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Written Statement of Clifford Dailing, Chairman Employees' Thrift Advisory Council

Before the

Oversight and Government Reform Subcommittee on Federal Workforce,
U.S. Postal Service, and Labor Policy

July 27, 2011

Chairman Ross, and members of the Subcommittee on Federal Workforce, U.S. Postal Service, and Labor Policy, thank you for allowing me the opportunity to testify today. As you mentioned, my name is Clifford Dailing, and I am the Secretary/Treasurer of the National Rural Letter Carriers' Association. This is the second time I have had the opportunity to testify before this committee. The first time I was a representative of the National Rural Letter Carriers' Association. Today, I come before you as the chairman of the Employee Thrift Advisory Council (ETAC). I was elected Chairman by my peers at our last meeting in April. Prior to becoming Chairman, I was the NRLCA's representative on the council for the previous fifteen years.

ETAC is a federal advisory committee established by the Federal Employees Retirement System Act of 1986 to give a voice to the participants in the operations of the Thrift Savings Plan (TSP). We provide advice on matters relating to investment policies and the administration of TSP. We regularly meet, usually twice a year, with the board or its Executive Director to address administrative, legislative, and service issues.

The Thrift Savings Plan is an extremely important part of the Federal retirement system and is very popular among its participants who maintain TSP accounts. Currently, fifteen unions, employee organizations, and uniformed services comprise ETAC. Our organizations represent the vast majority of the TSP's 4.5 million participants.

The Thrift Savings Plan (TSP) continues to be one of the best run, and largest defined contribution plans in the world with extremely low administrative costs. In fact, TSP administrative costs are mere cents on the dollar, making TSP perhaps the least expensive defined contribution plan in the nation. At the end of June 2011, the

TSP had roughly \$289 billion in assets. Protecting these assets is our highest priority. Contributing to the plan's current success is the TSP Enhancement Act of 2009, P.L. 111-31. A couple of notable implementations from that law include immediate agency contributions and automatic enrollment. Both of which, I believe, are reasons the TSP enjoys such a high participation rate.

Immediate agency contributions were made effective upon the signing of the act. This added benefit, in my opinion, is part of the reason we have seen a significant increase in participation levels among younger employees and new hires, increasing the levels of participation among both groups. Automatic enrollment has proven to be a huge advancement in the TSP. We have seen an immediate impact in members' participation rates. Currently, 97.4% of all new hires are participating in the TSP, with only a minimal 2.6% opt-out rate. Overall, roughly 85% of all federal and postal employees are participating in TSP. Compared with the private sector, where roughly 75% of employees are participating in available 401(k) plans, federal and postal employees are doing extremely well planning for their retirement.

As the law stands, every new hire that is automatically enrolled into the TSP plan, is pre-set to contribute 3% into the G Fund. This amount does change if participants elect to increase or decrease their contribution levels, or to opt-out altogether. Challenges still exist with respect to educating new members so they understand the TSP's role in their retirement and how it can help them financially prepare for retirement. Educating new hires about the Thrift Savings Plan continues to be a priority, but I think everyone can agree that a 97.4% participation rate is very encouraging. While I unfortunately expect the overall participation rate to drop in the months ahead, I still believe automatic enrollment has been nothing but beneficial to the TSP and its participants.

In addition to automatic enrollment, the Federal Retirement Thrift Investment Board (FRTIB) has had the arduous task of implementing the Roth 401(k) option. Originally scheduled to begin in January 2012, the plan has been delayed several months for more testing and planning. I encourage the FRTIB to speedily work towards completion of the implementation of the Roth 401(k), and give federal and postal employees and retirees an additional option to invest for their retirement needs. Mr. Chairman, I need to address the National Administration's decision to

suspend all federal employees' investments into the G-fund until the Debt Ceiling has been resolved. I, and probably other members of ETAC, have received numerous calls from concerned members who have retirement investments into the G-Fund wanting to know what will become of their retirement. This is a serious issue.

The good news for our members is TSP has been insulated from the politics of the debt ceiling. The G Fund is safe and fully protected during the "debt issuance suspension period." A law was enacted in 1987, which assures G Fund investors that they will continue to accrue earnings and their accounts will remain unaffected even during periods when the Secretary of the Treasury cannot issue G Fund securities due to the statutory debt limit. This is possible because of the "make-whole" provision [5 U.S.C. § 8438(g) (4)] contained in Public Law 100-43, the Thrift Savings Fund Investment Act of 1987. This provision ensures TSP participants who have invested in the G Fund will not lose any interest earning on their retirement investments. The G Fund account balances are exactly the same as if they were no interruption in the issuance of Treasury securities.

Despite the fact our members who have invested in the G Fund are protected, I bring up this issue out of concern about maintaining confidence in the TSP. We need to establish a better line of communication between federal agencies and their employees so that TSP participants are satisfied and have a high level of confidence during the ongoing debt issuance suspension period. In short, a dialogue needs to be started. We need to let our employees, and members, know their investments are safe and secure. All of us need to work together to create a greater understanding for federal and postal employees and retirees that their pension assets remain fully protected. This can only be done if the Administration, Congress, and ETAC maintain a line of communication among each other, and remain in contact as the Debt Ceiling is resolved.

Finally, Mr. Chairman, I urge you to proceed with caution as deficit reduction measures are debated. I fear we may see a decrease in employees' TSP contributions as congressional actions target federal employee pay and benefits as a means to reducing the deficit. Many TSP participants have already been hit with a two-year pay freeze. The impact this will have on TSP contributions is uncertain at

this point. However, a two-year pay freeze coupled with an increase in contribution rates to FERS that could exceed 5% of employees' pay, as some proposals have suggested, would, I believe, lead to a severe drop in contributions to employees' TSP accounts. I fear that federal and postal employees will plan for the present rather than invest for the future. We cannot afford to have our members reduce their TSP contributions because cost-of-living adjustments are deferred, or federal employees are required to pay a higher share of their health care costs. This could have a negative effect on our members' financial security in retirement.

Once again, thank you for giving me the opportunity to testify before you today. As I mentioned earlier, TSP is very popular among its participants, and part of the reason for that is the strong backing Congress has traditionally shown. I urge you, and Congress, to continue protecting TSP by insulating it from political and budgetary pressures. I would be happy to answer any questions you may have.

BIOGRAPHICAL SKETCH
OF
CLIFFORD D. DAILING, SECRETARY-TREASURER
NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

Clifford D. Dailing of Missouri was re-elected as Secretary-Treasurer of the National Rural Letter Carriers' Association in Spokane, Washington, on Friday, August 20, 2010. Currently, the Association represents over 110,000 members and has an annual operating budget of 12 million dollars.

Clifford began his Postal Service career at Thompson, Missouri, being hired in 1982 as a Rural Carrier Relief (RCR). He was converted to the status of Rural Carrier Associate (RCA) on April 11, 1987. On June 18, 1988, Clifford was appointed as a regular carrier on Rural Route 3 in Fayette, Missouri, after having been the successful Management Sectional Center (MSC)-wide bidder 31 miles from his home of Centralia, Missouri.

Clifford served the Missouri Rural Letter Carriers' Association in several offices from Local, District and State Secretary-Treasurer, Vice President, plus Local and Assistant State Steward.

Clifford pursued his committed desire to work for the members of the NRLCA by seeking and being elected to the position of Secretary-Treasurer of the National Rural Letter Carriers' Association at the 1996 National Convention in Charleston, West Virginia.

Clifford comes from a Postal family and a rural Missouri community of approximately 4,000. He now resides in Arlington, Virginia, as one of the NRLCA Resident Officers with his wife, Kelley, and three sons.

February, 2011

Committee on Oversight and Government Reform
Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Clifford D. Dailing

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Employees' Thrift Advisory Council (ETAC)
I serve as Chairman of the council which is a federal advisory committee established by the Federal Employees Retirement System Act of 1986, that is a voice for the participants in the TSP operations.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE

I certify that the above information is true and correct.

Signature: Clifford D. Dailing

Date: 7/20/2011