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Threatened Faculty Pensions

TIAA and CREF are in trouble. Ever since they were established, the Teachers Insurance and Annuity Association and the College Retirement Equities Fund have been regulated by the insurance department of the state of New York but have not been subject to different regulations by other states. Because of this uniformity, and because TIAA and CREF have employed no agents and have had no commissions to pay, the system has been economical and has had a high ratio of benefits to costs. Because of the uniformity of regulations and because annuities have been fully and immediately vested in the individual, participating faculty members have all had the same kind of contracts and have enjoyed easy mobility from institution to institution—a policy that has worked to the individual advantage of faculty members and the collective advantage of higher education.

Now uniformity is threatened. As a result of judicial decisions which dealt primarily with insurance programs, the regulatory powers of the individual states have been enlarged. Insurance commissioners and commercial insurance companies in some states have sought legislation to require TIAA-CREF to comply with state regulations, some of which would be inappropriate, for TIAA-CREF has no agents, makes no profits, and in other important ways differs from other retirement or insurance programs.

These difficulties could be solved by granting TIAA-CREF a federal charter which would require continued regulation by New York but would abolish the threat of 49 other sets of regulations. Last year Senator McClellan and 17 other senators introduced a bill, S. 1290, for this purpose. At hearings on 17 and 18 July, some insurance representatives opposed the bill and representatives of many public and private colleges and universities supported it. Since then the bill has been resting in the Senate Committee on the Judiciary.

A companion bill, H.R. 9010, has been introduced into the House of Representatives by Emanuel Celler, and identical bills have been introduced by several other representatives. As in the Senate, sponsorship is bipartisan. Hearings will soon be held before a subcommittee of the House Judiciary Committee, consisting of Byron G. Rogers (Colorado), Andrew Jacobs (Indiana), Jerome R. Waldie (California), Edwin W. Edwards (Louisiana), Charles E. Wiggins (California), Hamilton Fish (New York), and R. Lawrence Coughlin (Pennsylvania).

The fate of these bills is of immediate concern to the 300,000 staff members of colleges, universities, and other nonprofit institutions who hold TIAA-CREF contracts. If a federal charter is granted, TIAA-CREF can continue to offer a unique, economical, and uniform retirement program, at no financial loss to any state, for no state taxes are involved. If the states are permitted to introduce their own individualistic regulations, any of the 2000 institutions with TIAA-CREF coverage could soon come to have on its staff individuals whose differing contracts were written in different states. Each of the 2000 institutions would have to cope with up to 50 different types of contracts, and TIAA-CREF would have to deal with anywhere from one to 50 different plans in each of 2000 institutions! What was intended to be, and so far has been, a uniform system, treating all participants alike, would become an accounting nightmare, full of inconsequential differences and serious inequities for the participants. TIAA-CREF policy holders have a direct, personal interest in letting members of the Senate and members of the House committee know which system they prefer.—DAEL WOLFFLE

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Dael Wolfle

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