Homeland Security
and Governmental Affairs

cc: The Honorable Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs
The Honorable Jon Ossoff, Chairman, Permanent Subcommittee on Investigations, Senate Committee on Homeland Security and Governmental Affairs
Ms. Dana K. Bilyeu, Board Member, FRTIB
Mr. Ron McCray, Board Member, FRTIB
Mr. William Jasien, Board Member, FRTIB
Mr. Ravindra Deo, Executive Director, FRTIB
Mr. Larry Fink, Chairman and CEO, BlackRock
Mr. Cyrus Taraporevala, President and CEO, State Street Global Advisors