U.S. DEPARTMENT OF THE TREASURY

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FINANCIAL LITERACY AND EDUCATION COMMISSION

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PUBLIC MEETING

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THURSDAY, SEPTEMBER 30, 2010

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The Meeting convened in the Cash Room, 1500 Pennsylvania Avenue, N.W., Washington, D.C., at 10:00 a.m., Michael S. Barr, Assistant Secretary for Financial Institutions, presiding.

PRESENT:

Michael S. Barr, U.S. Department of the Treasury

Dubis Correal, U.S. Department of the Treasury

John Bienko, Small Business Administration

APRIL BRESLAW, Office of Thrift Supervision.

MICHAEL DAVIS, U.S. Department of Labor

PHILIP GAMBINO, Social Security Administration

MARK GREENBERG, Department of Health and Human Services

DAVID JULIAN, Department of Defense

RAYMOND J. KIRK, Office of Personnel Management

PHILIP MARTIN, U.S. Department of Education

CASSANDRA McConnell, Federal Deposit Insurance Corporation

BRIAN MULFORD, Securities and Exchange Commission

CLAY PEDERSON, Commodity Futures Trading Commission

LUKE REYNOLDS, Federal Deposit Insurance Corporation

PRESENT (Cont'd):

MANDY SAGE, Department of Veterans Administration

JANE SCHUCHARDT, U.S. Department of Agriculture

BARBARA SMITH, Social Security Administration

COLLEEN TRESSLER, Federal Trade Commission

PEGGY TWOHIG, U.S. Department of the Treasury

BARRY WIDES, Office of the Comptroller of the Currency

JAMES ZAWADA, General Services Administration

FEATURED SPEAKER: AMAR PARIKH, Director, Corporate Affairs, Ariel Investments

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Proceedings

MR. BARR: Welcome to the Treasury Department, everybody. I'm Michael Barr. I'm the Assistant Secretary of the Treasury for Financial Institutions. I'm thrilled to have you all in the audience and to have all our colleagues at the other federal agencies. We have a very, full agenda today. I want to commend the members of the Commission for the progress that you've all made in the past year. One of the most pressing items for the Commission was to develop a new national strategy for financial capability. And in light of the financial crisis we are coming through, that is just absolutely critical for addressing the ongoing challenges that many American households face in achieving and maintaining financial stability.

And after a comprehensive and I think really quite inclusive year-long process, really digging in both to the substance of the issues and making sure that many, many voices were heard, we recently set out that national strategy for public comment, and we're going to hear from Barbara Smith from the National Strategy Working Group later in the program, with the update on the comments received and the next steps. I think it is just a real testament to the way that the Commission members worked together to produce such a, I think, high-quality document over the course of the year. And we look forward to launching this strategy soon with all of you to provide a clear vision for all of us to help provide that vision to state and local governments, to private sector partners, to develop and then to implement programs and initiatives that integrate the national strategy and advance the vision of sustained financial stability for Americans and their families.

We are also going to hear, a little bit later today, this morning, from the Core

Competencies Working Group, who has been reviewing the many comments received from the public about the basic structure and knowledge that Americans should know, the actions Americans should take to advance their financial capability. And as with the National Strategy Group, I want to comment all of you, I want to comment all of you on the Core Competencies Group for the work that you did in putting together this effort. It is very difficult to do in a way that is clear and concise, while pulling in place the critical elements that we believe Americans need to improve their financial knowledge and their financial capability.

This baseline of knowledge will help to address the current lack of consistency and various financial literacy programs in identifying goals and objectives, including importantly how to measure whether the programs are actually working in helping American families.

The latter part of the program we are going to turn to some important new findings from Amar Parikh, who is the Director of Corporate Affairs of Ariel Investments, and from Ray Kirk, from the Office of Personnel Management, who have been looking at retirement savings on behaviors across different groups, and will help us think about how that research will guide our work, or could guide our work, in various areas.

Our first presenter is going to be Peggy Twohig, from my team, who is going to give you an update on implementation of the Consumer Financial Protection Bureau. As many of you know, here at the Department, we have been working quite aggressively on the creation of this new bureau. We are determining how to consolidate core authorities that have been fragmented across different agencies. We're looking at ways to ensure fairness and transparency for mortgages and credit cards, and other consumer financial services. We are doing the planning that is essential for figuring out how to regulate large non-bank providers of consumer financial services, including credit bureaus and debt collectors. We are planning for the provision of consumer assistance in hotline functions in education nationwide, including financial literacy programs, online resources and a consumer complaints hotline. We are working to establish the offices that will focus on protecting military families and seniors that are going to exist within the new bureau. We appreciate all of those who have been assisting us in this work, and we look forward to your ideas as we continue to stand up the agency. We, in the last two weeks, got a new special boost in that effort in our initiate to start up the agency with the arrival of Elizabeth Warren, who Secretary Geithner has appointed as his special advisor to help stand up the agency, and who the president has appointed as his assistant on a broad range of issues.

Peggy is going to expand on our work on basic implementation of the bureau. But before I turn it over to Peggy, I would also just like to mention two additional items. Treasury is quite interested in continuing to hear from FLEC member agencies on financial education activities in support of Gulf Coast residents. I know that many of you have started to provide information on this process. Please continue to feed information, to talk to Dubis about ways in which we can work together in the Gulf Coast. And as many of you know, many individuals in businesses in the Gulf Coast have been badly hurt by the oil spill, but also at the same time will be receiving emergency payments, as well as the potential for significant lump sums, and many of them may not be equipped to handle either the downturn in their income, or the significant lump sum resources that they may obtain going forward.

So, a quite tricky set of financial education/financial access issues involved, and we'd very much appreciate your help and advice as we work on that. Please get in touch with Dubis about ways we can work together. On another note, during our internal FLEC meeting on September 1st, Treasury proposed the creation of a subcommittee focusing on financial access issues with a goal of integrating financial access efforts into existing federal programs that serve low and moderate income individuals, and coordinating and maximizing the output of federal efforts to promote financial access for the unbanked and underbanked individuals. A number of you have already expressed interested in participating in this subcommittee on financial access, and unless there is an objection, I will consider this subcommittee officially formed. Are there any objections?

So, this subcommittee on financial access is formed. Matt Pippin will be in touch with you, continue to be in touch with you, about ways to participate in that effort, and I look forward to hearing and seeing your work in the months ahead. Thank you very much for coming. I will be able to stay for a portion of the program, as much as I possibly can, and Dubis will chair for me in my absence. We look forward to the conversation this morning, and with that, I would like to turn it over to Peggy.

MS. TWOHIG: Thank you, Michael. And thank you all for being here on such a beautiful day. I am going to discuss, as Michael said, an overview of the CFPB's mission and authorities, talking a little bit more in detail than what you already heard, with a focus of course on the Office of Financial Education that is required to be set up by the statute. I will also talk a little bit about Treasury's work so far in standing up the CFPB, and what our time line is. As many of you may know, but just to review perhaps, the CFPB is an independent agency. It is housed within the Federal Reserve System, but it is independent with independent funding. It will be led by a director that is nominated by the president and confirmed by the Senate for a five-year term. And I am very happy to say has broad powers to protect consumers across the entire spectrum of the consumer financial services marketplace in both the bank and the non-bank sectors. So, I am going to just set out, broadly speaking, what the basic function and missions are, in addition to developing and implementing financial education programs for consumers, which I will talk about in more detail.

One function is to provide one place, a toll-free number and a website, where consumers can call with complaints about consumer financial services. And my own view is that is a particularly important one, so that no longer will Americans have to guess or know, or try to figure out whether they need to call -- whether it is a state member bank of the Federal Reserve system, or a national bank, or whether the mortgage lender is not a bank at all, they will not have to know that. There is one place they can call for intake for their consumer complaint or inquiry. So, the idea is one-stop shopping. And the bureau will need to handle those complaints or refer, which maybe appropriate in some circumstances, given the jurisdictional boundaries that I will talk about in a second.

In addition, the bureau will have the job of monitoring the marketplace across the range of, as I said, bank and non-bank providers for those, who are providing consumer financial services, including research and studies, but not just research and studies. In other words, one of the jobs of the CFPB is going to pay attention to keep on top of what is going on out there, monitor risk and be able to do something about it when they see new risks, new problems for consumers developing. The CFPB will also have rule-making power to write rules and issue guidance under a number of the consumer financial services statutes that exist right now, as well as under new authority that the agency will have.

The CFPB will have the job of supervising the very largest banks. The jurisdiction of the agency will be over banks that are over $10 billion in combined assets. So, that is a little over 100 financial institutions we think right now, but somewhere between 75 percent and 80 percent of all assets. So, it is the vast majority of the activity, the action, the assets, but a smaller number of the banks. For banks below that threshold, the agency will also have the power to accompany the other regulators that will retain their jurisdiction: the Fed, the OCC, and the FDIC, to go along on exams. And in that way, we will be able to monitor what is been going on in that segment of the depository institution marketplace, and stay in the loop. And last but not least, the agency will have the ability to enforce the consumer financial laws, the ones transferring over to it, and any new rules that promulgates under its new authority. So, that is the basic big picture of the primary missions of the agency.

With respect to financial education, as I mentioned, the act establishes an Office of Financial Education within the new agency, and this is the charge: it is to develop and implement initiatives intended to educate and empower consumers to make better informed financial decisions, in coordination with all of you, with FLEC. Obviously that is very broad. The bureau's director will serve as vice chair of FLEC, and in more detail, the charge is also to develop a strategy, which would -- does that sound familiar? Yes, everyone is – there is also a strategy that needs to be developed by the agency to improve financial literacy of consumers, and I am going to list all the different things that it needs to cover, because I think it is important in particular for this group to know.

The charge is to develop a strategy to improve financial literacy of consumers through activities providing opportunities for consumers to access financial counseling, information to assist with credit products, an understanding of credit histories and scores, information about savings and borrowing tools, activities intended to prepare consumers for educational expenses, and submission of financial aid and other major purchases; activities intended to reduce debt, assistance in developing long-term savings strategies, and assistance in wealth-building and financial services to claim federal benefits. As you can see it is a long, broad list, and obviously tremendous overlap with the work of this agency. And so, I think one of the big challenges for the CFPB will be to decide how best to use this mandate and its new resources to try to add value, and work with all of you in a way to help move financial literacy forward. And I think it is clearly within the context: The agency and this office can be set up in the context of all the good work that you all have been doing already. And so, it will need to fit in and figure out what best role it can play, given all that is going on, and all that you are doing in the strategy that you all are developing. That is the mandate in terms of financial education. Where are we in terms of moving forward? Treasury has the task under the act, of getting the CFPB up and running. So, we are calling that generally standing it up. I think it is a good metaphor. I think it might be a little wobbly right now.

We are just getting our sea legs, but as Michael mentioned, we have a new boost. The President appointed Elizabeth Warren to serve as an assistant to him, and a special advisor to Secretary Geithner, to lead the stand up effort. We have an Implementation Team here at Treasury to help do this work. We have -- many so far on the team are from other federal agencies, detailed to us, with their expertise for taking advantage of that, to try to plan and build out the functions. And we also are bringing some new folks on board. It is quite a daunting task. It is complex, but it is also incredibly exciting. It is a combination of both a merger and a start up because we have to bring staff in from the other agencies. They are going to transfer the functions, say the large bank supervision, from the agencies that are doing it now. That has to be transferred over, but at the same time, there are many new functions. So, we have to build from scratch all the typical things that any agency needs: human capital procedures, IT requirements. We need to find somewhere to sit, all the infrastructure that goes into building any agency. We also need to plan and build core functions like the center that is going to take in the calls and the consumer complaints or inquiries and respond. And then we also have to plan the new functions that I mentioned. And on top of all that, we need to plan for an orderly and hopefully as seamless as possible transfer of the authorities from the agencies that are doing some of this work now. So, that is our task. The time line is now set. Secretary Geithner established a transfer date of July 21st, 2011, and that is the date when these functions that are being performed by the other agencies, whether it is rule-making or large bank supervision already under the current statutes move over, and the agency has the authority to pick up. And so, the baton is passed at that point. And so, that is a key date in terms of when the agency will need to pick up on those tasks. In connection with all of this, we're seeking input, your ideas. We're doing quite a bit of outreach to get ideas.

Particularly, we want ideas on financial education and literacy, and what that function should look like. What kind of staffing should it have? What should its priorities be? All of that is yet to be determined. Very important issues, but yet to be determined. We are seeking input, ideas. Feel free to email me or Dubis, or whoever you have addresses for at Treasury. We want to hear from you. I think that is the big picture overview, and I am happy to take questions from the Commission, quiet group.

MR. DAVIS: Is there a statutory deadline for the strategy, the strategy around financial education at all? Is there a time line around that?

MS. TWOHIG: No, it is open-ended.

MR. DAVIS: Ok.

MS. TWOHIG: I think that is mostly a good thing right now, from where I sit.

MR. MARTIN: Wondering if you have an early sense recognizing – it is sort of wobbly as we are standing it up. An early sense of the balance between kind of coordinating what other agencies are doing, and sort of directly carrying out activities related to the things that you mentioned as part of the Office of Financial Education.

MS. TWOHIG: I think it is safe to say in every single function, coordination with other agencies is going to be critical. That is certainly true in the supervision side, in the enforcement side, all of the coordination we will need to go forward with all of the existing prudential regulators, as well as the regulators that keep their authority to supervise the smaller banks. And so, there is probably countless, I have not tried to count, but there are many provisions that require coordination in the statute. But even if it did not, I think that is just kind of embedded in it. I think that will be particularly true though with respect to the financial education function, and the outreach functions because again, I do not have to tell this group how much work has been done, and how much there has already been done by both public and private sector entities. And so, there just will have to be a lot of coordination to make sure that the resources are used in a way that make sense, and really help add value.

MR. MARTIN: Just a quick follow up. I think sort of what I was asking a little bit is what -- do you expect there to be a bunch of new money to carry out some of those activities.

MS. TWOHIG: Oh, I see. Now you are getting to the heart of it.

MR. BARR: He said coordination, but he meant, where is the money?

MS. TWOHIG: I am very happy to say there is a very good stable source of independent funding. The agency will be funded by transfers from the Federal Reserve System, up to a certain cap. So, a director will determine what is needed every year, and provided it's below certain caps set out in the statute, that will be a stable independent source of funding without the need for appropriations. I think it's way too early to say how that will be allocated in terms of the different functions, and what that means in terms of being able to support particular kinds of projects.

MS. SCHUCHARDT: Regarding the functioning of FLEC, I heard you say that the director will be the vice chair of FLEC. So, a point of clarification. Does that mean that Treasury and the Office of Financial Education and Access here will continue to lead FLEC and be the director and chair?

MS. TWOHIG: Yes.

MS. SCHUCHARDT: Or whatever the correct terminology is.

MR. BARR: Yes.

MS. SCHUCHARDT: What changes might we expect as a Commission when this --

MR. BARR: I think you are going to have a new, vibrant, active member.

MS. TWOHIG: I am not sure what the protocol is?

MR. BARR: Just wondered what results you would look for to show that you are having success with your goals.

MS. TWOHIG: I am not sure. Again, that is one of the main tasks I think of the leadership of the agency, and whoever ends up heading up the Financial Education function is to set some strategies and goals to try to measure that, and yet to be determined. I'm sorry; we really are truly just a start up. So, there are a lot of unanswered questions at this point.

MR. BARR: So, we are, at this point, going to shift to the discussion of the updates from the FLEC on national strategy.

MS. SMITH: Let me first say that I welcome the addition of the Consumer Financial Protection Bureau. I think it will be an exciting new member to FLEC. And it might be an idea to have someone from that CFPB come and talk to FLEC, and certainly to the working groups, since there will be a lot of overlap between their mandate and what the working groups of the FLEC are already doing. So, we will look forward to that. And I would like to thank also Secretary Barr for his support throughout this year in helping us develop the National Strategy. That is very important part. I am happy of course to have the chance to update you all, and the Commission, on the progress we have made on the National Strategy, and let you know about the activities of the National Strategy Working Group. And I am extremely happy to be able to announce to you today that we will have the launch of the National Strategy at the end of October.

Now, the purpose of the National Strategy, as I am sure you all know, is to provide a broad over-arching framework that will ensure we are all marching in the same direction, at the same time allowing organizations the freedom to implement the strategy as they best see fit.
As Secretary Barr mentioned, the National Strategy Working Group is currently reviewing public comments from the Federal Register notice that was published earlier this month, on September 3rd. This is the last step, the issuing of the comment of the notice on the Federal Register; the last step in a very inclusive process that we went through to develop this National Strategy.

At this point, I would like to briefly highlight all those steps. We reviewed the previous National Strategy on Financial Literacy, taking ownership of the future. We reviewed other countries' financial literacy strategies. We reviewed comments of the Government Accountability Office on the previous financial literacy strategy, and we reviewed research findings on financial literacy and education.

In addition, we asked for input on the National Strategy from 150 stakeholders, who represented financial industry associations, non-profit organizations, educational institutions, government agencies, the President's Advisory Council on Financial Literacy and FLEC member agencies, and we found much agreement among these stakeholders as to the vision, the mission, the goals and the objectives of a national strategy for financial literacy. We also organized and facilitated three listening sessions for these stakeholders to further refine the vision, mission, goal and objectives. Taking all this input, we drafted National Strategy, and we circulated it to the FLEC member agencies for review. That brings up to where we are now, that last step in this inclusive process, reviewing the public comments from the Federal Register. And I am going to give you just a preliminary review. We just got these comments last week. We have not had much time to look at them. And as I will indicate later, there are some very thoughtful comments. So, we wanted to give all those comments their due.

We received 69 unique responses from a range of public and private organizations. Twenty-nine percent of these responses came from non-profits, 20 percent from private business, 18 percent from trade associations, 15 percent from private citizens, 12 percent from the public sector, mostly at the state level. And we also received three responses from foreign countries: Guatemala, Colombia and Canada. Guatemala and Colombia actually said they were going to use our strategy as the basis for their own financial literacy work. Because the process of developing the strategy was so inclusive, we were not actually surprised that we only got 69 comments, because we had already heard from a lot of stakeholders and interested parties. The comments that we did receive from the public register indicate significant support for the National Strategy's vision, mission, goals and objectives. In the Federal Register, we specifically asked, do you agree with our vision? Yes or no? Do you agree with our mission? Yes or no? Do you agree with our objectives? Do you agree with the goals?

Now, not every individual who responded answered every question. So, 89 percent of those who answered the question on the vision agreed with the vision. Eighty-seven percent of those who answered the question on a mission agreed with the mission. Eighty-one percent of those who answered the question on the goals agreed with the goals, and 94 percent of those who answered the question on the objectives agreed with the objectives.

We received thoughtful comments about all aspects of the strategy. In response to our question about which of the strategy's objectives were most relevant to their organization, the following objectives were among those mentioned most often: promoting a nation financial literacy awareness campaign, developing a key set of core competencies, setting up a network of financial education providers and counselors, and establishing a clearinghouse of evidence-based research and evaluations.

In response to our question on how organizations would implement a strategy, we received many ideas for promoting the strategy, developing dedicated programs, creating educational materials, promoting best practices, supporting research and establishing networks and partnerships. Now, this concludes my summary of the public comments. Now, I would like to highlight some next steps for the National Strategy Working Group. Step number 1: Review in detail the public comments, and decide how to respond to them.

As I mentioned, we had got some very thoughtful comments. We need to take some time to think about how to include them, how to conclude them, and how to respond to them. So, the National Strategy Working Group will meet on October 4th, and review these comments in detail, and decide how we will respond to them. And if there are changes to be made to the national strategy, the revised strategy will once again be circulated to FLEC member agencies for review before the strategy is launched.

Second next step: Discuss communication plans for the National Strategy. We have already talked about some ideas at the National Strategy Working Group. These ideas include a press release template that can be easily adapted by FLEC agencies; talking points, so the message is consistent when communicated by each FLEC agency; a one-page summary of the National Strategy, a posting to MyMoney.gov, and a website blurb link for FLEC agencies to use to better coordinate their websites wherever the National Strategy will be housed. And with these efforts, and additional efforts, we will coordinate very closely with FLEC's Communication Outreach Working Group.

Third next step: Discuss implementation of the National Strategy. This is a very important step. There are three levels of implementation. There is the implementation for FLEC as an entity, the implementation for FLEC member agencies, including the Consumer Financial Protection Bureau, and implementation for other organization in the public, private, non-profit and foundations sectors. There is not one implementation plan. There are many, depending upon an organization's role with financial literacy education. As part of this third step, the National Strategy Working Group will focus on developing implementation recommendations for all three levels.

I encourage FLEC member's agencies who are interested in this phase of the process, to take an active role in the National Strategy Working Group. We encourage your participation.

Now, this brings me to the end of my summary of the National Strategy, and the National Strategy Working Group. There is one last thing I would like to do. I would like to thank the members of the National Strategy Working Group. They have contributed a lot of time and effort and thought throughout the past year.

I would like to actually publically recognize them, and beginning with my co-leader Jane Schuchardt, who has contributed invaluable resources and time. The others members being Dubis Correal of the Treasury, Karen Bellesi of OCC, Nicola Kelly of OTS, Carolyn Warren of Education, Debbie Hodes and Bobby Gray of FDIC, Jeanne Hogarth at the Fed, Gretchen Lehman, James Gatz, John Noonan and Alana Landey of HHS, and N.V. Bishop of SBA. With that, I conclude my remarks, but I would be happy to take any questions about the National Strategy or the National Strategy Working Group.

MR. BARR: Thanks, Barbara. You and the team have just done a fabulous job, and I think that you are correctly ending your remarks on the key next step, which is making sure that the National Strategy is implemented. The agencies involved in the FLEC are the entities that will make this strategy real, working with our private sector partners and with business around the country. So, I think taking this to the next level beginning next month, really implementing in a way that works is absolutely critical. And so, I just want to commend you and the other members of the committee for your work. Are there any Commission questions about where we are with the strategy?

MR. GREENBERG: So, thank you. It is very encouraging to hear all this, and to hear the extent of agreement with the proposed strategy. And I understand you have only had comments for a week, but I am just wondering among those who disagreed, were there any common themes?

MS. SMITH: Actually, there were. The other members who looked at these comments can correct me. There were no strong common themes. A lot of individual opinion as to what we should do with the strategy, or what we -- how we might change the mission, the vision, but nothing I could see that was a whole block of viewpoints that we had somehow neglected. I ask the other

Commission -- other National Strategy Working Group members if they have anything to add?

MS. CORREAL: We also got comments about success indicators. But given that the strategy is broad at this point, we do not have them, and they will see those in the implementation phase. So, that was something that came up a lot, but it was -- as Barbara said, no one objected to the goals and objectives.

MS. SCHUCHARDT: And the other summary point that I might make is that there was some call for more specificity, and that is not the nature of the National Strategy at this point. So, the comments related to that were really terrific, and can really help to guide our work at the implementation phase.

MS. SMITH: I would like to add that we did get a lot of suggestions for how individuals would like to see the strategy implemented, or how they proposed to implement it themselves, which will also be very helpful for us in the next step.

MR. BARR: Great. So, let us turn to our next discussion on core strategies. And thank you again, Barbara and the team for just a wonderful project, and I really look forward to the next phase of implementation. Luke Reynolds is going to talk about where we are with our core strategies discussion.

MR. REYNOLDS: Thank you, Michael. The Core Competencies are a key piece of the National Strategy. The development of the Core Competencies are a fundamental step in establishing a clear understanding about what individuals should know, and what program providers should cover. I am going to provide a brief update on the Core Competencies Work Group since our last public meeting. The draft Core Competencies was submitted for public comment on August 26th, via Federal Register Notice. We asked for public comments on whether the Core Competencies were complete, and then whether there were additions that should be expanded upon, deleted or revised.

We are very grateful to many of the agencies sitting around the table today for helping get the word out about the opportunity to submit public comments, and then some of our external partners also distributing it on their list serves, and submitting public comments.

We received -- and also, the Core Competencies received media attention. In particular, Michelle Singletary's column in the Washington Post discussed the Core Competencies, and he also included a quite from the Chief Executive of the Certified Financial Planner Board of Standards, which was highly supportive of the Core Competencies Initiative. Pamela Yip, a personal financial columnist in the Dallas Morning News, also covered Core Competencies, and took the opportunity to expand upon them in detail. There was some other media coverage as well in Baltimore and New York.

Overall, the comment period closed on September 12th. We received comments from practitioners, researchers, funders, and even a public official. We received over 200 public comments, 230 public comments to be exact. The working group has met, and we have reviewed the comments in great detail. The comments were highly supportive of the effort, and edits were offered. Now, some of the edits were in the category of suggesting expanding upon some of the more micro-level aspects that were already being covered at the mile-high level, whereas some of the comments also pointed out areas for us to expand upon or improve, such as expand upon and talk more about investments. The work group has reviewed these public comments, and we have updated the Core Competencies documents based on the input. And the Commission members have a copy in your notebook of the Core Competencies.

The next step will be working with Treasury on the next step. In particular, we will be working with marketing experts on branding and positioning ideas, such as the food pyramid or the Energy Star ratings, and then we will also be working on the dissemination strategies to attract wide public attention understanding of the Core Competencies. I look forward to talking more about the next steps at the one of the next meetings. I would like to recognize the members of the Core Competencies Group who have made all this possible: Ray Kirk and Irene Meader of the Office of Personnel Management, Jane Schuchardt of USDA, Dubis Correal of US Department of Treasury, and Jim Gatz of the US Department of Health and Human Services. Are there any questions from the Commission?

MR. MARTIN: Yes, thanks. I am wondering do we think of this as sort of a living document that will be kind of updated as we learn new things from research and program evaluations? Or, is there sort of a formal process for kind of updating in the future? How do you see the current Core Competencies potentially changing as we learn new things over time?

MR. REYNOLDS: We do know that financial education does need to change, as industry practices and laws change. So, we do know we can anticipate that there will be changes in the future. However, I think it is very important to mention that we wrote these Core Competencies at the mile-high level to try to minimize the need for some of those changes. So, to the degree that concept to the mile-high level change, I think that will be a role for the Commission in years to come, to look at and possibly update the Core Competencies document, just as we do with the National Strategy. But we hope to minimize a lot of it just due to the mile-high nature of them.

MR. WIDES: Luke, was there any discussion amongst your working group about how the federal government might roll these competencies down amongst the member agencies, particularly as it relates to congressionally funded financial literacy initiatives that might be operated by the member agencies?

MR. REYNOLDS: We have briefly talked about the next steps, but we are going to be working more on the next steps in time to come, and I think that is an excellent area for us to look at it in more detail.

MR. BARR: Thank you very much, Luke, for that presentation. Again, thanks to the committee for their work on this important project and we do very much look forward to making sure that the Core Competencies are rolled out to the public in a way that is effective that improves the quality of financial education. I think Barry's suggestion in making sure that it is integrated into all the work we do individually and collectively at the federal agencies is an important part of that, and we look forward to working with all of you to make sure it is implemented in a sound way. We are going to turn now to Colleen for a discussion of outreach and communication, and at this time, I am going to ask Dubis to take over in the chair for me, and continue the meeting. Thank you.

MS. TRESSLER: Good morning and thank you. I have three items related to MyMoney.gov promotion and enhancement that I would like to report on. The first is MyMoney.gov promotion. The Outreach and Communications Subcommittee Working Group continues to actively promote the redesigned MyMoney.gov site.

Efforts include a drop-in newspaper release that was sent to 10,000 daily and weekly newspapers around the country, through a Federal Trade Commission contract with North American Precise Syndicate. Since June 2010, the release has generated more than 330 articles in 18 states, with a readership of more than 15 million. The sites it was on were viewed by more than 31 million unique visitors per month. Based only on clippings that we received, this release has appeared in 15 of the top 50 markets, 22 of the top 100 markets, and 32 of the top 300 markets.

It is estimated that there are 160 placements from the top 50 markets, 276 placements from the top 100 markets, and 332 from the top 300 markets.

Another effort to promote MyMoney.gov is the dissemination of more than 10,000 MyMoney.gov bookmarks. They have been distributed by Commission members at various events throughout the country.

The second item I would like to discuss is the American Customer Satisfaction Index. The Department of the Treasury, on behalf of the FLEC, implemented the American Customer Satisfaction Index methodology to measure the effectiveness of MyMoney.gov.

Beginning in early October 2010, visitors to MyMoney.gov will be selected to take the online survey based on sampling parameters that were determined by 4-C Results that is the contractor - the Department of the Treasury, and the Outreach and Communications Subcommittee. The index will help us measure, manage and improve the website to a scientific approach to customer satisfaction measurement. Based on these results, the Commission will make decisions about improvements to the site.

The last item to report on at MyMoney.gov: accesses. Commission members are doing a great job promoting the redesigned site. To illustrate, the previous version of the website received about 8 million hits during all of fiscal year 2009. By comparison, the redesigned website has received more than 17 million hits since its debut in May 2010. In closing, I would also like to mention that the Outreach and Communications Subcommittee will work with the Nation Strategy Working Group on the release and marketing of the National Strategy. Thank you.

MS. CORREAL: Any questions for Colleen?

MS. SCHUCHARDT: Thanks, Colleen. I have two questions. The first has to do with the satisfaction index. Is there any chance to go beyond how satisfied people are with MyMoney.gov, and ask them if they took any action as a result of interfacing with that website?

MS. TRESSLER: I am actually going to have to defer to the committee on that. I do not have an answer at this time.

MS. SCHUCHARDT: Okay. With all the emphasis on behavior change, it would be nice if there could be work related to that.

MS. CORREAL: There are actually a few questions that address behavior of users on MyMoney, and we are going to be able to look at that as well.

MS. SCHUCHARDT: Excellent. And my second question: The promotion of MyMoney.gov, excellent. Have you noted any specific spikes in usage as related to that promotion effort? The first thing you reported.

MS. TRESSLER: Yes.

MS. SCHUCHARDT: And then the third thing you reported.

MS. TRESSLER: Right.

MS. SCHUCHARDT: There is probably a month-to-month report, and have you seen a spike related to the outreach to all of these major markets?

MS. TRESSLER: I do not have that information with me right now. I can certainly get it back to the Commission.

MS. CORREAL: Yes, and we have a report. We can provide that to the Commission. It seems like at the beginning when it was launched, that was the big spike, and it has kind of capped, like horizontal, like not many changes. But we can provide a whole report. We get that report from our chief information officer. Sure.

MS. MCCONNELL: Thank you, Colleen, for the report. I was wondering for the outreach piece, has there been any effort to do any outreach or promotion for media markets that target minority communities?

MS. TRESSLER: I cannot speak on behalf of other FLEC members. I know that when the Federal Trade Commission goes out to the Congressional Black Caucus, NAACP, La Raza, etcetera, we do promote MyMoney.gov.

MS. MCCONNELL: I guess just as we kind of move into promotion of the National Strategy and the Core Competencies, I think it is important that we look for media markets in newspapers and publications that target low-income and minority communities in particular, so that we can help get the information out about the National Strategies in those communities, as well as the Core Competencies, and MyMoney.gov. So, as the Committee continues to do that work, I think that would be an important contribution.

MS. CORREAL: Any other questions? If there are no other questions, thank you, Colleen, for the report. Now, we will turn over to Amar. Amar is the director of Corporate Affairs at Ariel Investments, and he is going to discuss 401(k) plans in living color, 401(k) disparities across racial and ethnic groups, and its financial education implications. Thank you, Amar.

MR. PARIKH: I would like to thank the Commission for this opportunity to speak on behalf of Ariel Investments today. Before I get into my formal presentation, I would just like to give a quick introduction about Ariel Investments. Ariel Investments is a Chicago-based, minority-owned money management firm and mutual fund company that serves individual investors through no-load mutual funds, and also manages separate accounts for institutional clients.

We believe in empowering minorities with a tool: information education. They need to invest wisely. Ariel Education Initiative, a non-profit affiliate of Ariel Investments, was founded in 1989 by John Rogers, Junior, Founder and Chairman of Ariel Investments, LLC, as a private operating foundation with a mission to strengthen the neighborhoods and cities in which we live and work.

The first thing I would like to talk about is Ariel's commitment to financial literacy. We believe that financial literacy is one of the most important keys to bridging the racial wealth gap.
We recognize today that in schools, Americans are not taught basic financial principles. We always note that schools are more apt to teach woodworking or auto shop than they are financial literacy. People are given the keys to their financial future without any driver's education. And so, they are expected to go out after college and make all these decisions, not having any knowledge about the situation. And just so you know, you will see a lot of turtle and hares in our presentation because it is the motto for our organization. The one which is slow and steady wins the race, which follows our value investing principles.

We believe that individuals who have low or no financial literacy will make poor financial decisions, which will not only affect themselves but their family, and society as a whole. We also know minorities are far less likely to speak at home about financial training. Therefore, financial literacy has to start at an early age. One of Ariel's main goals is to make saving and investing in the stock market the centerpiece of discussion at the black dinner table. Inspired by our numerous studies, we have decided to tackle financial literacy via the Ariel Community Academy, and media and external outreach.

First I am going to talk about our research studies. The Ariel and Schwab have conducted the black investor survey annually since 1998. The survey studies reasons behind underinvestment in the African-American community.

In our original survey in 1998, we found huge disparities in stock market involvement. Only 57 percent of blacks, versus 81 percent of whites were invested in the market, and this became the catalyst to our efforts. This is important to note because all the studies we have done show that the stock market over the long run has returned better than any other type of investment. So, it is the easiest and best way to build wealth in the long run for minority communities.

In 2008, Ariel joined Hewitt Associates and several other leading organizations to come up with the most comprehensive study of 401(k) data ever by race. The study called 401(k) plans in living color a study of 401(k) disparities across racial and ethnic groups, examined 401(k) savings patterns of over 3 million participants in 57 of the largest companies in the United States.

The results of the Ariel/Hewitt study reaffirm what the black investor's survey told us through the years. However, having the data in front of us was truly astounding. African-Americans, Hispanics trail their white/Asian counterparts in participation, contribution and equity exposure.

Even when we did a regression adjusted comparison, adjusting for such factors as salary, job tenure and age, we still found significant differences. When compared with whites with similar characteristics, African-Americans were 7 percent less likely to participate, and when they did, their contribution was 11 percent lower. Hispanics were 6 percent less likely to participate, and their contribution was 6 percent lower. So, as you can see across the board, Hispanic and African-American participation was lower. When they did play, average contribution was lower, and the average percentage in equities, as I stated before, we believe is the best way to build wealth in the fastest manner and the safest manner, was also lower than Asians and whites.

Now, two things that we consider savings killers, which are leakage, which consist of loans outstanding and withdrawals, as you can see, African-American and Hispanics are far more likely to take out a loan, and also far more likely to have taken out a withdrawal, which we believe again kills savings.

Again, on a regression adjusted basis, the results were quite astounding. We found out that blacks were 86 percent more likely to have a loan than whites and 167 percent more likely to take an early withdrawal, when compared among similar characteristics. Hispanics were 53 percent more likely to have a loan and 50 percent more likely to have a withdrawal. Asians on the other hand, were 6 percent less likely to have a loan, and on par with whites when it came to getting withdrawals.

What did we recommend? I just want to step back for a second. I just wanted to show that as you can imagine, all these things lead to lower account balances.

So, in the about median salary, household income range for America, these were the account balances that we saw. So, as you can see, the African-American had an average account $21,000, compared to the white balance, which was $35,000 and Hispanics were at $22,000.

And what we wanted to show by showing the lower band here is that this was across every single income level. This did not change when people made more money. So, as you can see, even for people earning $120,000 or more, the white counterpart had about $70,000 more in their 401(k) than African-Americans. And also, Hispanics trailed by $75,000, when compared to whites. So, what do we recommend? The Ariel/Hewitt study came up with some very concrete recommendations. First of all, we believe we need to incorporate financial literacy in the education curriculum.

Now this solution in the long run is probably the most important way to close the racial wealth gap, when it comes to 401(k) balances. Financial education should be a mandated part of both public and private school curricula at all levels. Secondly, we believe we should encourage employers and government to collect and report their retirement plan data by race and ethnicity. It is a key step, as it allows the employer to recognize potential disparities, and the federal government can play an important role in this recommendation.

Relevant agencies could encourage voluntary collecting and reporting of data about 401(k) participants. Secondly, the government could provide guidelines for data collection process, such as applicable measures, and frequency of collection. This uniformity would allow for better benchmarking in comparison between employers. We are also happy to note that on May 26th, 2010, Senator Herb Kohl of Wisconsin released a study by OPM examining the TSP participation rates by ethnicity and gender.

This study was conducted at the senator's request, and OPM noted that it was the Ariel/Hewitt study that served as a catalyst for their study.

Other recommendations included providing necessary communication education resources to help individuals make wise choices. I think we heard from one of the Commissioners here that targeting African-American and other minority communities through education so, we believe just better outreach, making sure brochures and other aspects are more targeted in their message and not to a broader audience.

Next, we talked about modifying 401(k) loan requirements to decrease a likelihood of default when employees terminate. Right now, most companies require you pay back your loan within 60 days if you are laid off, if you are terminated, or if you quit. We believe that it should be a longer period, such as six months. We also believe that there should be an allowance for periodic repayment of loans after termination from personal bank accounts, and finally making loans portable to the next employer that the person goes to.

Finally, to design 401(k) plans that benefit a broad, diverse employee base. This means automatic enrollment, default contributions set at the company match level, and investment advice and tools that are specifically targeted at minorities.

Next, I wanted to talk about the Ariel Community Academy. In 1991, the Ariel Foundation adopted 40 sixth grade students at William Shakespeare Elementary on the south side of Chicago, and promised to make college affordable for every student who graduated from high school.

The experience with the sixth grade class encouraged the Ariel Foundation to do more. Through Mayor Daley's New School Initiative Program, Ariel was awarded corporate sponsorship of a Chicago public school, hence the birth of Ariel Community Academy, a public school located on the south side of Chicago. The Ariel Foundation has since been incorporated as the Ariel Education Initiative. Currently, Ariel Community Academy offers classes from kindergarten to eighth grade, serving 500 students and their families. Ninety-eight percent of the study body is African-American, and 85 percent of the students receive subsidized or free lunches.

Now, for the results: The Academy has outperformed all schools in the district, and is one of the top elementary schools in all of Chicago. In 2008 and 2009, ACA was a recipient of the Illinois Spotlight Schools Award under the Illinois Honor Roll Program. Additionally, the Academy is one of the top performing schools on the Illinois Standards Achievement test, the entire region.

Beyond the student achievement on the test, almost one-third of Ariel graduates pass out of algebra before their freshman year, showing the importance of financial literacy when it comes to basic math skills.

In addition to the mandated Chicago Public School curriculum, ACA has incorporated concepts in investing in financial literacy in the classroom. Through a partnership with Nuveen Investments, the Ariel/Nuveen Investment Program awards each incoming first grade class a $20,000 grant. This money is designated to the class as a whole, and follows the students until their graduation. In the early years, the money is invested and managed by a group of comprised representatives from Ariel and Nuveen.

However, as the students advance through the school's unique investment curriculum, they become actively involved in making investment decisions. A junior board of directors, made up of sixth, seventh and eighth grade students is ultimately responsible for deciding how the $20,000 is invested. Upon graduation, all profits that have accumulated in the classes' account are divided in half. One-half is give by the students in the form of a class gift to improve school. We believe this teaches philanthropy and the importance of philanthropy throughout your life.

Also, the other half is distributed among the graduates as cash, or matched contributions toward a 529 college savings plan, depending on each student's choice. The original $20,000 grant is then turned over to the next incoming first grade class, making those programs self-perpetuating. This offers parents literacy investment dinners, where we arrange for speakers to lead discussions on a variety of topics. The ultimate goal: that Ariel/Nuveen investment programs increase economic and investment literacy within the African-American community.

We are happy to report that we have received a grant from a third party organization to document our curriculum so that it can be used in other schools. This is expected to be completed by third quarter of 2011.

Finally, I just want to talk about the media and external outreach that we do. To reach a more adult audience, Ariel has always promoted financial literacy through news outlets. Melody Hobson, our president, is a regular contributor for ABC News on such shows as Good Morning America, Nightline and World News Tonight. She is also a regular columnist for a Black Enterprise magazine, and she created a one-hour special that aired in May of 2009 on ABC called Un-Broke, which used celebrities to discuss in skits different topics about financial literacy.

John Rogers, Junior, the Founder and CEO of Ariel Investments regularly appears on CNBC and other financial news programs, and he is a contributor to Forbes. John and Melody and others in the firm participate in financial seminars and discussions throughout the year at other corporations and civic groups.

This concludes my prepared remarks. Again, I appreciate the time to speak with the Commission, and I am happy to take any questions from the Commission.

MR. WIDES: I'm not familiar with the rules concerning having to pay back your 401(k). Could you explain again in a little bit more detail what is the current policy, and what is the policy recommending in that regard?

MR. PARIKH: Sure. Currently, most companies require their people who leave a company pay their loan back within 60 days.

We believe we can extend that to, let's say, a longer period, such as six months. It would help people get back on their feet. When people lose their job, the first thing they're not thinking about is paying back their 401(k) loan. They're thinking about children or the parents, or whatever it may be.

We also think that 401(k) loans should be portable. So, right now, you cannot take them to your next employer. And again, that's more of an administrative issue that we found. And we believe that it's something that, with proper guidance, can be fixed. Those are the two main things that we see that can be changed about loans.

MR. WIDES: What happens if the person does not pay it back within the 60 days?

MR. PARIKH: Then it becomes a distribution that is taxed. So, it permanently comes out of their 401(k), becomes a cash distribution, and it is taxed as a withdrawal.

MR. GREENBERG: So, first, thanks very much for a very interesting and striking presentation. I am wondering in looking at the disparities that you found, was the study also looking at potential explanations for the disparities? I understand financial education is certainly one, but are there others that we should be thinking about?

MR. PARIKH: This particular study was looked at more from an analytical point of view. So, it was just looking at numbers. There was no behavioral aspect to it, but we know that through doing the Black Investor Survey for the last 12 years, we pretty much narrowed down what are some of the main key factors as to the disparity, one of them obviously being knowledge, as we talked about financial literacy. Also, we believe in the black community there is a lot of misinformation about the market. So, when we speak to African-Americans in our Black Investor Survey, which is a completely behavioral study, a lot of them believe that in bad financial times, they won't be able to take their money out of their bank or out of the market.

Also, there is not a lot of trust in the markets because when there's not a lot of knowledge of something, you're not going to trust something. So, as we said before, it is not really discussed as much in black households as it is in white/Asian households. Some people just don't have the exposure to that. And also, we find that there aren't that many African-American financial advisors or hedge fund managers, or portfolio managers. Therefore, the exposure on TV to African-Americans in the industry is less, and so there's less interest from that point of view.

Finally, we have found, again, behaviorally through our studies that African-Americans are more conservative in their investments. They like to be in more tangible investments, such as housing has always been more popular.

One thing we did note in our 2010 study was this was the first time ever that African-Americans in our study said that stock market or individual mutual funds and stocks were a better investment than real estate. That is the first time that has happened in 12 years. Obviously, a lot of that has to do with the housing bubble. That's still a positive step in investing in the stock market.

MR. DAVIS: I'd just like to congratulate Ariel and Amar for the work that they have been doing in the space. They do some terrific work. One of the areas of jurisdiction that the Department of Labor has is with respect to private employer retirement plans.

There is an advisory council of people who advise the Secretary of Labor in areas concerning retirement security/health security, and one of the issues they are looking at right now is racial disparities, and with respect to women, in these retirement plans. There is a report that'll be coming out around November that will have a series of recommendations for the Department to consider, many of which we're going to be very, very interested in. We have appreciated just the perspective that Ariel has shared in this space.

I also was familiar with the work that Ariel did with respect to the Academy in Chicago. They've done some tremendous work with respect to educating inner city kids around financial literacy. And I'm just curious: the school has been up and running since 1996. Have you followed the progression of the kids that have gone through the program, just to see how they've done with respect to their own career choices, college? Anything you've noticed in your studies that you can document that's different about their behavior as a result of the Academy?

MR. PARIKH: We don't have any formalized longitudinal study about what has gone with our students, but we are starting to look at that, and we will be looking at that going forward. I know that graduation rate is obviously very high, and most of our kids go onto college, but there's nothing concrete analytically that I could give you right now. But I think it's important to note that this is a part of Chicago. This is not a magnet school by any means. This is not a small enclave of African-American elite that are in the area. This is a regular public school in an underprivileged area. So, it is remarkable the results that we've seen, just by introducing a financial literacy curriculum. So, it is something for everyone to consider when they are talking about how to increase math scores, speaking skills, English skills.

MR. GAMBINO: In addition to seconding my colleagues in saying interesting presentation, and congratulations on your Academy, I would just like to reinforce even outside the African-American community.

I happen to be a father of two teenagers who take every AP course in high school they can: calculus, language arts. They still do not understand financial literacy issues. So, incorporating it in the financial community would be good for everybody. So, again, I congratulate you on what you're all doing, and to my colleague in education, I know you're trying, but boy, I got to tell you, they got to get this in the curriculum of all schools. public education.

MR. PARIKH: I think one interesting thing to note is that Secretary Duncan did start the Ariel Education Initiative, and was an Ariel employee. So, we have -- I think we have DOE support on this.

MR. MARTIN: I was going to offer that for full disclosure, that's right. And you mentioned in your presentation that you would hope to see a federal mandate that this would happen in all schools across the country. That was one of the recommendations of the President's Council when they last issued a report. The reality is that it's unlikely that there's going to be sort of a federal mandate, saying, "Here's what every school in every state has to do." That's not really desirable among states often for us to say those things, not only about this subject, but sort of other topics. But we are very interested in figuring out how we can work with states, how -- I think that the initiative that you talked about is a really great example of a public-private partnership that's really student-focused. And it's not about selling students a product. It's about helping them develop these skills that are going to help them sort of in the long-term.

So, we would be very interested in learning more about examples like this, as well as learning more about the results. What do we know about the effectiveness of approaches like this, or others? How can we build momentum without sort of throwing the hammer down, and saying, "Everybody has got to do it?"

So, we're very interested in opportunities for collaboration, whether it's folks in the private sector or otherwise.

MR. PARIKH: We appreciate that. And we do understand that most of this is driven at the state level. So, we understand that there can't necessarily be a federal mandate, but any encouragement you guys could provide would be great.

MS. CORREAL: Thank you very much. Very interesting discussion. As Amar indicated, the Ariel study was a catalyst for the OPM one. So, we thought it would be perfect to have Ray speak about that.

MR. KIRK: Good morning, everybody. You just heard about the Ariel study, and when it came to the attention of OPM, the Office of Personnel Management, we thought it'd be very important to look at data from the federal thrift savings plan, which is the federal government's equivalent of a 401(k) plan to see if these same patterns existed. So, we looked at data from the 2007 data set, where we combined the participation data from the Thrift Savings Board, with the demographic data that OPM maintains on all federal employees.

Our study covers executive agency employees and the sample where we had matching data where we had complete sets of data is approximately 1.5 million employees.

Now, here is a brief of the results. Now, the good news from our perspective is that the overall participation rates by federal employees are very high. While minorities had lower participation rates than non-minorities, they were still higher than any of the groups in the private sector covered by the Ariel study.

And overall, the participation by federal employees is over 86 percent. And that the participation is also at the deferral rates, also reflect that there is a higher deferral rate by federal employees, both by minorities and non-minorities than the groups in the Ariel study. But the bad news is that we found the exact same patterns as the Ariel study: that we did not put all non-Hispanic Caucasians as one group, and other groups all as the minority groups. But we found a consistent pattern that minorities lag behind non-minorities on every measure of participation in TSP. They had lower participation rates. They had lower deferral rates, and consequently, they had lower TSP balances. And frankly, we were very surprised by that result because we thought that the federal government is doing a good job of educating all employees on the TSP program, as evidenced by the high participation rate. But we were very shocked to find the disparities.

We also did a different cut of the data that Ariel did not do, and we compared males and females, and we found that while females have a slightly higher participation rate, they have lower deferral rates, and they have lower TSP balances, which appears to be mainly attributable to a conservative investment strategy. Particularly, early in their careers, they invested money in the G Fund. The G Fund is a government securities only fund, and it is the most conservative option in the Thrift Savings Plan. And so, we used every fund as a proxy for a very conservative and unbalanced investment strategy.

Now, our study and the Ariel study I think point out a severe problem in financial education. Certainly the federal government and most employers use a consistent educational approach, one set of materials for all employees, and this is clearly not working. Different ethnic groups and racial groups are not receiving the message the same way. They are certainly not behaving in response to that message the same way. And the Federal TSP Program just this past summer has begun auto-enrollment. So, that will certainly help going forward, but it only affects new employees. So, we still have all the existing federal employees that are under participating in TSP that we have to address.

We are going to move forward by reaching out and trying to come up with diverse messages to reach the diverse population. We are going to work with this issue by publicizing it, so that people essentially aren't as naive as we were originally, where we thought there was no problem. And we're going to work then with various groups to educate them so that they understand the problems, and then begin developing targeted communications information and educational information as we go forward to try to find what the key message to reach different groups is and then we will deliver those messages to them.

Does anyone have any questions?

PARTICIPANT: Yes, in the discrepancy between the accumulated values of about $80,000 versus about $55,000, did you -- did your study figure out if it was strictly based on a higher deferral rate, or was it also based on the option of new investments?

MR. KIRK: We looked at data at one point in time, so we really did not parse out the difference of how they got to that point. We are speculating that it is because of the cross-sectionally, that people younger than women versus men, that earlier in their careers they had a more conservative strategy; that is what amplified. And the combination of all three factors of the participation rate and the investment strategy are both working toward coming up with lower totals at the end of the career. Jane?

MS. SCHUCHARDT: Thanks, Ray. What was the participation rate related to the catch-up provision?

MR. KIRK: We did not look at participation rates versus catch-up. This was just the basic TSP participation. One factor that I did not mention is the discrepancies when we analyzed for income level, which the discrepancies between minorities and non-minorities exist, except at the highest income level, which the way we looked at the data was over $150,000. So, that would only be the very senior managers and executives. So, that is not just a factor of people being at different income levels. As Ariel found, the income is not the explanation of it. Yes?

MS. MCCONNELL: In the Ariel study, they talked about the impact of loans on the values. Did you look at that for TSP, and did you find the same disparities for TSP?

MR. KIRK: No. We didn't look at the loan balances at all.

MS. MCCONNELL: And default and the impact? You didn't look at any of those?

MR. KIRK: No, we did not.

MS. MCCONNELL: Okay, thanks.

MR. KIRK: Yes, sir?

MR. WIDES: You mentioned you found that participation in the more conservative funds was greater amongst certain elements of the federal workforce. Is there a choice for a federal employee to go into like a life cycle fund that changes the balance of investments in that fund as they reach retirement?

MR. KIRK: Yes. The TSP plan does have a series of life cycle funds that adjust as you get closer to the target date. Those have been in effect for three or four years.

MR. WIDES: Okay, thank you.

MR. KIRK: They were in place at the time that this data occurred.

PARTICIPANT: The default is with the G Fund, isn't it? I mean, if you just go in and sign up for the TSP and take whatever the default is, I am pretty sure it is the most conservative fund, whereas now there's an opportunity select those funds.

MR. KIRK: The G Fund is default by auto-enrollment. For people prior to auto enrollment, when you enrolled in TSP, you selected and you made fund choices. So, you had to do something. Jane?

MS. SCHUCHARDT: Ray, what was the difference in participation rate for those that were on a FERS plan or a CSRS plan?

MR. KIRK: The CSRS plan, which for the longer term federal employees that are not covered by Social Security, and essentially the TSP is a supplemental plan for them. That participation rate was 72 percent.

And for FERS employees, which are people first hired since 1986, they have Social Security coverage, and TSP is an important element of their retirement plan, and that participation rate was almost 90 percent, a little bit under 90 percent.

Those are people who are actually contributing, not strictly getting the automatic government contribution.

MS. SCHUCHARDT: And did you see the same patterns related to race and ethnicity with participation rates?

MR. KIRK: We didn't do that, cut the data by plan, by CSRS versus FERS.

MS. SCHUCHARDT: Okay, thank you.

MR. DAVIS: You talked about a couple of interventions, and talked about targeted communications materials, and working with the affinity groups. Is it your intention to go back and study the same population again to see if those approaches made a difference in moving the needle? Maybe in a year or two, is that part of the plan also?

MR. KIRK: Yes. Our plan is to redo this analysis in a year, after there's an opportunity for some of these interventions to have an impact, to then go back and look, and particular at the behavior in the -- that occurs in that last year time frame. Any other questions? Yes?

MS. MCCONNELL: I just wanted to make a comment on the kind of jumped out at me with Ariel about the loans and the impact of the value, particularly for African-American families, and it could be an access to credit issue. FDIC has done a small dollar loan pilot that could be a tool that we may want to look at for employment based on having access to employment based capital, so there is an alternative to taking loans from retirement funds. And so, if that is something of interest as you're kind of looking at strategies, we would be happy to partner with that.

MR. KIRK: Okay, thank you.

MS. SMITH: One last question. Did you do a poll by length of service?

MR. KIRK: For length of service? Yes. We analyzed the data by length of service, and the patterns are pretty consistent across length of service, as I had mentioned, particularly with females. The investment strategy is very conservative early in their careers, and then becomes more similar to males later in their careers.

MS. SMITH: But would not it be the case that women may have less service?

MR. KIRK: Well, when we looked at all of the data by service, the patterns are the same when we just looked at all people who had five to ten years of service. Jane?

MS. SCHUCHARDT: Ray, it is interesting that that aligns with a lot of really significant research that shows that risk tolerance levels are a lot lower for women than they are for men. Women are just outright more risk adverse.

MR. KIRK: Right. What it suggests, in terms of developing future education, is these are issues we need to address because compound interest, which we're all familiar with, that if you start with the lower returns that are kind of inherent in a very conservative investment strategy are going to just be amplified throughout their career, when then potentially, even if you later become more aggressive, you're in the hole, and you can potentially never overcome it. Okay, thank you.

MS. CORREAL: Thank you, Ray. Are there any comments from the Commission? Anything else? No? Before I close, I would just like to recognize one person, and that is Jane Schuchardt. This is the last FLEC meeting that she will attend as the official representative from USDA, and I would just like to congratulate you for all the work that you have done and all your contributions to the Commission from the beginning. You were so instrumental in 2008 when we did the research symposium, and identified ten priorities that I know will help the field for many, many years. So, I would just like to thank Jane for all your contributions to the commission, and just give you a round of applause.

So, the next FLEC meeting will be on January 26th and thank you so much for coming, given the rain. So, have a great day.