NARFE
FEDERAL BENEFITS EXPERTS

William Shackelford
National President

Kathryn E. Hensley
National Secretary/Treasurer

July 10, 2023

The Honorable Kay Granger
Chairwoman
Committee on Appropriations
U.S. House of Representatives

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives

The Honorable Patty Murray
Chairwoman
Committee on Appropriations
U.S. Senate

The Honorable Susan Collins
Vice Chairwoman
Committee on Appropriations
U.S. Senate

Dear Chairwoman Granger, Ranking Member DeLauro, Chairwoman Patty Murray and Vice Chairwoman Collins:

On behalf of the National Active and Retired Federal Employees Association (NARFE), which represents the interests of federal employees, retirees and their survivors, I write to express our views on the House of Representative's Fiscal Year 2024 Financial Services and General Government Appropriations bill approved by the subcommittee.

NARFE is deeply concerned that the bill decreases funding substantially for the Office of Personnel Management (OPM), which could have significant downstream effects on the agency's Retirement Services (RS) Division and its service to federal annuitants. We are also troubled by the bill's potential to end the recently implemented Thrift Savings Plan (TSP) mutual fund window. As such, I urge you to restore adequate funding for OPM and remove language that could result in the rollback of the TSP's mutual fund window.

Support Adequate Funding for the Office of Personnel Management
NARFE is concerned that a drastic cut in funding for the Office of Personnel Management could result in worsening customer service levels for federal retirees interacting with OPM RS. We continue to receive complaints regarding the inability of retirees to connect with RS (via phone, email or other method) to receive necessary assistance; and regarding substantial delays processing retirement and survivor benefits claims, as well as other transactions related to federal retirement and health benefits (changes in health and life insurance, adjustment of annuity after the death of a spouse, e.g.).

Stakeholders, including a bipartisan cohort of Congress, understand that the agency must improve. That begins with modernizing processes. Fortunately, OPM has proposed improvement and modernization, and, to a large extent, NARFE supports these efforts. For example, OPM requested funding in its FY24 budget request to move away from slow, paper-based processes and expand its recent online retirement application to allow its case management system to include digital cases. Further, as part of its strategic objectives, OPM intends to introduce new technologies to improve retirement case management and annuity benefit calculations, enhance the capabilities of OPM's Services Online to increase customer self-service options, and provide training to Retirement Services personnel so that they are better able to support customers.[1] These modernization efforts, as well as others put forward by OPM, are a positive step forward and are meant to place the agency on a better track. These efforts are placed in jeopardy by spending cuts that go below the caps that Congress negotiated with the Administration during the debt limit crisis.

The Fiscal Responsibility Act, H.R. 3746, constrains non-defense funding to roughly 2023 levels, keeping spending levels flat. However, the House FSGG appropriations bill cuts funding levels for OPM below the agreement's caps, setting it to FY22 levels. This represents nearly a 12 percent decrease in agency funding by cutting an additional $49 million from OPM's FY23 budget. This significant cut in funding could diminish OPM's attempts to modernize its systems and improve its support for our nation's federal retirees. Rather than decrease spending below the caps, I urge you to allocate funds to the spending agreement's figures and consider providing the agency with the additional resources it needs to modernize and create more efficient processes.

Prevent the Rollback of the TSP Mutual Fund Window

The House FSGG appropriations bill also includes language that could effectively force the TSP to shutter its recently implemented mutual fund window.

Specifically, the language prohibits the use of funds to make investments under the TSP in mutual funds making decisions based primarily on environmental, social or governance (ESG) criteria. While possibly unintended, this language would effectively force the TSP to end the mutual fund window due to the overly burdensome oversight requirements.

The TSP mutual fund window provides federal workers and members of the military greater control over their retirement funds, giving them the opportunity to invest in roughly 5,000 mutual funds outside the TSP. In so doing, the window allows TSP participants to keep their money in the TSP to invest in such funds, rather than withdrawing their money into other accounts. Such participants pay fees directly to cover the cost of the window, and the retention of their money in the TSP keeps average administrative costs down for all (due to economies of scale).

If included, the policy rider would, according to the Federal Retirement Thrift Investment Board (FRTIB), force the TSP to consistently monitor the thousands of funds available through the window for ESG criteria, costing a tremendous amount of money and opening the TSP to potential legal exposure. This is unfeasible and would force the TSP to close the mutual fund window to avoid this burden. As a result, TSP participants would not be prevented from investing in ESG funds – they would simply be forced to move their money out of the TSP to do so. But it would also force other TSP participants interested in more diversified investments (commodities, real estate funds,

[1] U.S. Office of Personnel Management, March 2023. "Congressional Budget Justification and Annual Performance Plan for FY24." https://www.opm.gov/about-us/budget-performance/budgets/fy-2024-congressional-budget-justification/fy-2024-congressional-budget-justification.pdf#, p.109.

etc.) to move their money out as well, because the mutual fund window would cease to exist to provide those options. In the end, it would do more to impose costs on the TSP and its participants than limit ESG investments. It may also be noteworthy that it would have no impact on the overwhelming majority of TSP investments – held in the TSP's core funds – which do not take into account ESG criteria.

For these reasons, I urge you to remove this policy rider from the bill to protect the TSP's mutual fund window and participant choice in investments.

Thank you for your consideration of our views. If you have any questions or concerns with this request, please contact NARFE Staff Vice President for Policy and Programs John Hatton at jhatton@narfe.org or 571-483-1267.

Sincerely,

William Shackelford
NARFE National President

CC: The Honorable Steve Womack, Chair, Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. House of Representatives; The Honorable Steny Hoyer, Ranking Member, Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. House of Representatives; The Honorable Chris Van Hollen, Chair, Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate; The Honorable Bill Hagerty, Ranking Member, Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate.