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NOMINATIONS OF HON. ANDREW M. SAUL, HON. ALEJANDRO M. SANCHEZ, AND HON. GORDON J. WHITING

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON THE

NOMINATIONS OF HON. ANDREW M. SAUL TO BE CHAIRMAN, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD; HON. ALEJANDRO M. SANCHEZ AND HON. GORDON J. WHITING TO BE MEMBERS, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

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NOMINATIONS OF HON. ANDREW M. SAUL, HON. ALEJANDRO M. SANCHEZ, AND HON. GORDON J. WHITING

THURSDAY, APRIL 10, 2008

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:14 p.m., in Room SD–342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, presiding.

Present: Senators Akaka and Voinovich.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. The hearing will come to order. I want to welcome our witnesses, especially my colleagues, the Senators who are here. I would like at this point in time—Senator Voinovich, do you want to go first and make a statement?

Senator VOINOVICH. No. That is fine.

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

Mr. Saul, currently serving as Chairman of the FRTIB, is a general partner in the firm of Saul Partners, a diversified investment firm, and the director of Cache, Inc., a specialty retailer of women's apparel in New York.

Mr. Sanchez is currently the President and CEO of the Florida Bankers Association.

And Mr. Whiting is the Managing Director and Partner of Angelo, Gordon and Company, LLP, in New York, and a graduate of Columbia Business School.

I see that Senator Nelson and Senator Martinez are here to introduce Mr. Sanchez, and I also know that my Ranking Member is also tight for time. And so I would like to ask that my Ranking Member go first, and then I will have the two Senators introduce Mr. Sanchez.

[The prepared statement of Senator Akaka follows:]

OPENING PREPARED STATEMENT OF SENATOR AKAKA

This hearing will come to order.
Good afternoon.

Today, the Committee on Homeland Security and Governmental Affairs meets to consider the nominations of Andrew Saul, Alex Sanchez, 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.

Acording 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 3 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 of 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 the 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.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Mr. Chairman.

First of all, I want to thank each of you for your service. I am going to ask that my opening statement be made part of the record so that we can hear from Senator Martinez and Senator Nelson.

Senator AKAKA. It will be made part of the record.

[The prepared statement of Senator Voinovich follows:]

PREPARED STATEMENT OF SENATOR VOINOVICH

Good afternoon. Chairman Akaka, thank you for calling today's hearing to consider the nominations of Mr. Saul, Mr. Sanchez, and Mr. Whiting to the Federal Retirement Thrift Investment Board.

First, I would like to thank each of you for your service during the previous five years and for your willingness to serve another term.

The Federal Retirement Thrift Investment Board holds the fiduciary responsibility for the Thrift Savings Plan for Federal employees. With combined assets ex-

ceeding $222 billion (as of February 2008), it is the largest defined contribution plan in the world.

We all know too well the challenges facing the Federal workforce: 60 percent will be eligible to retire within the next 5 years, including 90 percent of the Senior Executive service. According to the Partnership for Public Service, the government will need to hire 193,000 new people to fill mission critical jobs in the next 2 years. These challenges no doubt will have an impact on the Board as the number of participants and the size of the plan continually increases.

As a nation, we face a challenging financial future. Troubles in today's economy significantly impact the TSP. For example, TSP participants lost approximately $8 billion from December 2007 to February 2008.

Additionally, individual Americans' financial situations are not necessarily better. The most recent Federal Reserve survey of Consumer Finances estimated the average credit card debt was $5,100. Furthermore, and the Department of Commerce has identified a worrisome trend of a negative personal savings rate.

Chairman Akaka, it is fortunate that we are holding this nominations hearing in April, which is Financial Literacy Month. I know this is an important issue for you, and that the board plays a key role in educating our Federal employees on retirement planning.

I look forward from hearing from the nominees on the successes they have achieved during their first term as Board members and how they will meet challenges ahead.

Thank you.

Senator AKAKA. Thank you very much. And I know you have busy schedules, Senator Nelson and Senator Martinez, and I would ask you to make your introductions at this time.

TESTIMONY OF HON. BILL NELSON, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator NELSON. Mr. Chairman, it is a pleasure. You have already noted that Alex Sanchez is the CEO of the Florida Bankers Association, and I think one of the strongest recommendations that I could give for him is not only what we know about him in Florida and those credentials which we testified about here when he was first confirmed to this Board, but the fact that these Board members seated at this table all get along so well and have brought order out of chaos that had previously been on this Board, and as a result of not only their professionalism but their personal relationships in working together, you now have a functioning Board in what the law intended. And so I think that is about as good a recommendation that I could give not only for Alex Sanchez but for his colleagues as well.

Senator AKAKA. Thank you very much, Senator Nelson. Senator Martinez.

TESTIMONY OF HON. MEL MARTINEZ, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator MARTINEZ. Thank you, Mr. Chairman, and thank you, Senator Voinovich. I am delighted to be here once again to recommend Alex Sanchez to the Committee.

I share a similar background with Mr. Sanchez. We both immigrated to this country. We both love America. He exhibited that love of his country by being a member of the Air Force and serving the Nation in that way.

Alex Sanchez is one of those people who has an infectious enthusiasm for everything that he does. He not only is a terrific president of the Florida Bankers Association where he does a tremendous job of representing the interests of Florida bankers—they love

him; they know what a tireless worker he is—but he also serves his State on the Florida Schools of Excellence Commission and, of course, is willing to now serve another term in this very important Board, Federal Retirement and Thrift.

I am impressed by his willingness to serve, and I know he will continue to do the great job that he and his colleagues have obviously been doing. So I am delighted to be here for him today, and I am delighted to join with my colleague, Senator Nelson, in presenting Alex Sanchez to the Committee once again and wish him well in hopeful second term.

Senator AKAKA. Well, I thank you, Senator Martinez and Senator Nelson, for your support.

Senator NELSON. Thank you.

Senator AKAKA. Since being confirmed by the Senate in 2002, you all have served on the Board and provided direction and oversight as fiduciaries of the Thrift Savings Plan (TSP). At the time of your nomination hearing in 2002, the TSP was involved in a number of contentious issues, including the computer modernization system, and we are in a very different place today.

Over the past 5 years, changes have been made to improve the investment options for participants, the administration of the plan, and the participation within the TSP. Most recently, the Board decided to limit the number of inter-fund transfers for participants from unlimited transfers per month to two transfers per month, with unlimited transfers to the G Fund.

While I understand this is not uncommon among private sector plans, we have worked hard over the past few years to give participants more flexibility in managing their TSP accounts, and I am interested in hearing more about the need for this regulation to restrict participants' ability to freely manage their retirement funds.

As you may know, April is Financial Literacy Month, and I am a strong proponent of improving financial literacy. As more changes are made and more options are examined, I believe the plan's success relies heavily on properly educating the participants.

It is imperative that Federal employees be educated in their investment and benefit options in order to make sound financial decisions, avoid unnecessary pitfalls or setbacks, and secure their retirements. TSP participants must fully understand the plan and how it works to prepare for their retirement.

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

I would like at this time to ask Senator Voinovich—I know he did ask that his statement be placed in the record—whether he wanted to make any statement at this time.

Senator VOINOVICH. All I want to say is that I have had a very good relationship with the TSP Board. We have the folks in to talk about opening up some new accounts, and I think that they have acted responsibly, and you folks have a very heavy burden on your shoulders because your decisions are going to have a lot to do with the retirement of our Federal workers, and I think that the issue of educating our Federal workers as much as possible is something that you ought to work on as aggressively as possible because we know we are going to be losing a lot of people through retirement. And I think that you ought to crank up in anticipation of that so

that folks really understand it, maybe have seminars around the various offices so that folks really know what options are available to them so that they can make good decisions.

Thank you.

Senator AKAKA. Thank you. The rules of this Committee require that all witnesses at nomination hearings give their testimony under oath. And, therefore, I ask that the witnesses please stand and raise your right hand. Do you solemnly swear that the testimony you are about to give this Committee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. SAUL. I do.

Mr. SANCHEZ. I do.

Mr. WHITING. I do.

Senator AKAKA. Thank you very much.

Let the record note that the witnesses responded in the affirmative.

At this time I understand there is a vote on the Floor, and so I am going to call for a recess. We will run over there and vote, and I will be right back. So thank you very much for your patience.

The Committee is in recess for a few minutes.

[Recess.]

Senator AKAKA. The Committee will be in order. I want to commend you for your patience. [Laughter.]

I look forward to your testimony.

I understand that the witnesses have some family and friends in the audience, and I want to give you the opportunity to present them formally to the Committee. So let me start with Mr. Saul.

Mr. SAUL. It is just myself.

Senator AKAKA. Mr. Sanchez.

Mr. SANCHEZ. Thank you, Mr. Chairman.

First of all, let me just say that when you enter our house, my home, Mr. Chairman, your photograph is there with my two daughters and my wife—from 5 years ago. Unfortunately, as your children get older, you cannot control their schedules that much. My youngest daughter's tennis high school championship is today, so she could not make it. And my oldest daughter has finals. She graduates from college this month. My wife stayed behind with them, so they cannot be here. But I want to say, sir, that my 77-year-old mom, Hilda, is here behind me.

Senator AKAKA. Welcome.

Mr. SANCHEZ. And my friends Rick and Sheryl Lee are also here from Florida, sir.

Senator AKAKA. Welcome.

Mr. SANCHEZ. So it is great to have them here, Mr. Chairman.

Senator AKAKA. Well, thank you very much. Good to see all of you, and please pass my best regards to your family. I really appreciate that.

Mr. SANCHEZ. Thank you, sir.

Senator AKAKA. Mr. Whiting.

Mr. WHITING. Thank you, Mr. Chairman. Today I am joined by my father, William G. Whiting, and I am very glad that he can be here. Thank you.

Senator AKAKA. Thank you. Welcome. Good to have all of you.

Well, again, I am happy to have you here, and I am looking forward to your opening remarks. So let me call on Mr. Saul.

TESTIMONY OF HON. ANDREW M. SAUL[1] TO BE CHAIRMAN, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Mr. SAUL. Mr. Chairman, first I would like to say I am very proud to be here again sitting before you, and I thank you very much for holding this hearing.

Mr. Chairman and Members of the Committee, my name is Andrew M. Saul. Since my confirmation by the Senate in November 2002, it has been my privilege to serve as Chairman at the Federal Retirement Thrift Investment Board. I am appearing today with my colleagues on the Board and fellow nominees, Gordon J. Whiting and Alejandro Modesto Sanchez. We thank you for holding this hearing today.

When my colleagues and I appeared before you for our previous confirmation hearing on November 15, 2002, you were very direct in advising us about the challenges we faced at the Board. You described an institution with a failed modernization program, terminated contracts, and multiple lawsuits. Disagreements between the former leadership and Executive Branch departments were very public and combative. You further noted the lack of useful information on the TSP website. Your candor was appreciated and extremely useful as we set out about getting the Board back in the business of providing retirement security to Federal employees and members of the uniformed services.

In an orderly and businesslike fashion, during open public meetings, this Board attended to the problems you cited. We worked with the senior career staff to put the new recordkeeping system in operation just 6 months after taking office. We hired a new executive director who settled the lawsuits. We improved the TSP website and have made it, along with our toll-free telephone service centers, the gateways for service and up-to-date information.

The TSP today is a very different plan than it was in 2002. We transact business on a daily-valued platform and have built in redundancies to ensure continuity of business. We introduced the new life cycle funds which provide automatic, professionally designed asset allocation. Participation has grown from 3 million to 3.9 million individuals, and balances on accounts have increased from $98 billion when we arrived to $223 billion today. All of this and more has been accomplished at the same time that costs to participants have declined from seven basis points, 70 cents per $1,000 of account balance, in 2002 to one and a half basis points, 15 cents per $1,000, in 2007.

During our 2002 confirmation hearing, you noted that the TSP website did not include information regarding Board member or governance activities. That has been remedied, and we now also include information on the Employee Thrift Advisory Council and their meetings. As for other useful information, if you look at our home page this month, you will see a scrolling marquee drawing attention to the fact that April is Financial Literacy Month.

[1] The prepared statement of Mr. Saul with an attachment appears in the Appendix on page 17.

Mr. Chairman, the Akaka amendment to the TSP Open Enrollment Act of 2004 refocused attention on this critical area. We now file a report annually with the Committee to report our ongoing efforts regarding financial literacy. So far this year, agency staff has scheduled 305 educational sessions, including 55 for agency and service representatives and 250 employee briefings. Eighteen of the latter are major conferences and benefits fairs, including one scheduled for Legislative Branch employees later this month.

Finally, Mr. Chairman, we are all very pleased that TSP participation by members of the uniformed services has grown from 282,000 to 602,000 since we took office. We made special efforts to work with the services in this regard and will continue to do so. The TSP is so well conceived and designed by Congress—and this Committee in particular—it has been called "possibly the best single savings vehicle in America today" by legendary Vanguard Mutual Fund founder John Bogle. We agree, and we pledge, to continue to do all that we can to keep it attractive and useful to the fine men and women who serve our Nation.

I appreciate the opportunity to appear before you and to serve those who have served us all so well. And, Senator, if I may just say on a personal note, in my varied career—which has been very varied—I have been involved in, fortunately, many different things and most of them successful. This public service that you have afforded me, this opportunity to serve our Nation and give back something, is one of the things I am truly, sincerely most proud of. I feel that with myself and my fellow Board members who appear before you and the staff, we have really made this a first-class agency, and it is one of the most important things that I have done in my life. And I thank you, Senator, for giving me this opportunity and hope you will afford me that opportunity going forward.

Thank you, sir.

Senator AKAKA. Thank you very much, Mr. Saul.

Mr. Sanchez, please proceed with your statement.

TESTIMONY OF HON. ALEJANDRO M. SANCHEZ TO BE A MEMBER, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Mr. SANCHEZ. Thank you, Mr. Chairman. And again, Mr. Chairman, I want to start with Mr. Saul's last comment. Five years ago we received confirmation from this Committee and then the full Senate, and as I said to you 5 years ago, sir, as an immigrant to this country, I cannot tell you what an honor it is for my family and for myself to serve our government in this capacity. Along with Mr. Whiting and Mr. Saul, we have really put our heart and soul into this, taking the time to make sure that we are there to properly give this agency the time that it required in service to our Nation, sir. And it is a tremendous honor for us. That honor has not faded. It has not been watered down. It is as strong today as it was 5 years ago, and, again, I ask you, sir, if we are afforded the opportunity for a second term, I assure you, sir, that the three of us will continue to work very hard for the agency.

It has been a great 5 years, Mr. Chairman. I think we have a lot of things positive that have been done, and I think that from a personal perspective, Mr. Whiting and Mr. Saul—the three of us feel very strongly about the benefits of this great plan that this

Congress has afforded those Federal workers and men and women in the military, what we feel very proud about is that this plan has reached and penetrated deeper and deeper—every month the numbers go up for those who are serving our country at this hour. I think that is very important because those courageous men and women serving in uniform, defending our Nation, really need to benefit from the TSP.

When the numbers come in every month at the Board meeting, we see that we have reached over 50 percent in the Navy in active duty, sir. A third of the Marine Corps are now in this plan. Over a third of the Air Force active duty is participating. Over a third of the Coast Guard and over 25 percent, a quarter, of the Army is participating. The three of us really feel like we have really done something here to help those courageous men and women. So that for us is a big thing that means a lot to us personally to make sure that this plan—because these men and women are all over the world and, we have done the marketing pieces, we have improved the website, to make sure that the word gets out not only to those courageous men and women in our armed services, but the Federal workers as well so that they will realize the benefits of the TSP and their participation numbers will continue to rise as well.

But, we have things like the life cycle funds, Mr. Chairman, to make it easier for the Federal workers and the participants to invest for their retirement, and increased education; we have a great professional staff now. We have a deeper bench on the professional staff, which only benefits, again, the participants. I think those are some of the things that we have done these last 5 years that we will continue to focus on to make sure that this agency is providing the best possible services for its participants, sir.

Thank you.

Senator AKAKA. Thank you very much, Mr. Sanchez. Now we will hear from Mr. Whiting.

TESTIMONY OF HON. GORDON J. WHITING[1] TO BE A MEMBER, FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Mr. WHITING. Mr. Chairman, my name is Gordon J. Whiting, and I too would like to thank you, other Members of the Committee, and the staff for conducting this hearing today. The Thrift Savings Plan has become a critical element for the retirement security of nearly 4 million Federal employees and members of the uniformed services. It has been my privilege to serve as a plan fiduciary and member of the Federal Retirement Thrift Investment Board. I am grateful for the opportunity to continue this service.

When I last appeared before you in 2002, you focused my attention on two issues: Working cooperatively with other agencies and ensuring that participants have the financial knowledge to make informed decisions. I want to assure you today that we have continued to pursue these goals with notable success throughout my tenure.

In today's fast-paced financial world, we need to be sure that the TSP remains nimble yet grounded in the fundamental principles established for it in law. You have my commitment today that I

[1] The prepared statement of Mr. Whiting appears in the Appendix on page 51.

will continue down that path, exercising both prudence and deliberate speed.

Thank you again for your consideration of my nomination to this important position.

Senator AKAKA. Thank you very much, Mr. Whiting.

I will begin with the standard questions this Committee asks of all nominees. Is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated? Mr. Saul.

Mr. SAUL. No, sir.

Senator AKAKA. Mr. Sanchez.

Mr. SANCHEZ. No, sir.

Senator AKAKA. Mr. Whiting.

Mr. WHITING. No, sir.

Senator AKAKA. Thank you very much.

Do you know of anything, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated? Mr. Saul.

Mr. SAUL. No, sir.

Senator AKAKA. Mr. Sanchez.

Mr. SANCHEZ. No, Mr. Chairman.

Senator AKAKA. Mr. Whiting.

Mr. WHITING. No, sir.

Senator AKAKA. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted Committee of Congress if you are confirmed? Mr. Saul.

Mr. SAUL. Yes, sir, I do.

Senator AKAKA. Mr. Sanchez.

Mr. SANCHEZ. Yes, sir, I do. Thank you.

Senator AKAKA. Mr. Whiting.

Mr. WHITING. Yes, Mr. Chairman, I do.

Senator AKAKA. I thank you all for your responses. Now let me ask a question to the entire panel.

Federal Reserve Chairman, Ben Bernanke, testified before the House last week that a recession is possible. Within the last few months, the economy lost nearly 80,000 jobs. Home values continue to fall, and the credit markets have tightened. Understandably, TSP participants are concerned about the impact of recent events on their retirement.

How is the TSP doing in light of the recent events? And what would you say to concerned TSP participants? Mr. Saul.

Mr. SAUL. Well, Senator, unfortunately, we have had 5 years of tremendous growth in the economy and tremendous growth in the financial markets, and the TSP participants have obviously participated in this great fortune. We have had a rough quarter. There is no question about it. The financial markets are down about 8 percent, roughly, for the first 3 months of the year. And our plan is an index fund plan, which does track the markets. So, depending on the allocation that the individual has, they, of course, unfortunately, have suffered losses.

Now, I think it is very important, and what I would say to the participants is the following: Over a period of time, as this is a long-term savings plan, this is not to be judged on one quarter or

two quarters. A properly allocated plan is a future retiree's best defense against an uncertain economy.

And I might call attention to the life cycle funds, which we introduced in the last 2 years. And I think over a period of time and if you track their performance for the first quarter, I think they have done very well and done just as they were conceived. So that somebody that is closer to retirement who is in the life cycle funds with a get-out date closer to the present date, they have a much higher allocation of bonds and G Fund, which is short-term Treasuries, in their mix. And those younger people that are working for the Federal Government have a larger percentage of equity, but they have a longer time to be able to recover if we do have a down quarter.

So I think that a properly allocated plan, as I think we have and I think that most of our participants have, is the right thing for the long term. And while there will be short-term interruptions, as we go forward I do believe that that is the proper way to invest, and I encourage people that are not sophisticated, financial-market-orientated people to please take a look at our life cycle funds, because I do think that is the right approach for uncertain times like this. And I would encourage whatever participants that look and hear this testimony today to relook at the L Fund performance.

Senator AKAKA. Thank you very much, Mr. Saul. Mr. Sanchez.

Mr. SANCHEZ. Mr. Chairman, as Mr. Saul said, this is really a long-term savings plan, and, yes, I know we have—in the last months now, we have had turbulent times on Wall Street obviously affecting the prices of not only individual stocks but also index funds. But this is a long-term plan, and I think that it is very important that the TSP, our Board, and the agency continue a strong education program. That way the nearly 4 million participants can make their choices to allocate their funds depending on their age and the number of years they have left in the workforce.

But because it is a long-term plan, I think they will—as they have benefited in the last 5 years from the uptick in the market—they have to make the proper allocations now in a market that is more turbulent.

The good news, sir, is that, again, because it is long term, if they continue buying in the equity funds, they are buying those shares cheaper now so that when they do rise—because we know that things will turnaround eventually—they will be benefiting by buying those shares cheaper today than at the uptick—at the highest point a year or so ago when the market was doing extremely well.

So I think the education, gentlemen, of our participants is vital in order for them to be successful because it is a long-term savings plan.

Senator AKAKA. Thank you. Mr. Whiting.

Mr. WHITING. Thank you, Mr. Chairman. As was previously said, I think it is very important for the participants to remember that this is a long-term plan and they need to maintain a long-term focus. It is also important that they continue to make regular contributions into the plan and that they do not try and chase the market or chase return.

When Congress created the plan, it was designed to have index funds, and so the index funds do track the market. But a couple

of years ago, we added the life cycle funds, or the L Funds, as a way to help people make allocation decisions, based upon when they were going to need their money for retirement. I think that has been a great addition to the plan, and I think it is something that people who either do not have the time or the inclination to focus on the plan and on their investments really consider. These funds will make the allocations for them and make sure that everything continues to be done properly and that would be very helpful for them.

Senator AKAKA. Thank you.

Mr. Saul, the Board recently proposed a rule that would allow TSP participants only two inter-fund transfers per month with the flexibility to transfer money to the G Fund at any time. This change was made because of frequent inter-fund transfers by a small number of TSP participants into and out of the I Fund, costing the entire plan approximately $25 million.

Was there any thought given to limiting inter-fund transfers only to the I Fund?

Mr. SAUL. I think that in order to answer your question, you have to return to the basic principles of the plan, Mr. Chairman, and that is that this is a long-term savings plan, as we have said. This plan was not devised to in any way, shape, or form become a day-trading operation. It is something that really does not require and, as a matter of fact, we admonish against making a lot of changes in one's retirement plan.

The interesting thing is when we went to daily balancing about, I guess now, 4 years ago, 5 years ago, I had made a statement at that time, I was afraid exactly of this happening because what we have built is a system that is a fabulous system for somebody that wants to day trade. And, by the way, you can day trade at no expense to yourself, only to the plan. And that is not what this plan was about in the beginning.

So what we had here was approximately 4,000 out of 4 million people began to use this thing as a day-trading account. And not only did it cost the other participants that weren't involved in this a great deal of money, as you have stated, but it also made it very difficult to balance some of the index funds at the end of the day.

You referred to the I Fund. The I Fund, because it is involved in smaller markets than the U.S. financial markets, and there is less liquidity in some of those markets, it became very difficult to balance the plan each day for Barclays Global Investors, who does our outside investing, to tie our plan into the index for the day because of this tremendous amount of money that was going in and out of the plan.

So, we proposed these changes, but we proposed changes in a way that would not restrict anybody from being able to achieve liquidity in their account if there was turmoil in the markets, and that is why we allowed—we didn't restrict in any way, shape, or form any transfers in the G Fund because we believed that the individual needed to be able to get liquidity if they so desired.

We have just gone through the closing of a public comment period, which actually closed yesterday. The staff and the executive director, by order of the Board, will be reviewing the public comments, and within about 2 weeks, we will have a ruling from the

executive director and the staff as to where we are going to go with this thing. But I just caution everybody to remember that when Congress devised a great plan here, they made it a long-term savings plan. And because of all our technology changes that we put in in the last years, we have been able to build, unfortunately, a great mousetrap, and we built a system that is perfect for day trading. And I think that was not the intention of the plan when it was devised. So that was what brought this whole event before the Board.

Senator AKAKA. Before I call on Senator Voinovich for his questions, let me ask this question of Mr. Whiting. TSP participants who understand the implications of their financial decisions will be more likely to take appropriate action to secure their retirement. While 91 percent of the Federal employees participate in the TSP, only 27 percent of the uniformed members participate in TSP. Increasing awareness of the benefits of the TSP and improving overall financial literacy of Federal employees could improve participation. What plans do you have to improve the financial literacy and participation among the uniformed services?

Mr. WHITING. Thank you, Mr. Chairman. Increasing the percentage of participation amongst all the Federal employees and the uniformed services is one of the most important things that we hope to achieve. You are absolutely right. This is so important to their long-term financial security and their retirement that we focus on it monthly at every Board meeting. We track the percentage of all the agencies, which are participating, and we work with the Board staff to try and come up with ways to increase the participation. And financial education, as you have said, is one of the most important things that we can do in order to help that. And, in fact, to date, the agency staff has scheduled over 305 educational sessions, including 55 for agency and service representatives, and 250 employee briefings.

So education and making people aware of the plan and how good it is, is one of the most important things that we can do, and we are working with everybody to ensure that.

Mr. SANCHEZ. Mr. Chairman, can I add something to Mr. Whiting's answer, sir?

Senator AKAKA. Yes, Mr. Sanchez.

Mr. SANCHEZ. Mr. Chairman and Senator Voinovich, I also want to add to the excellent answer Mr. Whiting gave, that the three of us, thanks to one of the Board's professional staff members, Mr. Trabucco, who is sitting here behind us to the left, we had a meeting either late last year or earlier this year at the Pentagon with members from each of the units—Marine Corps, U.S. Air Force, and so on—as a Board—and I think that was the first time that had ever been done since the Board's inception in 1986—to specifically talk about increasing the participation rate of the members of the uniformed services in the plan.

It has nearly tripled since we have been on, but are we satisfied, sir? No, we are not. We want to continue to grow that, and that is why that meeting resulted at the Pentagon itself with those who are responsible in promoting the plan to the participants.

Senator AKAKA. Thank you very much. Senator Voinovich.

Senator VOINOVICH. I think that you ought to be congratulated for keeping the cost of participation low.

Mr. SAUL. Senator, when returns get smaller, as they have in the last years, obviously the percentage that one pays as overhead becomes very significant. Since we have been here, not only have we raised the amount of assets under management by two and a half times, but we have actually cut the actual dollars that are spent in order to run the plan. And I think by efficient management and use of technology, we have been able to actually drive down the real dollars, while at the same time more than doubling the asset value of the plan.

I must say, though, that next year, over this year—and I am sure you know it because I know you and your staff follow what we do very closely—we have embarked on a plan to increase and modernize the technology efforts at the TSP, and that is going to entail some increase this year and next year. But it is for infrastructure development, which we feel is absolutely vital because of the large growth that the plan has encompassed.

Why we want to keep the costs low, which we totally agree with and we are dedicated to that, we need to be sure that our infrastructure, staffing, and systems are able to cope with a plan that is growing as fast as it has.

Senator VOINOVICH. I have had my own personal experience in transferring some deferred compensation out of the State of Ohio's fund into the TSP. There was a period of time when the funds were in limbo. And I thought to myself, why did it take so much time for this to get transferred from the State of Ohio into the TSP?

Mr. SAUL. We would blame it on the State of Ohio, of course. [Laughter.]

Senator VOINOVICH. Why doesn't the Board believe it would be advantageous to employees, and particularly those who do not contribute to the IRS-deferral limit, which is $15,500, not to be able to include the bonuses in their contributions? The base pay is what is used to calculate the contributions to the TSP and the bonuses are not. As more agencies move to pay for performance, it seems to me that someone ought to look at this, especially when these individuals have not maxed out their contributions.

Mr. SAUL. We will definitely take a look at that, Senator. I know that we have encouraged everybody, though, to invest as much under the IRS regulations as possible for a 401(k) plan, which really governs the amount of investment. I assume you are also talking about the 6-percent government match on the bonuses.

Senator VOINOVICH. I am talking about bonus compensation that is not part of the base.

Mr. SAUL. That is a good point, and we will get back to you on this, and your staff.

Senator VOINOVICH. The other thing is: How long has Barclay's managed portions of the TSP?

Mr. SAUL. Barclays actually has run this, I believe, since the inception of the plan. However, under the procurement laws, which we do every 3 to 5 years—I believe it is a 3-year rotation, we bid this management contract out. As a matter of fact, I believe it was last year or the year before, this contract was rebid, and Barclays was the successful bidder again. So they do not have a lock on it.

This is a competitive bid process and done under the Federal procurement laws.

Senator VOINOVICH. And performance is one of the considerations?

Mr. SAUL. There is a whole group of criteria that is set by the——

Senator VOINOVICH. How do you think they are doing?

Mr. SAUL. I think actually Barclays is a very professional, very capable operation.

Senator VOINOVICH. And they manage all the funds like your small——

Mr. SAUL. Yes, they do.

Senator VOINOVICH. Large cap, small cap.

Mr. SAUL. They do all of our funds currently.

Senator VOINOVICH. They are the ones that select the companies that are within those classifications?

Mr. SAUL. Well, the indexes are the index, and they set up a basket of stocks that pretty much mirrors the indexes, for example, the S&P 500, the Wilshire 4500, and the EFA Fund.

Senator VOINOVICH. Do they have some discretion in terms of which funds are included?

Mr. SAUL. No, they pretty much have to mirror the index funds, the way I understand it, in order to come out the same—with the same results as the index funds. Their baskets have to mirror pretty much the index funds as they are set up. But I assure you that Barclays, which I believe to be the largest now in the index fund operation, is a very highly professional operation. When we sent out the criteria, we actually had a consulting firm, Ennis Knupp and Associates, one of the biggest in the industry, come in and help us with the procurement that we sent out. So this was very professionally done, very competitively bid, and they were the successful bidders.

Senator VOINOVICH. Pardon me for interrupting you, but it seems like all three of you like the L Fund which has been around for 2 years?

Mr. SAUL. Two years. It is now 15 percent of our assets.

Senator VOINOVICH. Yes, and have you looked at the performance of that and do you feel that they are relatively competitive, understanding the market has not been the best in the last 6 or 7 months?

Mr. SAUL. I think if you look at the L Funds for the first quarter, which has been, as Mr. Sanchez said, a very turbulent quarter, I think you will find that, depending on which one you are in, I think it did just what it was intended to do.

Obviously, those with the longest retirement did lose more, the L Funds did perform less in the market than the shorter ones because the shorter ones had more bond, more G Fund in them. But that is the way it is set up to operate. And I think that for somebody that is not a sophisticated investor, it is a great way to go. I think it is one of the best additions we had in the plan. And I think that as we go on the next couple years, you are going to see probably the vast majority of the funds that are run by the TSP in the L Funds. I think the popularity will increase as people become more educated about them.

Senator VOINOVICH. Thank you.

Mr. WHITING. Mr. Senator, I would just like to say that we make it very clear that the existing companies that we have engaged for the various positions, for the various parts of the TSP, in absolutely no way have a lock on the business going forward. Competitive bidding is extremely important to us and to the agency because that benefit gets passed directly onto the participants. So it is extremely important to us that they do that. Everybody understands that, and always works very hard to sharpen their pencils when it comes time to the bidding process. The real beneficiaries are the participants, so we really do focus on that.

Senator VOINOVICH. Thank you very much.

Senator AKAKA. Thank you very much, Senator Voinovich.

As I had mentioned earlier, we called this hearing to get to speak with you and to hear your thoughts about TSP. Also, I want to commend you for what you have done since you have been on board, if I recall, since November 15, 2002. And since then—and you would agree with me—there has been huge improvement in the program, so I commend you for that. And we always look forward to improving whatever we are doing, and I think you know that Congress is looking at you to evaluate and improve existing TSP education programs. I look forward to your continuing to do that. Of course, that falls under financial literacy, which is so important, and it is something that we need to do throughout our Federal system, especially for those who have to make financial decisions at different times in their lives. And so these are important in what you need to do, and in this hearing, we were looking at hearing about some of the things that you are doing, and one of them was the transfer of funds between funds.

I also wanted to mention that through financial literacy, I have started a program that now has gone on for 3 years in Hawaii. And first I started with NASD, and I do not know whether that means anything to you, but it is the National Association of Securities Dealers, who had a great program of hosting workshops with people. I had them come to Hawaii for 3 years, and they were a sensation. I took them to every island, and they held these workshops, and all of these were successful. People were so upbeat about investing. And then it was changed from NASD to FINRA, which is now Financial Industry Regulatory Authority, and I had them last year come out as FINRA to conduct three workshops in Hawaii.

I just mentioned that because one of the hearings was only for military personnel. The admirals and the generals were so happy, they praised me for that hearing, and they said it was so good for their people to sit—and we have a huge convention hall in Hawaii, and that place was packed with couples from the military. All of them, as they left, they were so happy, they learned so much in that hearing and were so upbeat that I thought some things are going to be improved. But the top officers felt that it really worked out well.

I just wanted to mention that to you as something—and these were educational programs, and it has really taken in Hawaii. I do not know whether they will come back another year, but we will see. Financial literacy is so important to our country, and I am

glad you folks have that on your agenda and continue to work at that.

Seeing that there are no further questions at this time, I want to congratulate you as nominees again, and thank you for what you have done already. I wish you well in your future. I know you are anxious for your nominations to move forward, and I just want to tell you that I will try my best to move your nominations in the near future and have the Senate expeditiously move on that.

With that, the hearing record will remain open until the close of business tomorrow for Members of this Committee to submit additional statements or questions. And, again, I want to thank you for being here and for your patience.

Mr. SAUL. Thank you, Mr. Chairman.

Mr. SANCHEZ. Thank you, Mr. Chairman.

Mr. WHITING. Thank you.

Senator AKAKA. This hearing is adjourned.

[Whereupon, at 4:28 p.m., the Committee was adjourned.]

APPENDIX

STATEMENT OF ANDREW M. SAUL, CHAIRMAN,
FEDERAL RETIREMENT THRIFT INVESTMENT BOARD,
BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

April 10, 2008

Mr. Chairman and Members of the Committee, my name is Andrew M. Saul. Since my confirmation by the Senate in November 2002, it has been my privilege to serve as Chairman at the Federal Retirement Thrift Investment Board. I am appearing today with my colleagues on the Board and fellow nominees, Gordon J. Whiting and Alejandro Modesto Sanchez. We thank you for holding this hearing today.

When my colleagues and I appeared before you for our previous confirmation hearing on November 15, 2002, you were very direct in advising us about the challenges we faced at the Board. You described an institution with a failed modernization program, terminated contracts and multiple lawsuits. Disagreements between the former leadership and Executive branch departments were very public and combative. You further noted the lack of useful information on the TSP Web site. Your candor was appreciated and extremely useful as we set about getting the Board back in the business of providing retirement security to Federal employees and members of the uniformed services.

In an orderly and businesslike fashion, during open public meetings this Board attended to the problems you cited. We worked with the senior career staff to put the new record keeping system in operation just six months after taking office. We hired a new Executive Director who settled the lawsuits. We improved the TSP Web site, and

have made it, along with our toll-free telephone service centers, the gateways for service and up-to-date information.

The TSP today is a very different plan than it was in 2002. We transact business on a daily valued platform, and have built-in redundancies to ensure continuity of business. We introduced the new Lifecycle funds, which provide automatic, professionally designed, asset allocation. Participation has grown from 3 million to 3.9 million individuals, and balances on account have increased from $98 billion when we arrived to $223 billion. All of this and more has been accomplished at the same time that costs to participants have declined from 7 basis points (70 cents per thousand dollars of account balance) in 2002 to 1 1/2 basis points (15 cents per thousand) in 2007.

During our 2002 confirmation hearing, you noted that the TSP Web site did not include information regarding Board member or governance activities. That has been remedied, and we now also include information on the Employee Thrift Advisory Council and their meetings. As for other useful information, if you look at our homepage this month, you will see a scrolling marquee drawing attention to the fact that April is financial literacy month. As you know, Mr. Chairman, the Akaka amendment to the TSP Open Enrollment Act of 2004, refocused attention on this critical area. We now file a report annually with the Committee to report our ongoing efforts regarding financial literacy.

So far this year Agency staff has scheduled 305 educational sessions, including 55 for agency and service representatives and 250 employee briefings. 18 of the latter are major conferences and benefits fairs (including one scheduled for Legislative branch employees later this month).

Finally, Mr. Chairman, we are all very pleased that TSP participation by members of the uniformed services has grown from 282, 000 to 602,000 since we took office. We made special efforts to work with the services in this regard, and will continue to do so. The TSP, so well-conceived and designed by the Congress -- and this Committee in particular – has been called "possibly the best single savings vehicle in America today" by legendary Vanguard mutual fund founder, John Bogle. We agree, and we pledge to continue to do all that we can to keep it attractive and useful to the fine men and woman who serve our nation.

I appreciate the opportunity to appear before you and to serve those who have served us all so well.

Major Accomplishments of the
Federal Retirement Thrift Investment Board
2003 to 2008

2003

May	New daily valued TSP record keeping system launched · Introduced daily valuation and a share-based investment approach · Introduced partial withdrawals and mixed withdrawal elections · Introduced quarterly participant statements · Expanded web site capabilities, including ability to initiate/complete loan and withdrawal transactions and status information
June	Gary Amelio appointed Law suit with AMS settled
July	Catch-up contributions for participants age 50 and older introduced
October	Began accepting loan payments directly from participants

2004

January	Introduced quarterly participant statements on the web site; required participants to opt in for mailed statements
March	Introduced e-mail confirmations for web-based transactions
July	Changes to the loan program: $50 fee; only 1 general purpose and 1 residential loan at a time; 60-day waiting period after paying off a loan Opened Cumberland call center to parallel NFC operations Introduced the toll-free number and extended hours at the call centers
September	Mainframe computer operations moved to new Reston data center

2005

May	TSP's Pittsburgh backup data center came on line
July	First lifecycle (L) funds mailing to all participants

Eliminated open seasons
Announced St. Louis, MO lock box operations for loan checks

August — L Funds introduced

September — Clintwood call center opened; NFC call center closed
Hurricane Katrina devastates New Orleans; implemented business continuity efforts (essentially transparent to participants)
- New mail processing center in Birmingham; introduced toll free fax to resolving mailing issues
- Other functions redistributed to Fair Oaks, VA, NFC disaster recovery sites, Woodbridge, VA
- Began aggressive transitioning of Agency payroll offices to electronic transmission of contributions and data (away from cartridges and paper)
- Move from NFC virtually transparent to participants

Began mailing the L Funds DVDs to all participants (continued thru January 2006)

2006

January — Eliminated percent of pay contribution limits; all participants could now elect to contribute up to the IRS elective deferral limits

March — Director, Office of Product Development selected
Implemented the loan default program for participants with delinquent loans

June — Transition from NFC completed

November — Completed the TSP Participant Survey

2007

January — Implemented Pension Protection Act provisions applicable to the TSP
- Transfers to inherited IRAs for non-spouse beneficiaries
- Early withdrawal penalty exemption for some reservists

March — Greg Long appointed as Executive Director
May — TSP Web site password security strengthened

September — TSP Record Keeping System Modernization Plan to Board

October	Introduced 13-digit account numbers in lieu of Social Security numbers; Introduced bar coding for returned mail Introduced two new TSP Web site enhancements · E-mail notification of new information on the TSP web site (GovDelivery) · Introduced the Web site's search engine
December	Began TSP Web redesign initiative

2008

January	Introduced Roth IRA transfers Interim regulations on IFT restrictions finalized December 27, 2006; sent IFT warning letters to identified population in January Introduced new customer service unit for people having problems completing their Designations of Beneficiaries
February	Introduced the new Annual Participant Statements · Personal Rate of Return · Provided names and shares of designated beneficiaries
March	Issued proposed IFT structural change regulations; sent interim IFT restriction letters to very small population of participants
April	Proposed IFT restriction regulations close on the 9th. Implementation of restrictions no earlier than May 1 based on review of comments Incorporated SSA Death Master File into participant services operation to proactively identify deceased participants
Spring	Will introduce customizable user IDs for the TSP Web site

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.) Andrew Marshall Saul

2. **Position to which nominated:** Chairman, Federal Retirement Thrift Investment Board

3. **Date of nomination:** May 3, 2007

4. **Address:** (List current place of residence and office addresses.)

   Home

   Office
   9 West 57 Street
   Suite 3405
   New York, NY 10019

   REDACTED

5. **Date and place of birth:** November 6, 1946

6. **Marital status:** Married – Denise Noelle Levine

7. **Names and ages of children:**

   Jennifer Saul Yaffa – 36
   Kimberly Tighe - 34

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.

   George W. Hewlett High School – Diploma – September 1960 – June 1964
   Wharton School – University of Pennsylvania – September 1964 – May 1968 – B.S.

9. **Employment record:** List all jobs held since college, and any relevant or significant jobs held prior to that time, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

1968 – 1985 – Vice President/President – Brooks Fashion Stores – New York City, New York
Successfully built Brooks Fashion Stores into a 800 store national apparel chain. Brooks Fashion Stores was a New York Stock Exchange Company until it was successfully sold in a buy out in 1984. Sales grew to approximately $600 million during the above period.

1987 – Present – Director – Cache, Inc. – New York City, New York

1987 – 2000 – Chairman – Cache, Inc. – New York City, New York
Supervised building of this publicly held, better priced specialty apparel chain from 30 stores to the current size of approximately 200 stores with volume approximately $200 million.

1986 – Present – General Partner – Saul Partners, L.P.
Saul Partners, L.P. is the Saul family diversified investment. Portfolio currently invests in limited partnerships or LLC's holding bonds, equities, real estate, and other private investments. Currently the partnership has a value in excess of over $100 million in assets.

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.

Metropolitan Transportation Authority – Vice Chairman
Metropolitan Transportation Authority – Chairman Finance Committee
Federal Retirement Thrift Investment Board - Chairman

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

General Partner – Saul Partners, L.P – Private family investment partnership

Previously Chairman and Presently Director – Cache, Inc. – a NASDAQ national market stock

Vice President/President – Brooks Fashion Stores and BR Investors

12. **Memberships:** List all memberships, affiliations, or and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable or other organizations.

Mt. Sinai Medical Center, New York City – Vice Chairman; Chairman Audit Committee;
Member Executive Committee
Mt. Sinai School of Medicine – Vice Chairman
Sarah Neuman Nursing Home, Westchester, New York
Board of Overseers – Wharton School – University of Pennsylvania – Ended 2005
The Manhattan Institute, New York City, New York
Metropolitan Transportation Authority, New York – Vice Chairman;
Westchester County Commissioner – 1995 – 2005
Metropolitan Museum of Art – New York – Trustee and Chairman's Council
Federal Retirement Thrift Investment Board – Chairman
Trustee Council – National Gallery of Art – Washington, DC
Museum of Modern Art, New York City – Patron
Guggenheim Museum, New York City

13. **Political affiliations and activities:**

(a) List all offices with a political party which you have held or any public office for which you have been a candidate.

U.S. Congress – 19th Congressional District

(b) List all memberships and offices held in and services rendered to any political party or election committee during the last 10 years.

National Republican Senatorial Committee
Republican National Committee – Regents

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more during the past 5 years.

See Attached

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

United Hospital Fund – Distinguished Trustee

15. **Published writings:** Provide the Committee with two copies of any books, articles, reports, or other published materials which you have written. None

16. **Speeches:**

(a) Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated. Provide copies of any testimony to Congress, or to any other legislative or administrative body. None

(b) Provide a list of all speeches and testimony you have delivered in the past 10 years, except for those the text of which you are providing to the Committee. Please provide a short description of the speech or testimony, its date of delivery, and the audience to whom you delivered it. Attached

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President?

So I would have the ability to continue my job as Chairman of the Federal Retirement Thrift Investment Board

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

My experience as a former chief executive officer of a publicly traded company as well as my current position in Saul Partners, L.P. In addition, as Chairman of the Mount Sinai Medical Center Audit Committee and Chairman of the Metropolitan Transportation Authority Finance Committee, I am involved in the oversight of the retirement plans of the above organizations.

I believe my record has been superior as Chairman of the Federal Retirement Thrift Investment Board since December 2002, and this record qualifies me for reconfirmation.

B. EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate? No

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

   Yes, running for Congress in the 19th Congressional District

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization, or to start employment with any other entity? No

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? No

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

   Yes, unless I am elected to Congress in November 2008

6. Have you ever been asked by an employer to leave a job or otherwise left a job on a non-voluntary basis? If so, please explain. No

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

   I am the General Partner of Saul Partners, L.P. Saul Partners is a limited partnership investing in other investment vehicles. Saul Partners, L.P. has no investment or management responsibilities in the other investment vehicles.

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration or execution of law or public policy, other than while in a federal government capacity. No

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position? Yes

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No

2. Have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details. No

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

Yes. I am a defendant in a suit brought by Roger Mehle, a former Executive Director of the Federal Retirement Thrift Investment Board (Agency) in my capacity as Chairman of the Agency's Board of Directors.

Mehle filed his suit in the United States District Court for the District of Columbia on January 24, 2003, and has amended his complaint several times subsequently. The suit is captioned Francis X. Cavanaugh v. Andrew M. Saul, Thomas A. Fink, Alejandro M. Sanchez, Gordon J. Whiting, Elizabeth S. Woodruff, and Gary A. Amelio, No. 03-111 (GK) (DAR). The other defendants are three other members of the Agency's Board of Directors, the Agency's former Executive Director, and its former General Counsel.

Attorneys from the Department of Justice represent me in my defense against this action.

The suit is still in the discovery phase

4. For responses to question 3, please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity.

Mehle asserts that the Board members and the former General Counsel coerced the resignation of the individual who succeeded him as Executive Director and that we (all defendants) breached our fiduciary duties when we settled a lawsuit with a former Agency contractor--even though the settlement resulted in a net payment to the Agency of $5 million.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection).

AFFIDAVIT

ANDREW SAUL being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Subscribed and sworn before me this 10 day of MAY, 2007

Notary Public

SUSAN F. SMITH
Notary Public, State of New York
No. 01SM4653236
Qualified in Nassau County
Commission Expires June 30, 2007

U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire for the Nomination of Andrew M. Saul to be a member of the Federal Retirement Thrift Investment Board

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as a member of the Federal Retirement Thrift Investment Board (FRTIB)?

   I believe the President has nominated me for this position because during my tenure as Chairman of the FRTIB, the board and I have been very successful in growing the fund, lowering operating costs, enrolling new participants, providing additional security and improving customer service.

   Additionally, I am an experienced businessman having run two public companies and for over fifteen years have been the managing partner of my family's investment office. I am very familiar with the financial markets and their workings.

   I also serve as the Chairman of the Audit Committee of the Mount Sinai NYU Medical Centers and have served as Chairman of the Audit Committee of the Metropolitan Transportation Authority. The audit committees have pension oversight responsibilities of plans covering thousands of employees.

2. Were any conditions, express or implied, attached to your nomination? If so, please explain.

   No.

3. What specific background and experience do you believe affirmatively qualifies you to be a member of the Thrift Board?

   Please refer to question 1.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as a member?

   During the last budget meeting, we planned a very large upgrade of the systems and infrastructure so as to be able to keep up with the growth and size of the TSP. In addition, we need to make this commitment to be sure the security of the participants' accounts is protected.

5. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures and/or criteria that you will use to carry out such a recusal or disqualification.

I do not know of any current issues that would disqualify myself except for the following:

I participate in a limited partnership that invests in approximately 50 limited partnerships, including one which holds Barclays Bank stock, one which holds MetLife stock and 13 that refuse to state whether they hold either stock. In order to avoid potential conflicts of interest under section 208, I am seeking a waiver to permit me to participate as a Board member and Chairman in the review of the performance of Barclays Global Investors, an independent subsidiary of Barclays Bank, or MetLife. Unless I receive a waiver, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on Barclays Bank, Barclays Global Investors or MetLife.

6. Insofar as your non-governmental work involves business and finance, how does that work inform or otherwise relate to the decisions you make as a member of the FRTIB? How do you ensure that no actual or apparent conflict of interest arises?

See question 5.

II. Role and Responsibilities of the Federal Retirement Thrift Investment Board and of its Members

7. What do you see as the principal roles and responsibilities of the FRTIB and of each of its members?

I know that the Thrift Board has many statutory responsibilities and believe that the responsibilities of the Chairman and Board Members are to establish policies of the Thrift Savings Plan and oversee and monitor the Executive Director of the agency.

8. What do you see as the main challenges facing the Federal Employees Retirement System, including the Thrift Savings Plan (TSP), and what do you believe the FRTIB can do to help meet those challenges?

One of the main challenges is to be sure that the systems and staff keep up with the growth of the assets and the plan. Also, to be sure that the participants are well educated as to all aspects of the plan.

9. What do you believe you have accomplished during your tenure as a member of FRTIB? What accomplishments are you most pleased with?

During my tenure, the Board and I have been able to cut operating expenses by over $25 million, growing the plan to its current value of more than $225 billion. We've been able to add more than 800,000 participants during my tenure, making the TSP the largest retirement fund in the United States. We've increased customer service, made the TSP more secure for its users and increased web operations. This is just a sampling of our many accomplishments.

I'm most pleased that we've been very successful at making the TSP a well run organization that provides the participants and beneficiaries with a secure and profitable retirement fund.

10. If you are confirmed, what do you expect will be the focus of your efforts during your coming next term?

See question 8.

11. What objectives would you like to achieve in your next term as a member, if confirmed? Why do you believe those objectives are important to the TSP and its participants?

See question 8.

12. You are a candidate in the 2008 congressional elections for the 19th Congressional District of New York. How, if at all, will your candidacy affect the performance of your duties as chairman, if you are confirmed? What would you do with respect to your chairmanship if you are elected?

My outside work has never, and will never interfere with my role as Chairman. It is my intention if elected to Congress, to resign from the board.

III. Policy Questions

13. How satisfied are you with the level of security accorded to the personal information and assets of TSP participants? What additional steps, if any, do you believe should be taken?

This is a top priority, as discussed above, we are now undergoing a total system review and enhancement upgrade to be sure that the plan's security is state of the art. Additionally, we have already changed participant's account numbers from their social security numbers to an 11 digit account number and replaced 4 digit pin numbers with an alpha-numeric pin.

14. What actions do you believe should be taken to ensure that the TSP maintains first-class information technology, with systems that offer features as good as, or better than, those offered by mutual funds and private-sector pension plans?

There have been detailed discussions in our last board meetings, the budget for the next three years includes a massive upgrade of the systems and technology to be sure that the participants enjoy a state of the art plan.

15. In any defined-contribution retirement program like the TSP, increased customer service and convenience may require increased overhead costs, so trade-offs may be needed.

    a. In your opinion, how does the TSP compare to commercial defined-benefit plans in terms of customer service and convenience, and in terms of efficiency?

    The TSP has been noted as the most cost effective 401k plan in the nation. The plan's total cost to participants last year was .03 basis points, far below the private sector fees. We believe the customer service at the TSP is equal to, if not better than, the private sector.

    b. Do you believe any adjustments should be made in the level of customer service and convenience that the TSP provides? For example, what improvements, if any, do you believe should be made in the TSP web site and call centers?

    The brand new call centers are state of the art, having been implemented within the last couple of years. The TSP's web site is constantly being upgraded to be sure it is competitive in all aspects with the private sector.

    c. Do you believe that any changes should be made to reduce overhead and make the TSP funds more efficient?

    We've already reduced overhead by $25 million per year in savings under my tenure, this resulted in direct savings to our participants and we will continue to look for new ways to reduce overhead.

16. Do you believe any improvements are needed in the disclosure to TSP participants of the overhead costs attributable to particular TSP investment funds?

All this information is public to our participants and is sufficient for them to make knowledgeable investment decisions.

17. How satisfied are you with current efforts to seek and receive feedback from TSP participants? Do you believe additional steps should be taken?

We have just finished an extensive participant survey that was extremely beneficial to our staff and will continue to do this in the future.

18. Are there measures that should be considered to strengthen the transparency and accountability of the FRTIB and its operations?

See question 13 and 14.

19. What do you believe are the respective roles of the FRTIB and of the Office of Personnel Management in ensuring that TSP participants have the financial knowledge to make informed investment decisions? Are there any steps that you believe should be undertaken to improve those efforts?

This is a constant education process through use of the web, direct mail and DVD's. The TSP is constantly involved in the education of our participants and beneficiaries. It is one of the most important initiatives that we engage in.

20. Many defined benefit plans offer employees a larger menu of fund choices than does the TSP, including various sector funds and other specialized funds. What do you believe are any advantages and disadvantages to TSP participants of maintaining the current choices of funds, versus substantially increasing the menu to include a number of sector and other specialized funds?

The TSP has engaged this issue many times internally and externally with the aid of consultants and we believe that the strength of the TSP is in its simplicity. We also believe that the current menu covers most areas of investing that our participants would be interested in.

21. Legislation has been proposed to require the TSP to offer investment options that exclude companies whose business activities support state sponsors or terrorism, or to require that the TSP funds be divested of such securities. See, for example, S.1430, H.R. 1357. What is your opinion of such proposals?

Personally, I understand and support your interest in marshalling every legitimate means to combat this evil. But, the TSP's charter states that the board and chairman have a solemn duty to deliver a retirement plan that is void of political goals. If I fail to follow these principals, then the board and I can be held criminally and civically liable. Congress would have to pass a new law or divestiture legislation in order for the board to change this policy.

As Chairman of the TSP, I am legally obligated to pursue a non-politically oriented agenda for the participants. We are here to act in the best interest of the participants and beneficiaries of the TSP.

22. What do you believe are the most important legislative changes the Congress should make to benefit TSP participants? Please explain.

See proposed legislation regarding Automatic Enrollment and using Life Cycle Funds as Default Mechanism.

IV. Relations with Congress

23. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

Yes.

24. Do you agree, without reservation, to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?

Yes.

V. Assistance

25. Are these answers your own? Have you consulted with the staff of the FRTIB or any interested parties? If so, please indicate which entities and explain.

Yes.

AFFIDAVIT

I, ANDREW SAUL, being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Subscribed and sworn before me this 7 day of NOVEMBER, 2007.

Notary Public

SUSAN F. SMITH
Notary Public, State of New York
No. 01SM4653236
Qualified in Nassau County
Commission Expires June 30, 2011

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 21, 2007

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-6250

Dear Mr. Chairman:

Under the Ethics in Government Act of 1978, Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, as amended, however, contains a provision in section 101(b) that allows the committee with jurisdiction to request any financial information it deems appropriate from the nominee.

We understand that your committee desires to receive a financial disclosure report from any Presidential nominee for a position on the Federal Retirement Thrift Investment Board, along with a written opinion from this Office regarding any possible conflicts of interest. Therefore, I am forwarding a copy of the confidential financial disclosure report (OGE Form 450) of Andrew M. Saul, who has been nominated by President Bush for the position of Chairman of the Federal Retirement Thrift Investment Board.

We have reviewed the report and have obtained advice from the Federal Retirement Thrift Investment Board concerning any possible conflict in light of its functions and the nominee's proposed duties. The form is complete except that the underlying holdings in the partnerships listed on pages three through six of Part I of the report are not disclosed. These partnerships are underlying assets of Saul Partners, LP. The ethics official at the Federal Retirement Thrift Investment Board has advised us that the only conflicts that could arise would be with agency contractors, specifically Barclays Global Investors (a subsidiary of Barclays Bank), MetLife, SI International, RR Donnelley and Spherix, Inc. Mr. Saul has agreed to recuse himself from participating personally and substantially in any particular matter that will affect SI International, RR Donnelley or Spherix, Inc. Thirty-six of

these partnerships have certified that they do not own Barclays or MetLife stock. One partnership holds both Barclays and MetLife stock and thirteen refuse to disclose whether they hold stock in either company. Mr. Saul will seek a waiver, pursuant to 18 U.S.C. § 208(b)(1), for particular matters that may affect Barclays or MetLife stock.

Also enclosed is a letter dated May 9, 2007, from Mr. Saul to the Board's ethics official, outlining the steps which Mr. Saul will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with the actions he agreed to take in his ethics agreement.

Based on the information provided and subject to the limitations described above concerning the underlying holdings of Saul Partners, we believe that Mr. Saul is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Robert I. Cusick
Director

Enclosures

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

REDACTED

1. **Name:** (Include any former names used.) **Alejandro M. Sanchez**

2. **Position to which nominated: Federal Thrift Retirement Investment Board**

3. **Date of nomination: Spring of 2007**

4. **Address:** (List current place of residence and office addresses.) **Home:**
Office: 1001 Thomasville Road, Tallahassee, Florida 32303

5. **Date and place of birth: January 12, 1958, Havana, Cuba**

6. **Marital status:** (Include maiden name of wife or husband's name.) **Married 27 years, Mercedes Hervas Lopez**

7. **Names and ages of children: Cristina Sanchez Hervas, 21 years old and**

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted. **Troy University, BS in Social Sciences, February 1981; University of Iowa, College of Law, J.D., December 1983**

9. **Employment record:** List all jobs held since college, and any relevant or significant jobs held prior to that time, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

   - **United States Air Force, Finance Department, Honorable Discharge 1976-1981;**
   - **Associate Attorney, Sinclair Lewis, Miami Florida 1984-1986;**
   - **Assistant General Counsel, Consolidated bank, Miami, Florida 1986-1987**
   - **Inspector General and General Counsel, Florida Department of Commerce, 1987-1989;**
   - **Senior Attorney, GTE Information Services, Tampa, Florida, 1989-1993;**
   - **Senior Vice President, Florida Bankers Association, 1993-1998;**
   - **President and CEO, Florida Bankers Assocaition, 1998-Present**

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above. **Served In the U.S. Air Force, Florida Department of Commerce and four plus years on the Federal Thrift Retirement Investment Board**

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution. **Director of Information Management Services, Inc (IMSG) resigned May 2002**

12. **Memberships:** List all memberships, affiliations, or and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable or other organizations.

- **Member of the Florida Bar since 1984;**
- **Member of the Miami 1984-86 and Tampa Chambers of Commerce, 1989-93;**
- **Member of the Miami 1984-87 and Tampa Urban Leagues, 1990-93;**
- **Member of SERVE, speaker bureau for Tampa's public school system, 1989-1993;**
- **Board member of Center for Florida's Children, 1998-2003;**
- **Board member of the Ybor City, Tampa Museum Society, 1990-1992;**
- **Member of Leadership Florida Class XIV, Florida Chamber of Commerce;**
- **Board member Florida TaxWatch, 2005- Present**

13. **Political affiliations and activities:**

(a) List all offices with a political party which you have held or any public office for which you have been a candidate. **None**

(b) List all memberships and offices held in and services rendered to any political party or election committee during the last 10 years. **Registered as a Republican**

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more during the past 5 years.

1.Jeb Bush for Governor, $500, 2002;
2.Mel Martinez for U.S. Senate, $500, 2004;
3.Alex Sink for CFO, $500, 2006;
4.Charlie Crist for Governor, $1,000, 2006
5.American Bankers Association Bank Pac, $250, each year;
6.Florida Bankers Association, Bank Pac, $1,000 each year;
7.Jim Davis for Governor, $1,000, 2006;
8.Tom Gallagher for Governor, $500, 2006; and
9.John Cornyn for U.S. Senate, $1,000, 2007.

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

- **United States Air Force Good Conduct medal;**

- **Several Community service awards in Tampa for work with at risk children in Florida's public schools;**

15. **Published writings:** Provide the Committee with two copies of any books, articles, reports, or other published materials which you have written. **Monthly column with Florida Bankers Association monthly magazine**

16. **Speeches:**

(a) Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated. Provide copies of any testimony to Congress, or to any other legislative or administrative body. **None**

(b) Provide a list of all speeches and testimony you have delivered in the past 10 years, except for those the text of which you are providing to the Committee. Please provide a short description of the speech or testimony, its date of delivery, and the audience to whom you delivered it. **None**

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President? **I believe I was chosen because of my service to the TSP Board and my qualifications and dedication to service**

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment? **As President and CEO, an attorney, and a veteran of our Armed Services, my experiences and qualifications will help me fulfill the duties required by the Thrift Board to ensure that all rules and regulations are complied with in order to ensure that the participant's savings in the TSP will be enhanced and protected.**

B. EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate? **No, I do not believe my possible appointment causes a conflict with my present employer.**

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain. **No such plans, the answer is no.**

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization, or to start employment with any other entity? **No, I plan on staying with my current job.**

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? **No**

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? **Yes, I want to complete my term.**

6. Have you ever been asked by an employer to leave a job or otherwise left a job on a non-voluntary basis? If so, please explain. **No**

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. **None**

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration or execution of law or public policy, other than while in a federal government capacity. **As CEO of the Florida Bankers Association, I do advocate for the passage of laws impacting the banking industry**

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position? **Yes, I believe a report was filed four years ago during my original nomination, which stated that found no such conflicts exist with my nomination. And I also agree to have any such opinions prepared for this nomination.**

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details. **No**

2. Have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details. **NO**

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details. **Yes as a Director of IMSG Inc, in the case of U.S. district Court Middle District, in Merrell Neal vs. IMSG , case Number 800-CV-2013-T 26F. The case against the Directors was dismissed. Also in the cases of Karchich vs. IMSG, Circuit Court of 6th Circuit, Pinellas County, no. 02-6712CI008 and Pennapacker vs. IMSG, same court as above, case no. 02-006636CI-011, I was dismissed as a party in these suits and do not know the outcome of the cases since I was no longer on the Board.**

I am currently a defendant in a suit brought by Roger Mehle, a former Executive Director of the Federal Retirement Thrift Investment Board (Agency) in my capacity as member of the Agency's Board of Directors.

Mehle filed his suit in the United States District Court for the District of Columbia on January 24, 2003, and has amended his complaint several times subsequently. The suit is captioned Francis X. Cavanaugh v. Andrew M. Saul, Thomas A. Fink, Alejandro M. Sanchez, Gordon J. Whiting, Elizabeth S. Woodruff, and Gary A. Amelio, No. 03-111 (GK) (DAR). The other defendants are three other members of the Agency's Board of Directors, the Agency's former Executive Director, and its former General Counsel.

Attorneys from the Department of Justice represent me in my defense against this action. The suit is still in the discovery phase.

4. For responses to question 3, please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity. **In the IMSG cases, the cases involved a lawsuit by a shareholders alleging the Directors did not fulfill duties, and the cases against me were dismissed.**

In the Mehle case, he asserts that the Board members and the former General Counsel coerced the resignation of the individual who succeeded him as Executive Director and that we (all defendants) breached our fiduciary duties when we settled a lawsuit with a former Agency contractor--even though the settlement resulted in a net payment to the Agency of $5 million.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. **It has been an honor to serve the last four plus years on the TSP Board. To have been a part of the team that helped increase services and bring positive change to the agency benefiting the men and women serving our nation in the Armed Services and those who work for the federal government has been personally satisfying. As an immigrant to this great country, it is a great honor to serve and to be nominated to this position. If confirmed for this nomination, I pledge that I will continue working hard to fulfill the duties of the TSP Board.**

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

AFFIDAVIT

Alejandro M. Sanchez being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Subscribed and sworn before me this 29 day of May, 2007

Rebecca Wilson

REBECCA WILSON
Notary Public - State of Florida
My Commission Expires Dec 10, 2010
Commission # DD 621341
Bonded Through National Notary Assn.

U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire for the Nomination of Alejandro M. Sanchez to be a Member of the Federal Retirement Thrift Investment Board

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as a member of the Federal Retirement Thrift Investment Board (FRTIB)? **I believe the President nominated me for a second term because his three appointees, Mr. Saul, Mr. Whiting and I have been willing to serve and we are dedicated to this appointment. We attend the meetings in person and dedicate the necessary time to serving on the Board. Over the past five years, we have hired two highly professional Executive Directors who have brought private industry expertise to the FRTIB. Here are some key accomplishments from the past five years: total participation has grown by nearly one million; over half a million members of the uniformed services now have funds in their TSP accounts; and the TSP's operating budget has been reduced even though assets under management have doubled the last five years. We have also emphasized increasing the participation rate of the men and women in the armed services in the TSP.**

2. Were any conditions, express or implied, attached to your nomination? If so, please explain. **None**

3. What specific background and experience do you believe affirmatively qualifies you to be a member of the Thrift Board? **My experience of serving on the Board the last five years, my legal and professional experiences have helped me fulfill the duties required by the FRTIB to ensure that all rules and regulations are complied with to protect and enhance the participants savings in the fund.**

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as a member? **No**

5. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures and/or criteria that you will use to carry out such a recusal or disqualification. **None**

6. Insofar as your non-governmental work involves business and finance, how does that work inform or otherwise relate to the decisions you make as a member of the FRTIB? **I do not have any conflicts from my non governmental work that would conflict with my duties on the FRTIB.** How do you ensure that no actual or apparent conflict of interest arises? **There have been no conflicts, if any would arise, I would abstain from voting or participating and consult with legal counsel for the FRTIB.**

II. Role and Responsibilities of the Federal Retirement Thrift Investment Board and of its Members

7. What do you see as the principal roles and responsibilities of the FRTIB and of each of its members? **The principal role is the safeguarding of the participant's funds in the TSP and to ensure that we educate all participants, including those in the military, on their investment options and the importance of saving for their retirements.**

8. What do you see as the main challenges facing the Federal Employees Retirement System, including the Thrift Savings Plan (TSP), and what do you believe the FRTIB can do to help meet those challenges? **Education, education and more education. I think it is vital that the TSP continue the strong efforts of the past five years to educate the participants on the investment choices and the importance of saving for their retirements. While the decision is up to each individual as to where they invest their money, I believe it is the Board's and Agency's responsibilities to provide education to encourage retirement savings. This is especially critical to provide this education information for the courageous men and women serving in our armed services.**

9. What do you believe you have accomplished during your tenure as a member of the FRTIB? What accomplishments are you most pleased with? **Five years ago the FRTIB was entangled in law suits (being funded with the funds of the participants), today those lawsuits are gone and the focus is serving the participants. Today the staff has a deep management and professional bench of many talented professional working hard to benefit the participants. The computer systems have been upgraded, new security measure are being undertaken to protect against computer hackers, the efficiency of the TSP continues to improve, and participants have a new fund choice, the "L" fund, the lifecycle fund, which allows them to better plan and save for retirement.**

10. If you are confirmed, what do you expect will be the focus of your efforts during your coming next term? **I would like to concentrate on increasing the participation rate of the Armed Services in the TSP. While half the active duty of the Navy is in the plan, and a third of the Air Force participates; we really need to increase the Army's participation. We need to continue our education efforts and outreach to the Armed Services to accomplish this goal.**

11. What objectives would you like to achieve in your next term as a member, if confirmed? Why do you believe those objectives are important to the TSP and its participants? **My answer to this question relates to question number ten above. While participation from the Armed Services has nearly doubled in the past five years, more needs to be done. I think it is vitally important for the TSP to continue doing everything possible to educate and thereby increase the participation rate of all eligible participants, especially the members of the Armed Serves. These courageous men and women are defending our country and we need to help them with their retirement savings.**

III. Policy Questions

12. How satisfied are you with the level of security accorded to the personal information and assets of TSP participants? What additional steps, if any, do you believe should be taken? **I believe that strong measures have been taken to ensure the protection of personal information. Recently we have moved to a strong password from four digit numeric to eight digit alpha numeric. Secondly, we have moved from using the Social Security numbers as an identifier to using account numbers.**

13. What actions do you believe should be taken to ensure that the TSP maintains first-class information technology, with systems that offer features as good as, or better than, those offered by mutual funds and private-sector pension plans? **Recently we approved the funding for server upgrades, which will result in increased memory capabilities and greater speed.**

14. In any defined-contribution retirement program like the TSP, increased customer service and convenience may require increased overhead costs, so trade-offs may be needed.

    a. In your opinion, how does the TSP compare to commercial defined-benefit plans in terms of customer service and convenience, and in terms of efficiency? **With all the changes during these past five years, the TSP is competitive with any plan.**

    b. Do you believe any adjustments should be made in the level of customer service and convenience that the TSP provides? For example, what improvements, if any, do you believe should be made in the TSP web site and call centers? **This is a continuing mission of the Board and the professional staff. Changes, improvements and enhancements are constantly being made and will be made in the future so that the TSP serves at the highest levels.**

    c. Do you believe that any changes should be made to reduce overhead and make the TSP funds more efficient? **Many efficiencies have been implemented in the past five years, and this is an area that we will continue to review to determine which are the best practices to ensure that the TSP is operating as efficiently as possible to benefit the beneficiaries.**

15. Do you believe any improvements are needed in the disclosure to TSP participants of the overhead costs attributable to particular TSP investment funds? **I believe that this is important area, the TSP operating budget as well as its audited statements are on the website for viewing.**

16. How satisfied are you with current efforts to seek and receive feedback from TSP participants? Do you believe additional steps should be taken? **Recently a comprehensive survey was conducted to seek the opinions and feedback of the participants. This survey was very useful to the Executive Director and his team and to the Board to better understand the what parts of the TSP are favored as well as**

the concerns of the participants.

17. Are there measures that should be considered to strengthen the transparency and accountability of the FRTIB and its operations? **I believe the FRTIB has always had a open door policy to the beneficiaries and the public. All FRTIB meetings are open to the public and press and the TSP staff outreaches to the Employee Thrift Advisory Council for feedback and advice.**

18. What do you believe are the respective roles of the FRTIB and of the Office of Personnel Management in ensuring that TSP participants have the financial knowledge to make informed investment decisions? Are there any steps that you believe should be undertaken to improve those efforts? **OPM has the mission to offer broad financial literacy education and the TSP provides education for federal employees and armed services participation in the TSP. I see the missions of both organizations as important and believe we should work closer together.**

19. Many defined benefit plans offer employees a larger menu of fund choices than does the TSP, including various sector funds and other specialized funds. What do you believe are any advantages and disadvantages to TSP participants of maintaining the current choices of funds, versus substantially increasing the menu to include a number of sector and other specialized funds? **The Board contracted with an independent expert in this field to seek their advice and the conclusions from their report was that the right mix of fund choices is offered by the TSP. I believe the current choices offers the right amount of diversity and mix of investments for the beneficiaries. The current funds contain a wide and diverse holdings of different sector investments. Creating and providing specialized funds creates more risk and then opens up to then creating a fund for every group seeking one in the TSP. Creating such specialized funds would not be in the best interests of the federal employees and men and women serving in our armed services.**

20. Legislation has been proposed to require the TSP to offer investment options that exclude companies whose business activities support state sponsors of terrorism, or to require that the TSP funds be divested of such securities. *See*, for example, S. 1430 and H.R. 1357. What is your opinion of such proposals? **As fiduciaries of the TSP, we want to ensure that the funds offered enhance the retirement interests of the beneficiaries.**

21. What do you believe are the most important legislative changes the Congress should make to benefit TSP participants? Please explain. **Automatic enrollment and default into the "L" fund are the two most important. First, automatic enrollment, I believe when a person joins the federal government, they should be automatically enrolled in the TSP to start immediately saving for their retirement. We do not do a good job of saving in America, but auto enroll will help the person do so. The "L" fund default is truly the best option for the beneficiary, since it is a Lifecycle fund based on the number years the employee has in the workforce and the fund automatically allocates for the beneficiary.**

IV. Relations with Congress

22. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed? **Yes of course.**

23. Do you agree, without reservation, to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed? **Yes of course.**

V. Assistance

24. Are these answers your own? Have you consulted with the staff of the FRTIB or any interested parties? If so, please indicate which entities and explain. **Yes these are my own answers, just called FRTIB to confirm factual points.**

AFFIDAVIT

I, **Alejandro M. Sanchez,** being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Subscribed and sworn before me this **8th day of November, 2007.**

Notary Public

REBECCA WILSON
Notary Public - State of Florida
My Commission Expires Dec 10, 2010
Commission # DD 621341
Bonded Through National Notary Assn.

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 10, 2007

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-6250

Dear Mr. Chairman:

Under the Ethics in Government Act of 1978, Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, as amended, however, contains a provision in section 101(b) that allows the committee with jurisdiction to request any financial information it deems appropriate from the nominee.

We understand that your committee desires to receive a financial disclosure report from any Presidential nominee for a position on the Federal Retirement Thrift Investment Board, along with a written opinion from this Office regarding any possible conflicts of interest. Therefore, I am forwarding a copy of the confidential financial disclosure report (OGE Form 450) of Alejandro M. Sanchez, who has been nominated by President Bush for the position of Member of the Federal Retirement Thrift Investment Board.

We have reviewed the report and have obtained advice from the Federal Retirement Thrift Investment Board concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Sanchez is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Robert I. Cusick
Director

STATEMENT OF GORDON J. WHITING, MEMBER,
FEDERAL RETIREMENT THRIFT INVESTMENT BOARD,
BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

April 10, 2008

Mr. Chairman, my name is Gordon J. Whiting and I too would like to thank you, other members of the Committee, and the staff for conducting this hearing today. The Thrift Savings Plan has become a critical element for the retirement security of nearly four million Federal employees and members of the uniformed services. It has been my privilege to serve as a plan fiduciary and member of the Federal Retirement Thrift Investment Board. I am grateful for the opportunity to continue this service.

When I last appeared before you in 2002, you focused my attention on two issues: working cooperatively with other agencies and ensuring that participants have the financial knowledge to make informed decisions. I want to assure you today that we have continued to pursue these goals with notable success throughout my tenure.

In today's fast-paced financial world, we need to be sure that the TSP remains nimble yet grounded in the fundamental principles established for it in law. You have my commitment today that I will continue down that path, exercising both prudence and deliberate speed. Thank you again for your consideration of my nomination to this important position.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)

   Gordon James Whiting.

2. **Position to which nominated:**

   Member – Federal Retirement Thrift Investment Board.

3. **Date of nomination:**

   May 3, 2007.

4. **Address:** (List current place of residence and office addresses.)

   Residence:

   Office: Angelo, Gordon & Co., L.P.
   245 Park Avenue
   26th Floor
   New York, New York 10167

5. **Date and place of birth:**

   November 17, 1965 – Bronxville, New York.

6. **Marital status:** (Include maiden name of wife or husband's name.)

   Married. Wife: Cornelia Cabot Whiting, Maiden Name: Cornelia Conway Cabot.

7. **Names and ages of children:**

REDACTED

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.

Iona Preparatory School, New Rochelle, New York, September 1979 – June 1983, High School Regents Diploma, June 1983.
Cornell University, Ithaca, New York June 1983 – August 1988, Bachelor of Science, Business Management and Marketing, August 1988.
SUNY Purchase, Purchase, New York, June 1992 – July 1992, Summer Session Calculus Course.
Columbia University, New York, New York, August 1992 – May 1994, Master of Business Administration with a concentration in finance, May 1994.

9. **Employment record:** List all jobs held since college, and any relevant or significant jobs held prior to that time, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

Part Time Consultant, Foreign Sales Corporation Management Ltd., Kingston, Jamaica and Mt. Vernon, New York, September 1988 – June 1989.
Part Time Salesman, Martini Scuba, Yonkers, New York, December 1988 – March 1989.
Assistant Bookkeeper, Clark Design Group, Rye, New York, December 1988 – July 1989.
Marketing Manager, Epcot, Ltd., Kowloon, Hong Kong, July 1989 – May 1990.
Managing Director, Stapenhurst Ltd., Happy Valley, Hong Kong, June 1990 – June 1992.
Executive Director, W. P. Carey & Co. LLC and President and Portfolio Manager of Corporate Property Associates 14, Incorporated (an affiliate), May 1993 – April 2004.
Board Member, Federal Retirement Thrift Investment Board, Washington, D.C., November 2002 – Present.
Managing Director and Partner, Angelo, Gordon & Co., L.P., New York, New York, November 2004 – Present.

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.

Local Board Member, Selective Service System, 1998 – Present.
Board Member, NYS Conservation Fund Advisory Board, 2006 – Present.

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

Please see attached.

12. **Memberships:** List all memberships, affiliations, or and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable or other organizations.

Please see attached.

13. **Political affiliations and activities:**

(a) List all offices with a political party which you have held or any public office for which you have been a candidate.

None.

(b) List all memberships and offices held in and services rendered to any political party or election committee during the last 10 years.

Republican Eagles, National Co-Chair; Member - 1996 – Present.
Super Maverick – 2004.
John McCain Finance Committee – 2006 – Present.

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more during the past 5 years.

New York State Republican Party - $500 – 2006.
VOLPAC - $250 – 2006.
Tom Kean for US Senate - $250 – 2006.
Roger Williams Office Holder Account - $250 – 2006.
RNC - $15,000 – 2006.
Roger Williams Office Holder Account - $250 – 2005.
Santorum 2006 - $1,000 – 2005.
Van Taylor for Congress - $4,200 – 2005.
Talent for Senate - $1,000 – 2005.
Bill Manger for Congress - $500 – 2004.
RNC - $15,000 – 2004.
Jewitt for Congress - $100 – 2004.
Citizens for Arlen Specter - $100 – 2004.
Brownback for US Senate - $1,000 – 2004.
Dylan Glenn for Congress - $1,000 – 2004.
Bush Cheney '04, Inc. - $2,000 – 2004.
Elizabeth Dole Committee, Inc. - $1,000 – 2003.
Barbour for Governor - $500 – 2003.
RNC – 15,000 – 2003.
Hutchison for US Senate - $100 – 2002.

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

International Fellow – Columbia University.
Eagle Scout – Boy Scouts of America.
CALS Young Alumni Achievement Award – Cornell University.

15. **Published writings:** Provide the Committee with two copies of any books, articles, reports, or other published materials which you have written.

"Monetize Your Bricks and Mortar Through a Sale Leaseback." Mergers & Acquisitions, November/December 1999, Volume 34/Number 3.

16. **Speeches:**

(a) Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated. Provide copies of any testimony to Congress, or to any other legislative or administrative body.

No speeches. Please find attached a copy of my November 15, 2002 Hearing before the Committee on Governmental Affairs regarding my previous nomination to be a Member of the Federal Retirement Thrift Investment Board.

(b) Provide a list of all speeches and testimony you have delivered in the past 10 years, except for those the text of which you are providing to the Committee. Please provide a short description of the speech or testimony, its date of delivery, and the audience to whom you delivered it.

None.

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President?

I believe that I was selected on the basis of my qualifications, education and work experience.

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

I believe that my work experience and education qualify me for this appointment. Since November 2002 I have been a Member of the Federal Retirement Thrift Investment Board ("FRTIB"). As the FRTIB is a part time Board position, I am a Managing Director and Partner of Angelo, Gordon & Co., L.P. ("AG"), where I started and manage its net lease fund. AG is a leading investment management firm specializing in non-traditional assets. Including affiliates it currently manages approximately $14 billion of assets.

I was previously an Executive Director of W. P. Carey & Co. LLC (NYSE: WPC), which is a leading global real estate investment firm. It provides asset management services to its CPA® series of income generating real estate funds. With approximately $5 billion in equity capital, the WPC is one of the largest providers of net lease financing for corporations worldwide. It owns more than 800 commercial and industrial properties in 14 countries, representing approximately 100 million square feet, valued at approximately $9.2 billion.

I was also the President and Portfolio Manager of Corporate Property Associates 14, Incorporated ("CPA: 14"), an affiliate (REIT) of W. P. Carey which at the time had over 8,000 individual investors and over 12,000 qualified plans (pension funds, IRAs, 401 (K) plans) as investors. At the time CPA: 14 had over $1.1 billion in assets and a net worth of over $500 million. I received a BS in Business Management and Marketing from Cornell University and an MBA with a concentration in Finance from Columbia University.

B. EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

No. As this is not a full time position, I will be maintaining my employment at my current job, Angelo, Gordon & Co., L.P.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

None other than my current affiliations.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization, or to start employment with any other entity?

No. I will maintain all present relationships while serving on the Federal Retirement Thrift Investment Board.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service?

No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

Yes.

6. Have you ever been asked by an employer to leave a job or otherwise left a job on a non-voluntary basis? If so, please explain.

No.

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I do not believe that I have any conflicts of interest. If a matter were to arise in the future, or there was a perceived conflict of interest I would recuse myself.

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration or execution of law or public policy, other than while in a federal government capacity.

None.

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   I am a defendant in a lawsuit brought by Roger Mehle, a former Executive Director of the Federal Retirement Thrift Investment Board (the "Agency") in my capacity as a member of the Agency's Board of Directors.

   The suit was filed in the United States District Court for the District of Columbia on January 24, 2003, and the complaint has subsequently been amended several times. The suit is captioned Francis X. Cavanaugh v. Andrew M. Saul, Thomas A. Fink, Alejandro M. Sanchez, Gordon J. Whiting, Elizabeth S. Woodruff, and Gary A. Amelio, No. 03-111 (GK) (DAR). The other defendants are three other members of the Agency's Board of Directors, the Agency's former General Counsel, and its former Executive Director.

   The suit is still in the discovery phase and I am represented by attorneys from the Department of Justice in my defense against this action.

2. Have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details.

   No.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   Please see my answer to Question 1, above. Prior to my appointment as a member of the FRTIB, a former Agency contractor was suing the Agency in the United States Court of Federal claims alleging that the Board had wrongfully terminated its contract for default. The Agency had initiated a separate suit against the former contractor in United States District Court alleging that the former contractor breached its contract and committed fraud in connection with the contract. The Agency's Executive Director settled both suits subsequent to my appointment as member of the FRTIB. In addition, I am aware that several Agency employees initiated Equal Employment Opportunity Complaints and Merit System Protection Complaints against diverse Agency supervisors. To my knowledge, all were settled.

The SEC initiated an investigation, of which I am not a part of or involved with, of W. P. Carey & Co. in June 2004 alleging violations of the Securities Act of 1933 and Securities Exchange Act of 1934 in connection with a securities offering by W. P. Carey. The investigation is pending and to my knowledge no formal charges have been brought against W. P. Carey by the SEC.

4. For responses to question 3, please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity.

Mehle asserts that the Board members and the former General Counsel coerced the resignation of the individual who succeeded him as Executive Director and that we (all defendants) breached our fiduciary duties when the Executive Director settled a lawsuit with a former Agency contractor - even though the settlement resulted in a net payment to the Agency of $5 million.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None that I am aware.

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

AFFIDAVIT

Gordon James Whiting being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Gordon James Whiting

Subscribed and sworn before me this 18th day of June, 2007

George Fink

Notary Public

GEORGE FINK
Notary Public, State of New York
No. 01FI4987887
Qualified in Kings County
Commission Expires Oct. 21, 2007

U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire
For the Nomination of Gordon James Whiting to be
a Member of the Federal Retirement Thrift Investment Board

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as a member of the Federal Retirement Thrift Investment Board (FRTIB)?

I believe that I was selected on the basis of my expertise, training and experience in the management of financial investments and pension benefit plans, as discussed below in the response to question three.

2. Were any conditions, express or implied, attached to your nomination? If so, please explain.

No.

3. What specific background and experience do you believe affirmatively qualifies you to be a member of the Thrift Board?

I believe that my work experience and education qualify me for this appointment. I am currently a member of the FRTIB and have been since November, 2002. I am also a Managing Director and Partner of Angelo, Gordon & Co., L.P. a leading investment management firm specializing in non-traditional assets, that with its affiliates has approximately $16 billion under management, where I founded and lead the AG Net Lease Realty Group. Previously, I was an Executive Director of W. P. Carey & Co. LLC (NYSE: WPC) where I was also the President and Portfolio Manager of Corporate Property Associates 14, Incorporated ("CPA: 14"), an affiliate (REIT) of WPC which at the time had over 8,000 individual investors and over 12,000 qualified plans (pension funds, IRAs and 401 (k) plans) as investors. I received a BS in Business Management and Marketing from Cornell University and an MBA with a concentration in Finance from the Columbia University Graduate School of Business.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as a member?

No.

5. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures and/or criteria that you will use to carry out such a recusal or disqualification.

No, not to my knowledge. However, if confirmed, and a matter were to arise in the future regarding Angelo, Gordon & Co., L.P. and/or its affiliates, or any other matter which presented a conflict of interest or the appearance of a conflict of interest, I would recuse myself.

6. Insofar as your non-governmental work involves business and finance, how does that work inform or otherwise relate to the decisions you make as a member of the FRTIB? How do you ensure that no actual or apparent conflict of interest arises?

I do not believe that there are any actual or apparent conflicts of interest related to my non-governmental work. If any actual or apparent conflicts of interest were to arise, I would recuse myself.

II. Role and Responsibilities of the Federal Retirement Thrift Investment Board and of its Members

7. What do you see as the principal roles and responsibilities of the FRTIB and of each of its members?

I believe that the principal roles and responsibilities should be to set policies for the investment and management of the FRTIB and to continuously evaluate those policies and when needed to change them to make sure that the best interests of the participants and beneficiaries are being met. I believe that there is also an important oversight function with respect to the FRTIB's operations.

8. What do you see as the main challenges facing the Federal Employees Retirement System, including the Thrift Savings Plan (TSP), and what do you believe the FRTIB can do to help meet those challenges?

Several of the most important issues facing the TSP are expenses, system security and handling capacity. We need to continue to ensure that the costs are kept as low as prudently possible and continue to be vigilant in the oversight of our computer systems to make sure that we do everything we can to prevent a breach of security. As the number of participants continues to grow (which is fantastic) and the number of transactions increases we need to make sure that we have the systems in place that can withstand the additional usage.

9. What do you believe you have accomplished during your tenure as a member of the FRTIB? What accomplishments are you most pleased with?

I believe that many good things have been accomplished in the last five years. Two of the most important have been the transition to a daily valued system and the introduction of the Life Cycle Funds (L Funds). The upgrade to the systems and the establishment of a redundant call center and a geographically separate back up center have made the Plan much stronger. We are also very grateful that Congress approved the legislation that we requested to eliminate open seasons as this has made the plan much more user friendly.

10. If you are confirmed, what do you expect will be the focus of your efforts during your coming next term?

If confirmed, I would expect that my focus would continue to be on finding ways to increase the participation of all eligible people and making sure that the TSP is the best possible plan for its participants. I will also continue to focus on computer system security and keeping costs as low as prudently possible.

11. What objectives would you like to achieve in your next term as a member, if confirmed? Why do you believe those objectives are important to the TSP and its participants?

If confirmed, I would like to focus on improving the website and participant education. I would also like to continue to find ways to increase the number of TSP participants.

III. Policy Questions

12. How satisfied are you with the level of security accorded to the personal information and assets of TSP participants? What additional steps, if any, do you believe should be taken?

The level of security has been greatly increased. This year we went from using the participant's Social Security Number as the account number and a four digit PIN number to access their account to a 13 digit account number and an eight character alpha numeric web based password to increase the level of security. We are continuously watching this area and implementing improvements as warranted and will continue to do so.

13. What actions do you believe should be taken to ensure that the TSP maintains first-class information technology, with systems that offer features as good as, or better than, those offered by mutual funds and private-sector pension plans?

I believe that we do have a first class system and as improvements are developed and tested we implement them. We also continuously look at the private sector to see what features they offer to make sure that ours are as good or better.

14. In any defined-contribution retirement program like the TSP, increased customer service and convenience may require increased overhead costs, so trade-offs may be needed.

    a. In your opinion, how does the TSP compare to commercial defined-benefit plans in terms of customer service and convenience, and in terms of efficiency?

    I believe that it is among the best. We should however continue to make sure that it stays that way by constantly looking at industry best practices.

    b. Do you believe any adjustments should be made in the level of customer service and convenience that the TSP provides? For example, what improvements, if any, do you believe should be made in the TSP web site and call centers?

    During our tenure we changed the number for the call center to a toll free number and established a redundant call center. We have also made improvements to the website and are planning on revamping it in the near future. We must continue to listen to the TSP participants to make sure that their needs are being met.

    c. Do you believe that any changes should be made to reduce overhead and make the TSP funds more efficient?

    I do not. We should however, continue to be vigilant in watching and reducing costs and making sure that the TSP is as efficient as possible.

15. Do you believe any improvements are needed in the disclosure to TSP participants of the overhead costs attributable to particular TSP investment funds?

    I do not. All of the Board meetings take place in the open, and we welcome the press coverage that we receive at each meeting. The annual financial audit is also available online.

16. How satisfied are you with current efforts to seek and receive feedback from TSP participants? Do you believe additional steps should be taken?

    I am very satisfied with the efforts to seek and receive feedback. For example, in January of 2007 we issued the results of the first survey of TSP participants in 15 years and will continue to do more in the future.

17. Are there measures that should be considered to strengthen the transparency and accountability of the FRTIB and its operations?

I do not believe so. All of our Board meetings take place in the open, and we are audited continuously. The Department of Labor (DOL) conducts a number of different audits through out the year and always has someone attend our Board meetings. We welcome this scrutiny and work closely with them through out the year. We also have engaged Deloitte. for the annual financial audit and have made it clear to both the DOL and Deloitte. that aside from talking to us at the regularly scheduled meetings that they should contact us right away if they notice anything that causes them any concern.

18. What do you believe are the respective roles of the FRTIB and of the Office of Personnel Management in ensuring that participants have the financial knowledge to make informed investment decisions? Are there any steps that you believe should be undertaken to improve those efforts?

I believe that the Office of Personnel Management (OPM) should be responsible for educating Federal employees about the retirement system in general and what each part of it is for, while the FRTIB should educate its participants about the various investment choices and how the TSP works. We have worked cooperatively with OPM throughout my tenure and will continue to do so.

19. Many defined benefit plans offer employees a larger menu of fund choices than does the TSP, including various sector funds and other specialized funds. What do you believe are any advantages and disadvantages TSP participants of maintaining the current choices of funds, versus substantially increasing the menu to include a number of sector and other specialized funds?

Research has indicated that if there are too many fund choices investors become paralyzed and don't make a proactive investment decision and therefore end up only in the default investment option. When Congress set up the TSP it decided to limit the number of choices and only allow investment in index funds. I believe that has been the one of the main reasons for the success of the TSP. We recently added life cycle funds (the L Funds) and this has made investing even easier for the participants. Ennis Knupp + Associates was recently engaged to conduct a study of whether other funds should be added at this time. They concluded that at this time the current offerings were appropriate. I believe that this is an area that should be reviewed on a regular basis.

20. Legislation has been introduced to require the TSP to offer investment options that exclude securities of companies whose business activities support state sponsors of terrorism, or to require that the TSP divest such securities. See, for example, S. 1430, H.R. 1357. What is your opinion of such proposals?

While I believe that is a meritorious cause, I do not think that it is appropriate to introduce social and political considerations into TSP investments.

21. What do you believe are the most important legislative changes the Congress should make to benefit TSP participants? Please explain.

The most important legislative changes that Congress could make to benefit the TSP participants would be to enact legislation that would require civilian Federal agencies and uniformed service branches to automatically enroll newly hired or rehired TSP eligible employees and service members unless the service member or employee affirmatively elects not to participate. The other legislative change would be to change the TSP default fund from the G Fund to the age appropriate L Fund for all newly enrolled participants.

IV. Relations with Congress

22. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

Yes.

23. Do you agree, without reservation, to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?

Yes.

V. Assistance

24. Are these answers your own? Have you consulted with the staff of the FRTIB or any interested parties? If so, please indicate which entities.

Yes, these answers are my own, and I have not consulted with the Federal Retirement Thrift Investment Board or any other interested parties except to confirm certain facts in answering these questions.

AFFIDAVIT

I, Gordon James Whiting, being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Subscribed and sworn before me this 9th day of [illegible], 2007.

Notary Public

WYNNE FONG
Notary Public, State of New York
No. 01FO6016224
Qualified in New York County
Commission Expires Feb. 1, 2011

United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

May 14, 2007

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-6250

Dear Mr. Chairman:

Under the Ethics in Government Act of 1978, Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, as amended, however, contains a provision in section 101(b) which allows the committee with jurisdiction to request any financial information it deems appropriate from the nominee.

We understand that your committee desires to receive a financial disclosure report from any Presidential nominee for a position on the Federal Retirement Thrift Investment Board, along with a written opinion from this Office regarding any possible conflicts of interest. Therefore, I am forwarding a copy of the confidential financial disclosure report (OGE Form 450) of Gordon J. Whiting, who has been nominated by President Bush for the position of Member of the Retirement Thrift Investment Board.

We have reviewed the report and have obtained advice from the Federal Retirement Thrift Investment Board concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Whiting is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Robert I. Cusick
Director

Enclosure

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