

Congress of the United States
Washington, DC 20515

April 13, 2015

Mr. Greg Long
Executive Director
Federal Retirement Thrift Investment Board
77 K Street, N.E.
Washington, D.C. 20002

Dear Director Long:

We are pleased that the Federal Retirement Thrift Investment Board (Board) approved a resolution on November 17, 2014, to conceptually support the creation of a mutual fund window (MFW) within the Thrift Savings Plan (TSP). We believe the Board's decision will help improve account retention at the TSP by providing additional investment options while also potentially facilitating greater participation of minority- and woman-owned asset management firms in the TSP. We urge the Board to review the impact of incorporating a provision encouraging the inclusion of minority- and woman-managed mutual funds on prospective MFW operators' platforms and to consider including this consideration as a part of its requests for proposals (RFP).

A number of studies have shown that diverse asset management firms have outperformed their larger competitors. To increase returns and diversify risk exposures, other retirement plans invest with emerging managers, many of which are also diverse asset managers. For example, New York City's pension plans, which manage \$151 billion in assets, have a long history of utilizing diverse manager programs. Retirement systems have established similar strategies in California, Connecticut, Illinois, Indiana, Maryland, Michigan, Ohio, Pennsylvania, and Texas. We have seen a growing number of leading private sector asset managers also embrace greater diversification of publicly traded stocks and bonds with additional investment offerings, including strategies offered by small and diverse asset managers specializing in high growth sectors, geographies, demographics, and strategies not available in passively managed funds.

Today's investors increasingly consider their social objectives and seek service providers who share their values when making their investment decisions. About 34 percent of the federal workforce currently self-identify as minorities, and with the changing racial and ethnic demographics in this country, this percentage is likely to grow. For this reason, current and future participants in the TSP are likely to reflect an increasingly diverse federal workforce.

For the benefit of its participants, we urge the Board to consider in its RFP process the extent to which prospective MFW operators include minority- and woman-managed mutual funds on their platforms. We will be carefully monitoring the development and implementation of the MFW and hope to remain engaged with the Board as it proceeds with this important addition to the TSP.

Sincerely,



The Honorable Maxine Waters
Ranking Member
House Financial Services Committee



The Honorable Gregory W. Meeks
Member of Congress
House Financial Services Committee