TIAA Q&A

For the benefit of CUNY employees enrolled in TIAA, below are answers to some key questions following the recent *New York Times* article about TIAA.

1. “Is my money safe?” – While this question could be interpreted in a variety of ways, TIAA as recordkeeper continues to be in good standing. The investments are held in a secure environment, and can only be changed if the participant elects to move their investments into an alternative fund, or takes a distribution allowed under the Plan. However, regardless of the safety of the recordkeeper, the program investments themselves are subject to investment risk. Participants are given the opportunity to select from a variety of investment options including: a fixed annuity, variable annuities and mutual funds. As with any variable annuity or mutual fund investments, fixed income (bond) or equity (stock) funds are subject to market fluctuation, and past performance is not indicative of future results.

2. “Are my investments right for me?” – CUNY monitors the performance of funds in the TIAA plans to ensure that performance and fees are competitive with the appropriate benchmarks. Any changes to investment options are approved by the CUNY Board of Trustees. While TIAA investment advisors provide counseling sessions to our employees and conduct group sessions on various investing topics, the advisors are trained to learn about you, your financial goals, and your risk tolerance. This information is then used along with resources from Morningstar, an independent data analytics software program that analyzes and suggests an investment portfolio based on your information and various algorithms, to develop a personalized investment profile that is right for you. This portfolio suggestion may or may not include TIAA products. The investment profile will, however, include only funds that are offered in the CUNY investment array, links to which are provided below. There are many non-TIAA funds available including Vanguard index funds.

Optional Retirement Plan (ORP):
https://www.tiaa.org/public/tcm/cunyinstructional/retirement-benefits/plan1

Tax Deferred Annuity (TDA) voluntary plan:
https://www.tiaa.org/public/tcm/cunyinstructional/retirement-benefits/plan2,
3. The article mentions “managed accounts.” Are these types of accounts available in the CUNY plan and if so are they harmful? – “Managed accounts” are not part of the CUNY plans with TIAA.

4. “Are TIAA investments really higher cost?” – No, 81% of TIAA’s investments rate in the lower 25% with regard to charged expenses/fees for their respective Morningstar category. Also, CUNY and our independent third-party investment consultant monitors the investments on a quarterly basis. This review includes an analysis of expenses/fees and performance relative to market benchmarks.

5. “How are TIAA employees compensated?” – TIAA employees are compensated by salary and bonuses. As mentioned above, since the advisor is using a Morningstar tool to evaluate your risk profile and preferences, this ensures that the advisor is unbiased in the results. There are numerous resources and independent checks and balances in place to make sure your portfolio is right for you.

6. “How are loans processed? Does this hurt me?” – Loans are voluntary. Taking a loan against your retirement savings is never recommended, as it can have a negative impact your retirement preparedness. Therefore, it should be used only as a last resort. Participants who elect to take a loan are given detailed information regarding the loan terms, including the repayment terms... While TIAA uses a different approach to loan processing than other retirement companies, there are pros and cons to both processes. For some the TIAA method will be beneficial, while for others it may not. To address some of the issues with excessive borrowing against retirement savings, CUNY and many other Colleges and Universities have put a limit in place for plan participants, allowing a maximum of five (5) loans outstanding at any time. Furthermore, in line with industry standards, for those individuals who default on a loan, the participant is required to repay the existing loan before being permitted to request a new loan.

7. “Can I select my own advisor? Does it have to be a TIAA advisor?” – Yes, you can, and it does not have to be a TIAA advisor. Under the TIAA Registered Investment Advisors (RIA) program, non-TIAA investment advisors can sign an agreement to provide investment advice for a plan participant or a retiree for a fee. CUNY maintains a set of marketing standards for RIAs including code of conduct. Though CUNY allows access to RIAs, the meetings must take place off-site of CUNY campuses and on the employee’s personal time.
Mutual Funds are available in the voluntary plan offered by TIAA. Mutual Fund inclusion is prohibited by New York State law in the Optional Retirement Plan (ORP); rather, the funds offered in the ORP are annuity and variable annuity products.