

July 14, 2015

United States Senate
Washington, DC 20510

Dear Senator:

I write on behalf the Employee Thrift Advisory Council (ETAC), a statutorily created Advisory Committee comprising representatives of employee organizations, unions, and the uniformed services. ETAC provides advice to the Federal Retirement Thrift Investment Board on matters relating to the investment policies and administration of the federal Thrift Savings Plan (TSP). Collectively, our 15 organizations represent some 4.9 million TSP account holders, including millions of federal and postal employees, 293,000 members of the uniformed armed services, and tens of thousands of retirees with TSP accounts.

It has come to our attention that the Senate is considering funding yet another short-term extension of the federal Highway Trust Fund by tapping the personal retirement savings of active and retired federal employees as well as soldiers, sailors and airmen enlisted in the military. The rumored proposal would cut the interest rate payable on G Fund (Treasury securities) investments to funnel money into the Highway Trust Fund.

ETAC wishes to condemn such a funding scheme in the strongest possible terms since it would unfairly tax the savings and reduce the retirement income of seniors, soldiers and ordinary workers employed by the federal government. Moreover, it would be absurdly unjust to fund highway construction costs with money taken from a tiny sliver of highway users who happen to be active or retired federal employees. But it would also cause serious damage to the integrity of the Thrift Savings Plan and force costly administrative changes, while setting a terrible precedent for the future.

Nearly \$200 billion of the approximately \$450 billion in personal savings of active and federal employees that is held by the TSP has been invested in the G Fund. The G Fund is the only stable value fund available to TSP participants and is the most popular option in the program. (Indeed, such funds are typically the most popular in private sector 401(k) plans as well.) The proposed cut would adversely affect virtually every TSP participant. It would lead many to exit the G Fund and force the Thrift Board to rebalance all the Lifecycle Funds which include G Fund holdings, at a significant cost.

The stable value options offered by large private sector 401(k) plans (for example, IBM and New York Life) pay interest rates that are greater than that paid by the G Fund. There is no justification for reducing the interest rate payable on the G Fund. This proposal should be rejected by Congress all together, not just as it relates to inclusion in the highway bill.

Siphoning money from seniors on a fixed income or targeting men and women in the uniformed services to pay for our nation's highways is grossly unfair. We urge you to reject this shameless gimmick for funding our essential infrastructure and to enact a long-term reauthorization of the Highway Trust Fund with sensible and stable long-term funding.

Sincerely,

James W. Sauber
Vice Chairman, Employee Thrift Advisory Council
National Association of Letter Carriers

Attachment – ETAC Roster