July 14, 2015

U.S. Senate
Washington, DC 20510

Dear Senator:

On behalf of the more than five million federal employees, retirees and their families represented by the National Active and Retired Federal Employees Association (NARFE), I write to draw your attention to reports of an attempt to raid the Thrift Savings Plan (TSP) to fund, at least in part, pending transportation legislation.

It is our understanding that lawmakers tasked with determining a funding stream to finance the highway trust fund reauthorization have their sights set on a bedrock element of the independent 401(k) retirement accounts of the nation's uniformed military personnel and federal civilian employees – the Thrift Savings Plan.

At a time when federal employees, retirees, job seekers, and their families are reeling from news that their most personal information and financial data has been compromised, it is unconscionable that this very constituency would be targeted for cuts to pay for completely unrelated legislation. This bad policy, previously included in the House Budget Resolution, was cast aside in the final budget conference report. It should be discarded once again.

Specifically, the House Budget Resolution proposed changing the rate of return on the TSP G Fund, rendering the fund more than worthless, as returns wouldn’t even keep up with inflation. The same change is being considered to offset costs in the highway bill. In reality, the estimated $32 billion in savings resulting from this change would not be realized. The Federal Thrift Retirement Investment Board would divest $21 billion of L Fund holdings from the G Fund, and it would advise TSP participants to divest as well, drastically reducing G Fund holdings (and the resulting savings).

Such divestment would actually increase the public debt, as the Treasury Department would be forced to find the cash necessary to convert G Fund securities to other assets held in TSP accounts. At the moment, Treasury has hit the statutory debt limit, and is only preventing catastrophic government default through use of “extraordinary measures.” Most notable among these extraordinary measures is the ability to suspend, in whole or in part, daily reinvestment of G Fund balances in the Treasury securities that make up its investments, freeing up room to issue public debt to allow the government to pay its daily bills and avoid catastrophic default. Thus, divesture of G Fund holdings by TSP participants would simultaneously create new public debt, and diminish the capacity of Treasury to issue it.
Of the $458.3 billion invested in the TSP as of May 2015, roughly $193 billion is invested in the G Fund. Of the 4.7 million TSP participants, more than 4.3 million have all or some of their account balance invested in the G Fund. Why? Because the G Fund provides a stable, sound investment with a rate of return calculated using the same formula as the securities issued to the Social Security Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds. Will these programs be targeted next?

The decision was made more than a quarter-century ago to keep the TSP off-budget and out of the hands of those who would use it as a piggy bank to pay for unrelated expenditures, or to reduce the federal deficit. The TSP belongs to the plan’s participants. It does not belong to the federal government, nor does it exist to pay for unrelated legislation, regardless of the worthiness or necessity of the legislation.

I urge you to reject any legislation which would take from the faithful who have given their careers to the federal government and who have been recently been subjected to untold financial and personal anxiety as a result of the security breaches within the federal government. Now is the time to build them up, not tear them down further.

Thank you for considering NARFE’s views. If you would like to discuss this further, please contact NARFE’s Legislative Director Jessica Klement at jklement@narfe.org or 703-838-7760.

Sincerely,

Richard Thissen
National President