



# *National Association of Letter Carriers*

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**TESTIMONY OF  
JAMES SAUBER  
CHAIRMAN OF THE EMPLOYEE THRIFT ADVISORY COUNCIL  
before the  
SUBCOMMITTEE on the FEDERAL WORKFORCE, POSTAL SERVICE and THE  
DISTRICT OF COLUMBIA of the COMMITTEE on OVERSIGHT and GOVERNMENT  
REFORM, U.S. HOUSE of REPRESENTATIVES**

**November 2, 2009**

Good morning Mr. Chairman and Members of the Sub-Committee. My name is Jim Sauber. I am the Chief of Staff at the National Association of Letter Carriers, a union that represents 300,000 active and retired employees of the U.S. Postal Service. Thank you for your invitation to participate in this oversight hearing in my capacity as the Chairman of the Employee Thrift Advisory Council. ETAC, as we are known, is a 15-member body established by the Federal Employees' Retirement System Act of 1986 (FERSA) to advise the Federal Retirement Thrift Investment Board on matters related to the Thrift Savings Plan. The 15 members are nominated by organizations identified in the FERSA statute. These organizations represent federal and postal employees, both active and retired, at all levels of the U.S. government, from wage earners to senior executives. I was nominated to serve on the Council by NALC and was elected to serve as chairman of ETAC in 2003 and in 2007.

As you know, the Thrift Savings Plan is an extremely important part of the federal retirement system and is very popular among the 4.2 million federal employees and retirees who maintain TSP accounts. With more than a quarter of a trillion dollars invested in its various funds, the TSP has become one of the largest defined contribution

retirement plans in the world. Protecting these funds, which belong to the members of our unions and associations and are central to their retirement security, is the ETAC's highest priority. We also use our twice-a-year meetings with the Board to address administrative issues and service problems. At our most recent meeting on October 19<sup>th</sup>, we met with the entire board and received briefings on the new TSP website and the agencies ongoing effort to improve its Information Technology infrastructure.

I would like to raise three issues this afternoon.

First, I want to begin by thanking Chairman Lynch for your leadership on the Thrift Savings Plan Enhancement Act of 2009, which became law earlier this year. Thank you for introducing H.R. 1263 at the beginning of this Congress along with Representatives Danny Davis and Delegate Eleanor Holmes Norton and other members of both parties. All federal and postal employees, both active and retired, very much appreciate the improvements to the TSP provided in the bill, which were incorporated in broader legislation signed by the President during the summer. The authorization of immediate TSP matching contributions for new employees has already boosted participation in the TSP among younger workers and the provision for automatic enrollment will go a long way towards increasing savings rates among new employees when it is implemented next spring. We also very much welcome the new rule that will allow the spouses of deceased participants to keep inherited funds in the TSP instead of forcing them to roll them over into more expensive plans. And the hundreds of thousands of men and women serving in the uniformed armed services will especially benefit from the new Roth option provided by the law. Thanks again to all of you who supported these improvements.

As we have done since the TSP was created, ETAC constantly look for ways to enhance the TSP and to raise the level of retirement savings among federal employees. One idea this sub-committee might consider in the future is to allow federal workers to invest the dollar value of unused leave that might be forfeited or paid out as terminal leave into the TSP. Recent IRS rulings permit such deposits by workers in the private sector if their 401(k) plans provide for such deposits. At present, the FERSA law restricts TSP contributions to those taken from "basic pay," which does not include unused sick and annual leave. In order to permit these additional contributions, Congress would have to amend the law. ETAC and its organizations would support such a change.

Second, I would like to urge this Sub-Committee to use its influence to facilitate the prompt appointment and/or reappointment of members of the Federal Retirement Thrift Investment Board. At present, all five members of the Board are serving beyond their terms of office. Three of them, Chairman Andrew Saul and Members Alex Sanchez and Gordon Whiting, have expressed interest in being re-nominated while two others, Thomas Fink and Terrence Duffy, wish to leave the Board. While all five positions are Presidential appointments, by law two nominations are based on the recommendations of the Speaker of the House and the Senate Majority Leader.

Most of the organizations that make up the ETAC have supported the re-nominations of Saul, Whiting and Sanchez -- last year with President Bush and this year with President Obama. We have done so not only because we believe they have done an excellent job and have maintained excellent lines of communication with the ETAC, but also because we think it would be unwise to turn over the entire membership of the board at one time. Under FERSA, Congress intended Members to serve staggered terms to allow for continuity and institutional memory. Unfortunately, these non-partisan,

fiduciary jobs have gotten bogged down in the Presidential appointment process. While no one in particular can be blamed for this, we hope you will urge the Obama Administration to move as quickly as possible on these appointments and that you will encourage the Speaker of the House to do the same with respect to her recommended nominee.

Finally, I wish to conclude by noting that Federal and Postal employees have remained committed to the TSP despite the trauma of the current economic crisis. There is no way to sugarcoat the heavy losses experienced by many TSP participants with investments in the TSP's three equity funds during this recession. The large cap, small cap and international stock funds all declined by more than 37 percent in 2008. Although the equity markets have bounced back somewhat, many of our members have had to alter their plans for retirement as a result of TSP losses. One silver lining in the TSP was the performance of the Lifecycle Funds. Thanks to the responsible diversification offered by the L Funds, the losses from last year's meltdown on Wall Street were somewhat mitigated. Indeed, the TSP's Lifecycle funds performed much better than similar funds in the private sector. Losses in the TSP's 2010 Fund were less than half those experienced by investors in 2010 funds offered by Fidelity and Vanguard while the losses in the 2020 L Fund were a third lower.

All this experience serves to remind us of the wisdom shown by Congress when it designed FERS. TSP is just one component of a three-legged retirement stool. Thanks to the other two legs – guaranteed benefits from Social Security and the FERS Basic Annuity – the losses incurred last year by federal employees in the TSP will not be catastrophic, even for those close to retirement. Far too many workers in America have

seen their defined benefit pensions cashed out and far too many workers are now exposed to excessive market risk. Millions of workers have suffered a sickening blow to their retirement security as a result. We owe it to all of them to rebuild America's pension system once this crisis passes. FERS would be a good model to emulate.

Thank you once again for the opportunity to testify and I will be happy to answer any of your questions.