

**INDIANA UNIVERSITY
PURDUE UNIVERSITY
AT FORT WAYNE**

Department of Modern Foreign Languages
(219) 481-6836

TO: Fort Wayne Senate

FROM: Faculty Affairs Committee

DATE: November 7, 1991

**SUBJ: Purdue University TIAA-CREF Retirement Plan
Task Force Recommendations**

Disposition: To the Presiding Officer for implementation

Resolved, the Fort Wayne Senate approve and support the following recommendations of the Purdue University TIAA-CREF Retirement Plan Task Force and communicate that support to President Steven C. Beering.

NOTE: Questions concerning this document should be addressed to David Oberstar at Ext. 6836.

TO: Dr. Steven C. Beering

DATE: April 8, 1991

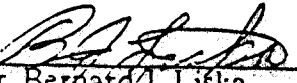
RE: TIAA-CREF Retirement Plan Task Force Recommendations

Enclosed are recommendations of the TIAA-CREF Retirement Plan Task Force regarding the following matters:

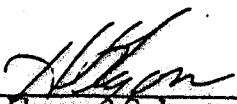
1. CREF Bond and Social Choice funds.
2. Three-year waiting period for TIAA-CREF.
3. Cashability of CREF monies.
4. Transferability of CREF monies outside the TIAA-CREF system.

In arriving at these recommendations, the task force utilized Hewitt Associates as consultants to provide technical assistance and information. Additionally, both Dr. Ford and representatives from TIAA-CREF were invited to meet with us to review the issues and provide their perspectives. To ensure the task force received input from their fellow faculty and staff, a focus group or listening group process was held during January at all campuses. One of the focus groups consisted of individuals who are involved with the recruiting of new faculty and staff to help determine if changing the vesting of retirement benefits would have an impact on recruiting.

The task force feels a thorough and responsible review of the potential changes has taken place. Of all the recommendations, the task force feels the CREF Social Choice and Bond funds are the most straightforward. We would support receiving action on these offerings at the earliest possible date and making them available to our faculty and staff. We acknowledge the other recommendations are more complex and involved. As such, we hope you can share them with the representative employee groups throughout the Purdue system. The task force is aware there is growing interest among our peers regarding retirement benefits, yet many do not know what changes are being considered. We feel a review process will be important as more individuals will gain a better understanding of the issues and how this impacts retirement planning.



Dr. Bernard J. Liska
Professor of Food Science
Co-Chair, TIAA-CREF Retirement Plan
Task Force



Mr. Howard S. Lyon
Vice President for Business Services
and Assistant Treasurer
Co-Chair, TIAA-CREF Retirement Plan
Task Force

pc: D. W. Alspaugh
F. R. Ford
J. B. Lantz
R. L. Ringel
J. Yackel
TIAA-CREF Task Force Members

TIAA-CREF Retirement Plan Task Force Recommendations

1. CREF Bond and Social Choice Funds

Rationale: The CREF Bond and Social Choice funds add another investment dimension to the current choices available. These alternatives are clearly different from the current three investment accounts; they should provide some balance in risk between the TIAA fixed-fund and CREF equity fund. There are no apparent disadvantages to adding these funds to Purdue's retirement program, nor will additional administrative costs result from expanding the range of CREF offerings.

Recommendation: The task force recommends both the CREF Bond and Social Choice funds be included as new investment options.

Comments: Other colleges and universities have already adopted these options. Offering the Social Choice and Bond funds should occur as soon as possible.

Vote: Consensus

2. Three-Year Waiting Period

Rationale: The three-year waiting period for TIAA-CREF contributions which is imposed for many administrative/professional staff members has been a long-standing benefit issue and concern. A cliff vesting schedule will provide equity in the retirement plan provisions. In view of possible non-discrimination regulations, the task force believes the University should take steps now to provide retirement benefits to all staff on the same basis. Because contributions would be credited from the date of hire, recruitment of quality faculty and staff should not be hindered.

Recommendation: The task force recommends Purdue University adopt a cliff vesting program for all new faculty and professional staff members eligible for TIAA-CREF. The University should begin to contribute funds toward retirement contracts for all eligible staff members beginning at the date of initial employment. The retirement contract will be vested at the end of the employee's third year of continuous employment.

Comments: Cliff vesting is a financially responsible alternative to eliminating the three-year waiting period. Implementing a vesting arrangement will require that the Internal Revenue Service code applicable to our TIAA-CREF retirement plan change from Sections 403(b) to 401(a). Vesting schedules are not permitted under 403(b)-type programs. This would mean participants would be issued new contracts for future contributions but most of the tax code provisions between the types of plans remain the same.

Vote: 9 - Yes

1 - No

(one member was unavailable to vote)

3. Cashability

Rationale: For individuals with adequate sources of retirement income, the flexibility to receive a retirement benefit in a form other than an annuity income stream is quite useful. While not many individuals would choose full cashability, allowing access to the full range of retirement distribution options is important. Cashability also permits funds to be invested outside the University's retirement plan via a rollover to an IRA. This enhances a participant's ability to diversify retirement savings.

Recommendation: The task force recommends up to 100 percent cashability for CREF funds at separation of service at 59½ or later. These provisions should apply to contracts funded by Purdue even if the participant works for another employer whose cashability provisions are different.

Comments: Limiting such cashability at age 59½ or later should still allow participants to achieve the objective of providing a sufficient retirement income and flexibility while reducing adverse tax penalties.

Vote: 10 - Yes
1 - No

4. Transferability of CREF Funds

Rationale: Although TIAA-CREF has an excellent track record in providing favorable investment returns, conventional investment theory would prescribe having more than one company available for retirement investing. Transferability allows participants an opportunity for greater diversification among a wider range of investment alternatives.

Recommendation: The task force recommends that participants be given the opportunity to transfer CREF balances to investment funds managed outside of TIAA-CREF.

Comments: The task force recognizes that the selection of alternative investment fund managers involves a study outside its authority. However, the task force suggests the University limit choices to two alternative investments including at least one group of investment funds within a single mutual fund family that are suitable for retirement savings.

Vote: 10 - Yes
1 - No

TIAA-CREF Task Force Members

Bernie Liska, Co-Chair
Howard Lyon, Co-Chair
Lyle Albright
Pat Collins
Art Finco
Bill Mack
Terry McCain
Fred Miller
Beth Pellicciotti
Shomir Sil
Dennis Weidenaar