

STATEMENT OF GARY A. AMELIO, EXECUTIVE DIRECTOR, FEDERAL
RETIREMENT THRIFT INVESTMENT BOARD, BEFORE THE HOUSE
SUBCOMMITTEE ON THE FEDERAL WORKFORCE AND AGENCY ORGANIZATION
APRIL 26, 2006

Good Afternoon Chairman Porter and members of the Subcommittee. My name is Gary Amelio, and I am Executive Director of the Federal Retirement Thrift Investment Board. I am accompanied by Tom Trabucco, the Agency's Director of External Affairs.

In the early stages of planning for the hearing we were asked whether the Board member recommended by the House of Representatives, Mr. Terrence Duffy, would be available to testify. He was indeed interested in appearing before the Subcommittee. Although he was ultimately not invited, we request that his prepared statement be included in the hearing record.

The duties of the Executive Director are established by law. One such duty is to meet with the statutorily created Employee Thrift Advisory Council or ETAC. This is a duty which I find most useful and enjoyable. Since I arrived, we have held these meetings twice each year.

Before coming to the Agency nearly three years ago, I had 23 years of private sector experience in the employee benefits, tax, and fiduciary industry. Because much of it involved Taft-Hartley plans, I had a great deal of experience with union and association leaders. After five formal meetings (and other informal discussions) with ETAC members, I can state unequivocally that they are more knowledgeable about their plan and as protective of their members' retirement security as any of the employee leaders I have worked with throughout my career.

The letter inviting me to this hearing asked that I discuss the formulation of the ETAC resolution to oppose H.R. 1578. ETAC meeting transcripts (which we have provided to the Subcommittee) show that the discussion began more than two years ago at the March 24, 2004, ETAC meeting. At that time Chairman Sauber announced that he had been contacted by the REIT lobbyist who requested a meeting. As Mr. Sauber explained it, the REIT advocates wanted to make a pitch for their proposal. He told ETAC members he had an open mind and told other members they may be contacted as well.

I had also been contacted by REIT representatives for a meeting. I advised ETAC that I was also open "to listen to anything within reason" but I had sent word through their lobbyist that I did not want "a hard sales pitch." (I did state for the record my displeasure upon learning that my position had been misrepresented as refusing to meet. Nevertheless, I told ETAC that I planned to meet with the industry association representatives and lobbyists, which I did on March 30, 2004.)

The next ETAC meeting was held on November 9, 2004. Again the issue was raised, and Chairman Sauber offered to facilitate a meeting of interested ETAC members with the REIT representatives. I explained that I had personally met with the trade association's leaders and their lobbyist for two hours. I also had my senior investment staff meet with them a second time to receive further information and to invite them to present any additional information they wished to develop in writing.

I further advised ETAC on November 9 that Tom Trabucco and I had met with House and Senate staff to discuss the proposal. I again stated my openness to receiving information but cited three specific concerns: liquidity, fee structure, and setting precedent for other narrowly focused fund additions to the TSP. (I was helped at this point by an ETAC member who demonstrated her knowledge by pointing out that we already have REITs in our existing broad based domestic stock index of funds.)

The Council next met on May 4, 2005, just two weeks after this Subcommittee held a hearing on H.R. 1578. I was asked to and gave Council members a brief on what I had said during the hearing. A number of Council members voiced very strong concerns. One talked about her concern that "this set of lobbyists got to a few congressmen and were successful." Others said they viewed it as an attempt to politicize the TSP. There was general agreement that each ETAC member would consult with his or her own organization's leadership.

With regard to the resolution itself, Council Chairman Jim Sauber contacted us in late January 2006 to advise that he wanted to schedule an ETAC meeting. This is standard operating procedure since the law requires the Executive Director to meet at the request of the Council.

Tom Trabucco advised me that Mr. Sauber wanted to have a potential resolution for consideration at the meeting. Mr. Sauber had also asked that the Board's General Counsel (who also serves as the Committee Management Officer) be consulted to be certain that he was proceeding consistent with the law. I told Tom to do everything appropriate to support the Council.

The resolution was indeed developed, circulated, raised at the March 7, 2006, meeting, discussed, amended and approved. Nine Council members and three alternates were in attendance. One Council member -- the representative of the uniformed services -- abstained because of his unique situation of representing not an employee organization but the Department of Defense. From my perspective as the Federal Official to whom the Council provides its view, the Council had after two years of discussion and review, clearly stated its opposition to the REIT bill.

I am pleased to respond to your questions.