Federal Managers Association

July 15, 2015

United States Senate
Washington, D.C. 20510

Dear Senator:

On behalf of the managers and supervisors serving our nation in the federal government and whose interests are represented by the Federal Managers Association (FMA), I urge you to oppose any effort to pay for transportation funding by cutting the rate of return of the Thrift Savings Plan (TSP) G Fund.

Earlier this year, the House of Representatives passed a budget plan that would modify how the TSP's G Fund is invested, sharply dropping the rate of return. While not included in the final budget resolution, this poor policy is unfortunately included in the current highway bill.

More than 90 percent of the federal employees who voluntarily contribute to the TSP have at least part of their investments in the G Fund. Our primary concern is that even if these changes to the G Fund are enacted, the savings would be nonexistent. The Federal Retirement Thrift Investment Board (FRTIB), the independent agency that administers the TSP, has challenged the projected savings of the changes proposed to the G Fund, as many employees will simply move their money to another Fund and the FRTIB will likewise utilize other funds in the lifestyle accounts they manage. The FRTIB stated these changes "would make the G Fund virtually worthless for TSP investors."

Specifically, if the proposed changes to the G Fund are made, the FRTIB would almost immediately remove the $21.2 billion currently in the G Fund as part of the L Fund to balance risk and return. Importantly, TSP participants are unlikely to keep any money in a fund that yields an interest rate of 0.01%. The current 12-month returns (April 2014-March 2015) were only 2.19 percent. Over the past 10 years, the returns averaged 3.19 percent. The projected savings estimates do not take these factors into account, and would jeapordize the value of the TSP, which is the largest employer-sponsored defined contribution plan in the United States.

At a time when federal employees continue to face diminished benefits and struggle to save for retirement, it is very concerning that this misguided proposal may be revived. I respectfully urge you to oppose any effort to reduce the already modest rate of return of the G Fund.

Thank you for your time and consideration of our views. Should you have any questions or concerns, please contact FMA's Government Affairs Director Greg Stanford at gstanford@fedmanagers.org or (703) 683-8700.

Sincerely,

Patricia J. Niehaus
National President