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ONE HUNDRED NINTH CONGRESS

# Congress of the United States

## House of Representatives

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July 6, 2005

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The Honorable Andrew M. Saul  
Chairman  
Federal Retirement Thrift Investment Board  
1250 H Street, N.W.  
Washington, D.C. 20005

Dear Chairman Saul:

Your appearance before the House Subcommittee on the Federal Workforce and Agency Organization on April 19, 2005, regarding H.R. 1578, the "Real Estate Investment Thrift Savings Act," provided useful information for the Members.

Your testimony indicated that the Federal Retirement Thrift Investment Board valued the potential benefits REITs may provide for the Thrift Savings Plan's investment portfolio. However, you also requested that Congress not add any additional investment options to the TSP until the Board had first retained an independent professional investment consultant to analyze and determine—in a broad and comprehensive approach—whether new investment choices, including REITs, would benefit TSP participants. TSP Executive Director Gary Amelio made the following comment at the hearing:

We did an analysis of REITs on a one-on-one basis, in other words, looking specifically at REITs directly in response to the Subcommittee's request. However, the fiduciaries have decided to now go beyond that, engage a professional investment consultant to look at the universe of investments, which would include REITs. We haven't eliminated it, we just want to look at everything in total, as I mentioned, rather than simply look at a stand alone, up or down vote on one fund. We want to look at everything."

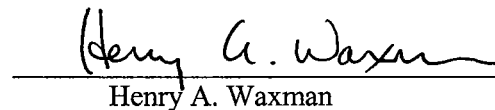
We support this approach and request that the Board retain a professional investment consultant as soon as possible. We also request that the Board provide a written report containing the findings and recommendations of this investment consultant to us by January 1, 2006. As you are aware, under the Federal Employees Retirement System Act of 1986 (P.L. 99-335), which created the Thrift Savings Plan, only Congress has the authority to add funds to the TSP. Therefore, it is imperative that Congress obtain timely and objective information from the TSP Board so it can make responsible decisions. Please inform us of the independent investment consultant you plan to retain.

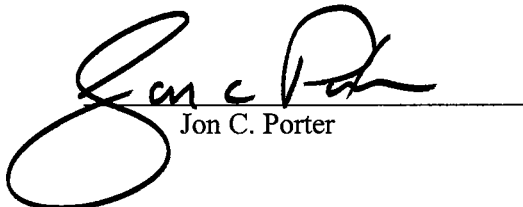
The written report should examine real estate investment trusts (REITs) as well as other possible appropriate investment choices including, but not limited to, the following options mentioned at the hearing: Treasury inflation-protected securities (TIPS), emerging market equities, growth and value indexes, commodities and high-yield debt. Please then identify a limited number of investment options demonstrating further diversification benefits to TSP participants owing to: (1) a low correlation of returns with the returns of existing TSP Funds; (2) a low volatility compared with volatilities of the existing funds; and/or (3) consistently competitive returns, net of expenses, over most reasonable retirement savings horizons.

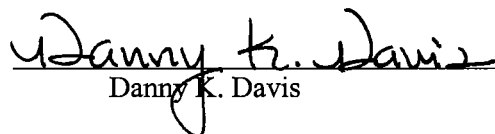
As you know, H.R. 1578 was introduced to add a REIT index option to the TSP. We look forward to the completion of the study and your legislative recommendations so that we can consider them as we proceed with this legislation, or a version of the legislation including your recommendations, in the 109<sup>th</sup> Congress. We look forward to working closely with the Board throughout this entire process.

Sincerely,

  
Thomas M. Davis III

  
Henry A. Waxman

  
Jon C. Porter

  
Danny K. Davis

cc: Gary A. Amelio, Executive Director, Federal Retirement Thrift Investment Board