

**Statement of Senator Daniel K. Akaka
Nomination Hearing for Alejandro Sanchez, Andrew Saul, and
Gordon Whiting to be members of the Federal Retirement Thrift
Investment Board
Committee on Homeland Security and Governmental Affairs
April 10, 2008**

This hearing will come to order.

Good afternoon.

Today, the Committee on Homeland Security and Governmental Affairs meets to consider the nominations of Alex Sanchez, Andrew Saul, and Gordon Whiting to be members of the Federal Retirement Thrift Investment Board.

Since being confirmed by the Senate in 2002, you all have served on the Board and provide direction and oversight as fiduciaries of the Thrift Savings Plan (TSP). As you know, the TSP is a long-term, retirement investment fund, similar to a 401(k) in the private sector, that allows enrollees to invest in five publicly traded index funds with varying degrees of risk:

- The Government Securities Investment Fund, or G Fund with the lowest amount of risk;
- The Fixed Income Index Investment Fund or the F Fund;
- The Common Stock Index Investment Fund or C Fund;

- The Small Capitalization Stock Index Investment Fund or S Fund; and,
- The International Stock Index Investment Fund or I [Eye] Fund, which has the highest degree of risk.

At the time of your nomination hearing in 2002, the TSP was involved in a number of contentious issues including the computer modernization system. We are in a very different place today.

According to a 2006 survey of participants by Watson Wyatt Worldwide, 85 percent of respondents are satisfied or very satisfied with the TSP, whereas 68 percent of participants in private sector 401(k) programs are satisfied with their plans. More importantly, only three percent of survey respondents were dissatisfied with the TSP. Participation in the TSP has grown to over 3.8 million military and civilian participants and roughly a quarter of a billion dollars, while administration costs have remained low at approximately two basis points.

It is evident that you all have taken your fiduciary duties seriously by keeping costs low and making improvements to the Plan to ensure that federal employees have comparable benefits to the private and public sector. For example, the introduction of the

Lifecycle Funds, or L-Funds, allows participants who are not investment savvy the opportunity to improve their retirement growth potential.

In addition, you contracted with the investment consulting firm of Ennis Knupp to determine if there were any gaps in the investment options available to federal employees. In October 2006, the consulting firm concluded that the core investment structure was sound and that there were no gaps in the investment line-up for the TSP.

Looking to the future, more changes to improve the Plan are on the horizon. The Board has proposed auto enrollment of all federal civilian and military employees and making the L-Funds the default investment Fund. The Board also is looking into the possibility of adding a Roth-like plan to the available options.

However, as all of these changes are made and more options are examined, I would like to stress the importance financial and retirement literacy. Participants must be able to take advantage of the Plan's full range of options in order for it to be successful.

It is imperative that TSP participants fully understand the plan and how it works so that federal employees can prepare for their

retirement. I look forward to hearing from all of you on how you think financial literacy can be improved.