



UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-1275

ERHARD R. CHORLÉ, CHAIRMAN

July 8, 2020

Robert C. O'Brien
National Security Advisor
The White House
1600 Pennsylvania Ave. N.W.
Washington, D.C. 20500

Lawrence Kudlow
Director, National Economic Council
The White House
1600 Pennsylvania Ave. N.W.
Washington, D.C. 20500

Dear Ambassador O'Brien and Director Kudlow,

Thank you for your letter of July 7, 2020. The Railroad Retirement Board (RRB) is headed by a three member Board appointed by the President and confirmed by the Senate. Two members are nominated based on the recommendations of the Rail Industry (Thomas Jayne) and Rail Labor (John Bragg) respectively. The third "public" member is selected by the President as well and serves as the Chairman of the Board. I am responding to your letter on behalf of the Board.

We appreciate the concerns expressed in your letter, and will give them all due consideration as they are indeed very serious. We will further address them with the Trustees of the National Railroad Retirement Investment Trust (NRRIT) as well.

To be clear, NRRIT is an independent entity, which although created by an Act of Congress is not a Government Agency. Its seven Trustees (who are not considered officers or employees of the United States) are appointed as follows: three members are selected by the joint recommendation of railroad labor organizations, three members are selected by the joint recommendation of railroad carriers, and those six members choose a seventh, independent member.

Section 15(j)(4) of the Railroad Retirement Act (RRA) establishes the powers of the NRRIT Board of Trustees to retain independent advisors to assist it in formulating and adopting investment guidelines, invest the Trust's assets either directly or through independent investment managers, and employ professional staff and contract for outside

advisors to provide legal, accounting, investment advisory or management services, and other necessary services.

The exercise of the NRRIT Board of Trustees investment authority is not subject to approval or direct oversight of the RRB. Congress did not give the RRB any express authority to direct the NRRIT Trustees to adopt particular investment strategies or take particular actions other than those required by the RRA itself. However, the RRB is empowered to bring a civil action to enjoin actions of NRRIT which violate the terms of the RRA and to remedy such violations.

Regarding the specific companies you cite in your letter, Hikvision and ZTE, NRRIT assured us in mid-June that the Trust held no interest in either of those companies. There may be confusion as to some of NRRIT's holdings based on their use of the MSCI All Countries World Index (AWCI) as a benchmark to measure the performance of their Non-US Equity Investments. The AWCI may include the aforementioned companies. NRRIT does not actually invest in that Index however. As to future investments or Companies which you may not have mentioned, we will certainly be willing to engage in future dialogue in that regard.

As to the risks of investing in PRC Companies which fail to comply with US Laws regarding disclosure or US Accounting Standards, that is an issue which NRRIT has addressed in the past, but be assured that we will be asking them to revisit and discuss with us fully. As to the risk of future sanctions or other actions, we do not know, at present whether NRRIT has given specific consideration to those risks or whether they have had any discussions in that regard with their outside portfolio managers. We will certainly make inquiry.

In summation, please know that we are taking these issues and your concerns seriously, but also know that we have limited authority as regards the investment decisions made by NRRIT and their advisors/managers. We will forward your letter to NRRIT and will follow up with them shortly.

Sincerely,



Erhard R. Chorlé,
Chairman

cc: Thomas Jayne, Management Member
John Bragg, Labor Member