FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street NW Washington DC 20005

April 10, 2009

MEMORANDUM FOR BOARD MEMBERS SAUL, FINK, SANCHEZ, WHITING AND DUFFY

FROM: GREG LONG, Executive Director and
RENÉE WILDER, Director, Research and Strategic Planning

SUBJECT: Recommendations for Roth and Mutual Fund Window Accounts

The FRTIB recently completed the 2008 TSP Participant Survey, as well as industry research on plan design trends. This Participant Survey was specifically designed to better understand participant needs, attitudes and satisfaction with the TSP and gauge their interest in possible new features being considered for the Plan. In particular, we included questions designed to determine participant interest in adding a Roth 401(k) option and a mutual fund window.

Following these research efforts, we are making the recommendation that the FRTIB formally support proposed legislation authorizing:

1. The addition of a Roth option to the Plan.

2. The addition of a mutual fund window, as an additional investment alternative in the Plan.

Both of these initiatives are major undertakings and would require this Agency to move quickly to devote new staffing resources to project planning, Requests For Proposals (RFPs) and initiating the competitive bidding process for externally provided services.

Roth Accounts

Program Description
The addition of a Roth option will allow participants to make elective deferrals on an after-tax basis, in lieu of traditional tax-deferred contributions to the Plan. Specifically, Roth contributions are made on an after-tax basis, and qualified distributions of Roth contributions and associated earnings are tax-free.

There are benefits to permitting both Roth (after-tax) and pretax contributions to the Plan. Roth contributions will be more attractive to those participants who believe they are currently in a lower tax bracket than they will be at the time they retire. Among this group would be junior members of the uniformed services who receive minimal tax benefit from traditional, tax-deferred contributions. As such, the Department of Defense has advised that a Roth feature would be attractive to service members (see DoD letter attached). This feature might also be attractive to participants seeking tax diversification in their retirement savings, a feature supported by the Federal Judiciary (see letter from the Judicial Conference of the U.S. attached).

However, as noted above, in order to realize the advantages of a Roth account, the distribution must be "qualified," requiring the satisfaction of two requirements:

1. The participant must have attained age 59 1/2 , become disabled, or died; and

2. The participant must have at least 5 years of participation in the Roth account. This 5-year non-exclusion period begins on the first day of the first taxable year in which a participant first makes Roth deferrals to the Plan. (Note: A participant may rollover an eligible Roth 401(k) account from a prior plan. In those situations, the non-exclusion period begins with the first date of Roth deferrals to the prior plan. That date must be provided with the rollover and tracked by the receiving plan.)

The earnings portion of a non-qualified distribution from a Roth account is subject to ordinary tax (basis is recovered tax-free) and a 10% early withdrawal penalty. If only part of the account is withdrawn, non-qualified distributions must be treated as a pro-rata return of after-tax contributions (basis) and taxable earnings. In other words, the participant cannot elect to withdraw only contributions, thereby leaving the taxable earnings to be withdrawn at a later date.

Contributions to a Roth account, as well as traditional pre-tax contributions, count against the elective deferral and other Internal Revenue Code limits (e.g. $16,500 for regular contributions and $5,500 for catch-up contributions in 2009). Consequently, contributing to a Roth account will not allow a participant to contribute incrementally more than currently allowed under the IRS code. The amount of any agency automatic (1%) and matching contributions credited to the participant's TSP account will not be affected by the employee's decision to contribute to a Roth or traditional pre-tax account. However, employer contributions flow into a pre-tax account.

The inclusion of a Roth feature within the TSP will translate to some participants paying more in federal income tax than without a Roth feature. At the request of the Congress, the Congressional Budget Office (CBO) estimated the salutary effect on the budget to be approximately $2.3 billion. Therefore, the inclusion of a Roth feature in legislation is the "pay-for" that allows other features, such as FERS credit for unused sick leave, to be included in legislation that is in total, budget neutral.

Industry Trends

With Roth permanency achieved with the enactment of the Pension Protection Act of 2006 (PPA), private sector 401(k) plans have increasingly added this feature to their plans. In April 2007, a Vanguard survey reported that among 1,972 plans using the Vanguard recordkeeping system, the overall adoption rate for a Roth feature was 14%.

The adoption rate for large plans (over 5,000 participants) was 8%. The survey also noted the highest adoption rates were by plans in the business/professional services industry (21%), followed by plans in the finance/insurance industry (18%). In fact, the Vanguard survey indicated that of these plans, Vanguard was scheduled to more than double the number of plans adopting the Roth feature, by the end of 2007. Within plans that adopted a Roth feature, the number of participants who used the feature was about 5%.

In addition, the Profit Sharing/401(k) Council of America (PSCA) conducted a survey in early 2007 specific to the use of the Roth 401(k). This survey reported that 22% of plan sponsors adopted a Roth feature in 2006. The adoption rate was strongest among small plans. Among large plans (over 5,000 participants) 14% have adopted a Roth feature. Within plans that adopted a Roth feature, the number of participants that use the feature was 7% although in large plans, only 1% of participants used the feature.

Based on this research data and our ongoing discussions with sponsors (e.g. General Motors, JP Morgan, UPS, American Express) and service providers over the last 2 years, it is clear that Roth accounts are not a "fad". These accounts have real benefits that will be desired by a significant group of participants and they are here to stay.

TSP Data and Participant Feedback

In November 2008, the TSP conducted the biennial TSP Participant Survey. Participants were asked if adding a Roth 401(k) option would make the TSP better. Significant support for a Roth was reflected by 56% percent responding favorably, with only 10% indicating the addition would not be an improvement. The strongest support for adding this option was among the uniformed services participants with 63% of these respondents indicating favorable support, compared to only 8% indicating that the feature would not be an improvement to the Plan.

In an effort to gauge respondents' understanding of the implications of using a Roth option, respondents were asked how they expected their current tax rate to compare to their tax rate, post-retirement. Thirty nine percent indicated that they expect their tax rate to be lower in retirement, with only 20% noting a higher expected tax rate. Of note, 54% of respondents who expect their tax rate in retirement to be above their current rate say they would take advantage of the tax benefits of the Roth and make a contribution to a Roth 401(k). However, 44% of those expecting their tax rate to remain the same indicated they would contribute and 43% of those indicating an expectation for a lower tax rate in retirement agreed that they would also contribute to a Roth 401(k), even though the contribution would be disadvantageous on a tax basis.

While participants may be interested in the addition of a Roth 401(k) option to the plan, survey results clearly indicate a lack of understanding of the tax implications of contributing to a Roth. Should the Roth option be added to the Plan, the argument for offering participants financial (tax-planning) advisory services is greatly enhanced. In that regard, 51% of respondents indicated they would need assistance before making the Roth 401(k) investment decision. Thirty-five percent indicated they would want the TSP to provide this service, at an additional cost to participants (with 30% indicating they would not support the addition of this service).

Agency Feedback
The addition of the Roth feature will require payroll and personnel offices to significantly modify both procedures and systems. When the addition of the Roth feature was first examined in June 2007, we issued a detailed memorandum on how the FRTIB would structure a Roth feature and the impact we anticipated it would have on these offices.

Feedback from that survey was generally unfavorable, with concerns largely focusing on the massive implementation efforts required and participant communication challenges. Several offices made clear that they anticipate significant programming challenges, especially with their online enrollment programs and with the W-2 tax reporting and correction process. They noted that the post-implementation period would likely be difficult to manage with significant complaints, adjustments, and programming modifications.

More recently, at a March meeting of agency representatives, the above concerns were again expressed. However, the representatives generally noted that these issues could be overcome, but that the implementation period would have to be long enough (1 to 2 years) to provide them sufficient time to address the numerous procedural and complex system changes required for the introduction of a Roth feature.

Cost
We would need to make substantial modifications to the TSP recordkeeping, accounting and payroll interface systems to accept and properly track Roth contributions and distributions. Of note, changes to the OMNI, PowerImage and accounting (Savantage) systems are estimated to require over 1,700 hours.

Further, significant changes would also be required by each functional area (contributions, loans, withdrawals, etc.) in the TSP system. The TSP Website, ThriftLine, and participant annual and quarterly statements would also need to be modified to separately reflect Roth contributions and earnings from traditional pre-tax contributions and earnings. Changes associated with custom applications are estimated to require over 5,200 hours. Finally, testing of the systems changes being implemented are estimated to require over 3,500 hours.

We estimate the cost for the above changes to be approximately $1.3 million. This amount is lower than the 2007 estimated cost range of $2 million to $3.5 million, reflecting the implementation of Sungard OMNI Plus systems enhancements in the interim period. The fact that Sungard has incorprated Roth account capabilities into its core recordkeeping software is an important change that reduces our proposed implementation costs.. Probably more importantly, it demonstrates that the largest provider of pension software is convinced that it must build Roth capacity into its core functions. This speaks loudly to the question of Roth permanence in the industry. It should also be noted that the costs detailed here only reflect FRTIB costs and do not address those costs which will be borne by the agencies and uniformed services for modifications of their systems and procedures.

Finally, enrollment forms, tax notices and loan forms will require significant changes. Participant education and communications materials will have to be developed or modified for the Roth. In addition, a DVD would likely be developed to augment the print and web communications. These costs are estimated to total approximately $5 million.

As noted earlier, the introduction of a Roth entails making a tax planning decision. Per the Participant Survey, we have determined that a significant portion of participants see a need for financial and tax advisory services to facilitate making the decision to use a Roth feature. The costs discussed above have not incorporated any component associated with offering and integrating advisory services into the TSP (principally the call center). The exact cost and structure of such services would be determined through a competitive bidding process. However, preliminary conversations with third-party providers of tax advisory services, we estimate the first year costs of adding these services to be $4 - $6 million and moderating to $1.5 - $2.5 million thereafter.

Supporting Arguments
Arguments supporting the addition of a Roth feature include:

- With the passage of the PPA, the Roth 401(k) feature is increasingly being added by private sector plan sponsors. This market acceptance is supported by the findings of strong support for the feature in the TSP's Participant Survey. In the near future any plan claiming "best-in-class" status must have a Roth feature.

- Federal income tax rates are low relative to historical averages and many people expect rates to increase in the future. Additionally, even if Federal income tax rates do not increase, they are at the least unpredictable. Consequently, offering an opportunity for tax diversification may be wise.

- Young and lower-paid employees are in the lowest tax brackets, and their current tax liability is small. Therefore, the deduction offered by the traditional pre-tax arrangement is of less value to them than to employees in their prime earning years. These employees will likely earn far more later in life. Even in retirement, they are likely to be paid more than they are currently earning. Therefore, even if tax rates remain unchanged, a Roth account offers significant advantages to young and lower paid employees.

- A Roth feature is particularly well-suited for members of the uniformed services. In addition, the Roth will accommodate the ability for combat pay and possibly other pre-tax military special pay to be invested in a Roth account and have tax-free earnings growth. We have had mixed success in encouraging TSP participation among the uniformed services, consequently we view the Roth account as a "*game-*

changer" in broadening the appeal of the TSP within the uniformed services.

- Employees at the highest end of the income bracket are ineligible to use a Roth IRA because eligibility is capped at $105,000 of adjusted gross income (AGI) for single filers and $176,000 AGI for joint filers. Since the income limit does not apply to Roth "401(k)" accounts, a Roth within the TSP is the only way these employees can access these features. For some highly compensated Federal employees who expect that their income will not decrease in retirement, such as some Federal judges, a Roth feature offers a meaningful benefit.

Opposing Arguments
Arguments against the addition of a Roth feature include:

- Adding a Roth feature to the TSP will be a major undertaking from an operational, educational and coordination standpoint. The changes required to each agency's or uniformed services' personnel and payroll systems are quite significant. Major and costly changes will also be required for the TSP recordkeeping system, accounting systems, payroll interface system, and participant communications. Most of these costs will be incurred without knowledge of how many participants will actually take advantage of the addition of the Roth account.

- The TSP is a plan that is widely understood and appreciated because of its simplicity. The addition of a Roth is not simple. For most participants, choosing between pre-tax and post-tax contributions is complicated and they have indicated the need for tax advisory assistance. The addition of these services would add yet another layer of complexity to the Plan.

Conclusion
When the addition of a Roth to the TSP was reviewed in 2007, the final recommendation was to not seek legislation at that time for the addition of a Roth feature, but to revisit the option within the next two years. This subsequent review has taken place and changes in the environment have been recognized and noted. Consequently, we are recommending that the Board seek legislation permitting the Executive Director to add a "Roth 401(k)" feature to the TSP. The Roth feature has gained "traction" in the private sector, and the TSP Participant Survey results indicated a strong interest in having this feature added to the Plan. With the introduction of the Roth, the TSP should solicit bids for integrating advice services in support of strengthening participant understanding and utilization of the feature. The Roth feature would provide a meaningful new benefit to the uniformed services that is likely to increase the popularity of the TSP among this group. The benefit to other, lower-paid employees and participants seeking tax diversification is also significant. We recommend that the Board seek legislation authorizing the addition of a "Roth TSP" option to the Plan, which will consequently allow participants to make after-tax deferrals to the TSP.

Recommendation
We recommend Board seek legislation authorizing the Executive Director to add a "Roth 401(k)" feature to the TSP.

Mutual Fund Window

Program Description
Over the last ten years, many governmental and private sector 401(k) plans have added self-directed investment alternatives to their plans (e.g. IBM, Chevron, Invesco, Virginia Retirement System, Montgomery County, CalSTRS, New York Deferred Comp). Typically, these options have been in the form of either a full-service brokerage window or a scaled-down version generally referred to as a mutual fund window. The brokerage window typically allows participants to select investments from a list of publicly-traded securities and mutual funds. The mutual fund window limits access to only a broad range of mutual funds. We have only considered the introduction of a mutual fund window, as there has been no meaningful interest expressed in having access in the Plan to individual securities that can be traded intra-day.

The way such a program is normally structured, the mutual fund account would exist as a single separate investment option in the Plan's recordkeeping system. Once dollars are transferred to this option, they are thereafter settled to the selected broker platform where they become available for the participant to execute buy/sell orders. The total value of the participant's holdings is reported from the broker platform back to the Plan's recordkeeping system..

These brokerage platforms are offered by several companies, including (but not limited to) some familiar retail brokerage names:

- Ameritrade (over 13,000 funds)
- Schwab (over 10,000 funds)
- State Street Global Markets (nearly 9,000 funds)
- E*Trade (over 7,000 funds)
- Pershing (over 2,800)

Typically, these self-directed accounts have been most appealing to a small number of vocal participants who demand access to a much wider range of investment choices than are in the plan's core investment options. In the 401(k) arena, as plan sponsors became progressively more uncomfortable with increasing the number of core investment options for their plans, they turned to adding the brokerage or mutual fund window as a method to add investment flexibility.

Typically, plans offering mutual fund windows will charge any participant accessing this option a monthly or quarterly fee. This fee is designed to cover the cost of setting-up/administering the feature and is assessed against the account balances of only those participants utilizing the mutual fund window. In addition to this set-up/maintenance fee, the participant will bear whatever the trading fees and other costs charged by the mutual fund window provider. We anticipate instituting a monthly charge (to be determined) against the account balances of only those participants accessing the mutual fund window, which covers the TSP costs for setting-up and maintaining this feature.

Industry Trends

Offering access to brokerage or mutual fund windows in private sector 401(k) plans has become increasingly common over the last several years. The 2007 survey of 1,011 plans by the Profit Sharing/401(k) Council of America (PSCA) indicated that 5.3% of 401(k) plans offered self-directed mutual fund windows and 15.6% offered self-directed brokerage windows. In Vanguard's How America Saves 2008 Survey (2,200 plans surveyed), 11% of plans offered self-directed brokerage windows.

However, when you examine utilization of these options, it becomes quite apparent that this feature is only used by a very small percentage of participants. Specifically, the PSCA survey noted that only 0.5% of total year-end (2007) balances were invested in the mutual fund window and 0.6% was invested in the brokerage window. Similarly, the Vanguard survey indicated that only 1% of participants were actually using the self-directed brokerage window. While the mutual fund window provides considerable investment flexibility to defined contribution plan participants, the percentage of participants actually utilizing this feature is quite small.

Our discussions with industry consultants and experts indicate that there is growing agreement on the "ideal" 401(k) investment structure. Generally, this structure includes a small group of broadly diversified core funds representing the major asset classes, a series of target date funds, and a self-directed brokerage or mutual fund window. This design is seen as the best way to provide sufficient diversification without confusing participants, while still meeting the needs of the most investment-savvy participants. In adopting the mutual fund window, we are keeping the TSP aligned with the best thinking in the employee benefits world.

TSP Data and Participant Feedback

In the 2008 Participant Survey, respondents were asked if adding a mutual fund window would improve the Plan. Thirty nine percent of overall respondents (46% for the uniformed services) responded favorably, while 19% indicated the plan would not be improved by the addition of this feature.

Approximately 24% of overall respondents (30% for uniformed services) indicated they would transfer a portion of their account balances to access the mutual fund window. However, only 10% indicated a willingness to pay an annual fee of $100 in order to utilize the mutual fund window.

Once again, participants indicated the preference for professional advice, as 50% of respondents affirmatively indicated a need for professional investment advice in order to use a self-directed mutual fund window. However, indicative of their price sensitivity, only 10% noted a willingness to have their account balances charged for this service.

Costs

The Serco team is developing preliminary cost estimates for implementing the mutual fund window. Since this project will include creating a new fund in the recordkeeping system, we may avail ourselves of cost saving opportunities by combining the project with the launch of the L2050 Fund at the end of 2010. As of the writing of this document, those estimates were not yet available, but are expected to be received prior to convening of the Board.

In addition to the systems enhancement costs, TSP-generated education materials will have to be modified, as well as participant statements and forms. We do not anticipate introducing the mutual fund window with a broad-based "campaign". A new brochure on the TSP Website Mutual Fund Window will need to be created and existing print materials will need to be modified to incorporate the feature, but no large-scale mailings are planned and/or no DVD will be produced. The L Funds DVD which is currently being updated will have to be revised as well. The forms and communications costs are estimated to be not more than $2 million. The cost of updating the DVD is not known.

Supporting Arguments

The addition of a mutual fund window would:

- Meet the desire expressed by participants in the 2006 and 2008 Participant Survey for more investment alternatives by allowing participants the flexibility of accessing a platform offering a broad spectrum of publicly traded mutual funds and the ability to trade those funds without TSP restrictions.

- Provide a mechanism for people seeking greater diversification (e.g. active management, sector funds, socially responsible investing, etc) to move funds into these investments. Further, providing access to these investments may address some of the interest of external parties (including political leaders) in the TSP broadening its core investment offering – thus providing a mechanism for greater diversification without complicating the structure of the Plan.

- Allow the Mutual Fund window to be a "proving ground" that will help us determine when participant desire for certain asset classes warrant inclusion as a new core fund.

Opposing Arguments

Arguments opposing the addition of a mutual fund window include:

- Introducing another element of complexity to the Plan. The addition of the mutual fund window would require considerable additional education and as noted in the Participant Survey, an appetite for investment advice.

- The resources and cost of making the systems and communication related modifications to add a mutual fund window are not worth it given that this is an option that will likely only be used by a small percentage of TSP participants.

- Enabling some participants to make very detrimental investment decisions, such as picking high-cost, highly volatile mutual funds, and thereby damaging their ability to secure a comfortable retirement.

Conclusion

The addition of a mutual fund window will be an appealing feature to participants who seek more specialized or sophisticated TSP investments. It will also allow participants to invest in funds that may better match individualized risk tolerance (e.g. REITS, precious metals) or particular interests (e.g. environmentally- and socially-responsible funds, minority fund manager, etc). Further, users of this feature will bear the administrative costs for access to the window, while the majority of participants will continue to be served by the simple, broad-based line-up of TSP investment options. Consequently, we are recommending that the Board seek legislation to allow the addition of a mutual fund window to the TSP.

The Employee Thrift Advisory Council has expressed a concern that participants not be permitted to place all or most of their retirement savings in higher-risk investments. Thus, we propose limiting access to the window to 50% or less of individual account balances, subject to further discussions with ETAC. While most 401(k) plans allow unlimited access to the mutual fund window, implementing this restriction in the TSP will ensure that a core of assets remains in the low-cost primary investment options.

Recommendation

We recommend that the Board seek legislation authorizing the addition of a mutual fund window, which will allow participants to access a wide variety of publicly-traded mutual funds.

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 20 2008

The Honorable Andrew M. Saul
Chairman
Federal Retirement Thrift Investment Board
1250 H Street NW
Washington, DC 20005

Dear Mr. Saul:

Thank you for your interest and continued support for increasing participation by military and Federal employees in the Thrift Savings Plan (TSP). The Department recognizes the valuable benefit TSP offers, and we constantly strive to increase participation rates.

The proposed legislation would make enrollment in TSP automatic for new military members, and Federal employees, with the option to affirmatively opt-out. It would also make an age-appropriate Lifecycle Fund (L-Fund), rather than the Government Securities (G-Fund), the default fund, absent an election to invest in a different fund.

The Department thoroughly reviewed the proposed legislation. We agree that default automatic enrollment should be authorized; however, we believe that the proposed legislation should grant the head of each Federal agency the discretion to determine whether to implement default automatic enrollment in the agency. We also believe the default fund should remain the G Fund, which has no risk of loss of principal.

The Department requests a provision be added to the proposed legislation to allow TSP to offer a "Roth TSP" account similar to the "Roth 401k" account that private employers are now authorized to offer. A Roth TSP account option would offer significant benefits to many military members, especially those deployed to combat zones as well as our most junior members. If given that option, we are confident that the Department of Defense would implement default auto enrollment into Roth TSP accounts.

Separately, we have reviewed the TSP Board's proposal limiting interfund transfers (ITF) to two per month, with a provision to allow any participant, on any day, to transfer assets to the Government Securities Investment Fund (G-Fund). We have no objection to this proposal.

Again, thank you for the investment options TSP provides to Federal employees and military members. The Department looks forward to working with you and your staff to ensure enactment of the best possible TSP legislation. My point of contact is MAJ John Johnson, (703) 693-1066.

Sincerely,

David S. Chu

JUDICIAL CONFERENCE OF THE UNITED STATES

WASHINGTON D.C. 20544

THE CHIEF JUSTICE
OF THE UNITED STATES
Presiding

LEONIDAS RALPH MECHAM
Secretary

March 21, 2006

Mr. Gary A. Amelio
Executive Director
Federal Retirement Thrift
Investment Board
1250 H Street, NW
Washington, DC 20005

Dear Mr. Amelio:

I am writing, as Secretary to the Judicial Conference of the United States, to request that the Federal Retirement Thrift Investment Board (hereinafter referred to as the "Board") seek legislation that would authorize the establishment of a Roth 401(k)-type option for Thrift Savings Plan (TSP) participants.

It is the understanding of the Judicial Conference that the Board has concluded that section 617 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16 (which authorizes employers in the private and nonprofit sectors to offer their employees the opportunity to make Roth 401(k) deferrals) does not apply to the TSP. Congress would have to specifically amend the TSP's organic statute to authorize the Roth TSP option.

By authorizing a Roth 401(k) option for private and not-for-profit employees, Congress has created an important benefit for those employees. Some of these employees might have been ineligible in the past to contribute to a Roth IRA because their incomes were too high. As you no doubt know, these restrictive income limitations do not apply to Roth 401(k) plans. For those employees who were fortunate enough to establish a Roth IRA, they could contribute no more than $4,000 (or $5,000 if the employee is age 50 or older) annually to their accounts. Under a Roth 401(k) plan, these employees may contribute up to $15,000 annually (or $20,000 if the employee is age 50 or older). It is only fair that federal employees should have this same investment opportunity.

In the view of the Judicial Conference, a Roth TSP option has the potential to be beneficial to nearly all categories of federal employees. Because contributions to a Roth TSP account would be taxed at the time of contribution (and <u>not</u> withdrawal), this option would be especially attractive for federal employees such as judges who expect their income to increase over time, putting them in a higher tax bracket in the future. Many of these employees would probably rather contribute to a Roth version of the TSP than the traditional version, especially since income taxes are probably lower now than they will be in the future.

The Roth TSP option would also be beneficial for younger federal employees who may be paying a modest amount of federal taxes now, due to large tax deductions for childcare and/or home-ownership. By contributing to a Roth as well as a traditional TSP account, this category of employee can "diversify" their tax exposure prior to retirement. In this way, they can avoid the risk of paying unduly high taxes on their traditional 401 TSP assets when they are required to make mandatory withdrawals from their accounts (which will likely be at a time the employee has fewer tax deductions). Many of these employees are probably unaware of the potential impact of required distributions on their future tax liability.

While the Judicial Conference understands that the establishment of a Roth TSP option could be administratively burdensome, it would be unfair to deny judges and employees such a potentially valuable benefit for that reason alone.

Federal employees are a well educated and sophisticated group. In recent years, they have had to make choices about flexible benefits and long-term care insurance. There is no reason to believe that they could not choose wisely between the Roth and traditional TSP options.

In closing, I hope that you will seriously consider my request and that you will act favorably on it. I look forward to hearing from you as soon as possible on this matter.

Sincerely,

Ralph Mecham

Leonidas Ralph Mecham
Secretary

cc: Honorable D. Brock Hornby
Honorable Irene M. Keeley
Honorable Richard A. Schell
Honorable Thomas L. Ambro
Honorable David A. Ezra
William R. Burchill, Jr.
Charlotte G. Peddicord
Steven M. Tevlowitz