Testimony of Sheryl Craun, Senior Managing Director, TIAA
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Good morning, distinguished members of the ERISA Advisory Council.

My name is Sheryl Craun, and I am Senior Managing Director and Head of Individual & Institutional Operations at TIAA. I am grateful for this opportunity to share TIAA's views with the ERISA Advisory Council.

TIAA is a Fortune 100 financial services organization dedicated to helping our clients achieve financial well-being. We were founded nearly a century ago as the vision of one of history's great philanthropists, Andrew Carnegie, to make a difference in the lives of teachers. Since then, we have helped millions at academic, medical, research and cultural organizations—the people whose work makes the world a better place—retire with financial security. Today, we are a global asset manager with award-winning performance and $889 billion in assets under management. Our investment model and long-term approach aim to benefit the 5 million people and more than 16,000 institutions we serve.

At TIAA, we are committed to providing a fast, flawless and simple experience for our participants.

When we learn of a participant's frustrations, we move to determine the root causes and solve those issues.

In an increasingly mobile society, individuals change jobs more frequently than in the past. Instead of remaining with one or two employers throughout their working years, individuals are likely to work for multiple employers. As a consequence, many individuals have multiple retirement plans. At the same time, individuals want to simplify their financial lives – including by porting and consolidating their retirement assets.

Each month, thousands of our participants initiate the process of transferring retirement assets from another recordkeeper to TIAA. About 40 percent of them choose to rollover into an IRA and approximately 60 percent seek to roll retirement savings from a retirement plan recordkept by another service provider to a TIAA recordkept plan. This experience informs our perspective on steps the Department can take to ease the process of transferring assets for plan participants.

If I may, I'll begin by describing how the asset transfer process works at TIAA.

TIAA's process for rolling from a retirement plan to an IRA is simple, painless and, for the most part, completely automated.

- First, the participant submits a formal request form.
- Next, the assets are directed to our treasury operations group.
- After a matching process, the funds are deposited into the IRA.
- We only need to know if the assets are pre- or post-tax.
- Features of the IRA streamline a plan-to-IRA rollover. For instance, IRA owners generally can access only retail share classes. And IRAs do not permit loans, in-service or hardship withdrawals. Rather, IRA owners only can take distributions which, if taken before age 59 ½, may trigger tax penalties.
- It is important to note that when transferring from a plan to an IRA – most firms send a check to the participant who is then responsible for passing it along to the new vendor within the established time period. Many people end up banking it, paying the taxes and penalties, and thereby reducing their retirement savings.

Unfortunately, the process to roll over assets to a TIAA recordkept retirement plan is more complex. TIAA believes the process would benefit from industry-level changes to ensure smooth transitions and immediate access to funds.

There are multiple factors driving this complexity.

First, we must consider the <u>source</u> of the assets being transferred.
- Are the assets funded by an employer or employee?
- Are they pre-tax or post-tax?
- Are they characterized as Roth or non-Roth?
- In what kind of plan had the assets been housed?

Next, we must consider the investment options.
- In what investments are the participant's assets invested?
- In what percentages?

Then, TIAA must match transaction forms and assets with fund and source information. If they can't be matched – or if we've received assets and do not have the matching form – the transaction is deemed "Not In Good Order" (NIGO) and we cannot apply the funds for our participant. Again, to point out the primary differences in rolling over plan-to-IRA versus plan-to-plan, there are fewer options for distributing assets with an IRA, and when an IRA is opened we are not concerned with whether the funds had been contributed by the employer or the employee.

When processing a plan-to-plan rollover, those providers from whom we are receiving funds or checks sometimes fail to spell out funds and sources. This complicates TIAA's ability to apply the funds appropriately.

Furthermore, within the retirement services industry, there are no standard naming conventions for listing funds and sources. This makes it difficult for recordkeepers to apply funds appropriately and quickly.

Finally, the rules for some retirement plans do not permit plan-to-plan rollovers. This limits the participant's options.

Breaking TIAA's process into simple terms, this complexity means that to receive a participant's assets transfer into a retirement plan, we have to undertake several steps.

- First, the assets come to our Operations unit, typically in the form of a check.

- Then, Operations must determine how the money should be invested. If the funds and sources are not specified, the money is placed into a general, restricted account that is built to protect the plan by limiting withdrawals to allowable sources.

- A lack of specificity triggers a need for us to research the request, to determine the correct source for the dollars to accurately reflect the type of dollars invested.

- Finally, we make the subsequent adjustment if needed.

So, what does this mean for our customers?

Unfortunately, when we take these features together, the process of rolling from one retirement plan into another retirement plan can be challenging for the participant. If we are unable to apply funds to the appropriate sources and investments, we must place the funds into a restricted account which limits their availability to our participants until we can resolve the issue.

This is not the experience we want for our participants.

Fortunately, we see several reforms the Department can undertake to improve the process of transferring assets from one retirement plan into another plan.

Foremost, we believe that there is a need for <u>industry standards</u> to address retirement plan mobility and to ensure a seamless, painless and high quality consolidation experience. The goal should be to enable participants to focus on their entire financial picture – rather than the minutiae of changing employers.

Standards would benefit customers no matter where their retirement plans are recordkept and would help all recordkeepers process asset transfers more efficiently – thus improving their experience, reducing complaints and driving down processing costs.

With the adoption of consistent standards, the process for transferring funds could be greatly streamlined, so that the steps are as follows:

- A participant will contact the recordkeeper where she wishes to move funds.

- The “new” recordkeeper sets up the account and sends out the appropriate asset transfer request to move from the alternate recordkeeper.
- The “existing” recordkeeper completes a standardized form (conceptually similar to the Common Application that many colleges and universities use for admissions) that, for example, translates fund sources on behalf of participants.
- The form facilitates an ordered transmission of information and funds, with fund source/investment information first, followed by the electronic funds transfer (EFT).
- Using an industry-standard naming convention (or – from the standardized form), the existing recordkeeper specifies the breakdown of the fund sources.

The goal is to receive the funds by EFT, broken down by sources, so the transfer and application of funds approaches occurring instantaneously.

This is simpler, faster and significantly more seamless than the current process. We believe the Department of Labor has an important role to play in encouraging consistency across the industry, including by facilitating:

- Standardized asset transfer forms;
- Common/consistent nomenclature;
- Common fund/source specification; and
- Ordered transmission of information and funds.

In the absence of industry standards, TIAA is proactively working with some of our industry peers to improve asset transfer experiences. For instance, we are working with one peer, to ensure that if we receive a rollover from that recordkeeper’s platform, the recordkeeper provides a fund-source breakdown in advance of transferring the assets. When we do that, we eliminate the time it takes to run our NIGO, research and adjustments processes and easily provide same-day funds availability, based on plan rules, to our participant.

In this increasingly digital economy, we must streamline services to meet and exceed customer expectations. Common, consistent industry standards will remove processing obstacles and ensure our customers can focus on what truly matters – their lifetime retirement security.

To that end, we encourage the Department, including through its ERISA Advisory Council, to evaluate ways to promote such standardization.

Thank you.