



PRESS RELEASE

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NAREIT SUPPORTS REAL ESTATE OPTION IN FEDERAL EMPLOYEES' THRIFT SAVINGS PLAN

House Subcommittee Plans April 19 Hearing

Washington, D.C. — Legislation that would make it possible for federal government workers to further diversify their retirement savings through the inclusion of a real estate stock index fund in the Federal Thrift Savings Plan (TSP) has been introduced in the U.S. House of Representatives.

The lead sponsors of the Real Estate Investment Thrift Savings (REITS) Act (H.R. 1578) are U.S. Representatives Jon C. Porter (R-NV) and Chris Van Hollen, Jr. (D-MD).

Porter, who chairs the House Government Reform Committee's Subcommittee on the Federal Workforce and Agency Organization, intends to make the REITS Act the focus of an April 19 subcommittee hearing. The REITS Act has drawn the support of Government Reform Committee Chairman Thomas M. Davis III (R-VA), Minority Whip Steny H. Hoyer (D-MD) and several other Members of Congress.

Established by Congress in 1986, the TSP is similar to 401(k) and other defined contribution plans and currently offers its federal participants, including military personnel and postal employees, a menu of five investment funds (compared with an average of 16 funds in most other plans).

Commenting on his introduction of the REITS Act, Chairman Porter stated, "The nation's 3.4 million TSP participants should have a distinct real estate option. Traditional pension plans have long invested specifically in real estate, and an increasing number of 401(k) plans in the private sector provide a real estate securities option for the plan's participants to consider and select. Our federal employees deserve no less."

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“A real estate stock option should be available to federal employees as they plan for their retirement,” said Rep. Van Hollen. “They should have a broader range of choices, just like participants in private sector 401(k) plans. And a real estate option can be a useful tool for greater diversification.”

“An increasing number of financial experts recommend that retirement savings be spread among different investment choices, including stocks, bonds and real estate,” Steven A. Wechsler, president and CEO of the National Association of Real Estate Investment Trusts® (NAREIT), explained. “In particular, the reliable dividend income, proven portfolio diversification benefits and impressive long-term performance of REITs make them an ideal investment option for TSP participants and anyone else interested in building greater and more dependable financial security through real estate investment.”

Over several decades, academic research has demonstrated that the investment returns from real estate are appreciably different than the returns from other investments, thereby offering significant diversification advantages. More recently, Ibbotson Associates—a leading authority on asset allocation—determined that allocating a portion of a TSP participant’s portfolio to a REIT index fund, in addition to the existing five options, would have increased the overall portfolio’s performance while reducing volatility. In a study requested by NAREIT, Ibbotson concluded that the inclusion of REIT stocks in a low to moderate risk TSP portfolio from the inception of the TSP in 1988 through 2004 would have resulted in an average additional gain of around 13 percent.

Wechsler said, “We commend Chairman Porter, Congressman Van Hollen, Chairman Davis, Minority Whip Hoyer and their colleagues for their sensible approach to bolstering the financial security of federal workers. Those individuals who defend the American way of life, deliver our mail or are employed by federal agencies deserve more choices and should not be denied the opportunity to specifically include a real estate investment option such as REITs in a balanced retirement savings portfolio.”

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