

## RETIREMENT MONEY

# Rough transition at TIAA-CREF

By PETER HOGNESS

## New computer system

Transition to a new computer system at TIAA-CREF has led to confusion and concern among CUNY employees and retirees who are part of this retirement program. The most widespread problem has been unclear communication about the change, but a number of TIAA-CREF participants at CUNY have also encountered errors in the handling of their accounts.

While most people in TIAA-CREF at CUNY were unaffected or have experienced only an inconvenience, the union is advising all participants to check their accounts, and, if they are retired and receiving systematic withdrawals, to check payments that were made this year. Those who spot a problem should call TIAA-CREF's New York office at (800) 842-2011. "These problems serve as a reminder that everyone should check their account statement on a regular basis," said Clarissa Gilbert Weiss, the pension expert on the PSC staff.

### APOLOGY

"Everyone at TIAA-CREF apologizes for the problems that some of our CUNY clients have experienced," said Chad Peterson, TIAA-CREF's director of media relations. For the few dozen people who received an incorrect pension payment, he said, "we have made or will make the participant whole...by retroactively crediting the late payment with the correct investment returns as of the originally scheduled date." Other costs, such as fees for returned checks, would also be reimbursed on "a case-by-case basis," Peterson told *Clarion*.

In January, more than one-quarter of participants at CUNY received a letter from TIAA-CREF stating that "we are updating our systems and technology to enhance the services we provide" – and that "this requires" that TIAA-CREF split the member's existing pension account into two or more separate accounts. The letter was received by some on the active payroll and some retirees.

What the letter did not explain – at least to most members' satisfaction – was *why*. It stated that TIAA-CREF had to split all accounts "that contain contributions originating from separate sources" – such as contributions "from more than one employer or from more than one plan under the same employer."

But to many who received the letter, this made no sense. Many had only contributed to TIAA-CREF while working for CUNY, and not under any other employer. And while at CUNY, they had always been in TIAA-CREF – never in another pension plan. "I've worked for CUNY for 21 years," said Phyllis Gray, who works at City Tech in student affairs. "I've always been in TIAA-CREF and my paycheck has

always been from CUNY. I called for clarification, but I couldn't get a clear answer."

It turns out anyone who was a member of TIAA-CREF at CUNY both before and after January 1, 1990, has been through two different plans under TIAA-CREF – even if they did not know it. The TIAA-CREF plan at CUNY was a 403(b) plan until December 31, 1989, after which it was replaced by a 401(a) plan. These are technically "different plans under the same employer," even if most members paid little attention to the change. People in this category were among those who had their accounts split, separating their contributions under each type of plan.

"Don't get nervous when you see the 403(b) account listed as 'frozen,'" Rosemary Markowski of TIAA-CREF told a PSC Retirees Chapter meeting on March 5. "It's been 'frozen' since 1990," she explained, with these accounts gaining investment growth and interest but taking in no new contributions.

Others had their accounts split because they had contributions from more than one employer – and this includes some people who have worked only at CUNY. The CUNY Research Foundation is a separate employer from the university itself, so anyone who contributed to TIAA-CREF through paychecks from both CUNY and the CUNY RF has had two different employers – and had their account split.

Unaffected by the split were those who have been in TIAA-CREF only while employed by CUNY and were hired after January 1, 1990. Also unaffected were retirees who have "fully annuitized" – that is, who have exchanged 100% of their accumulated retirement funds for an annuity, which provides a guaranteed annual payment.

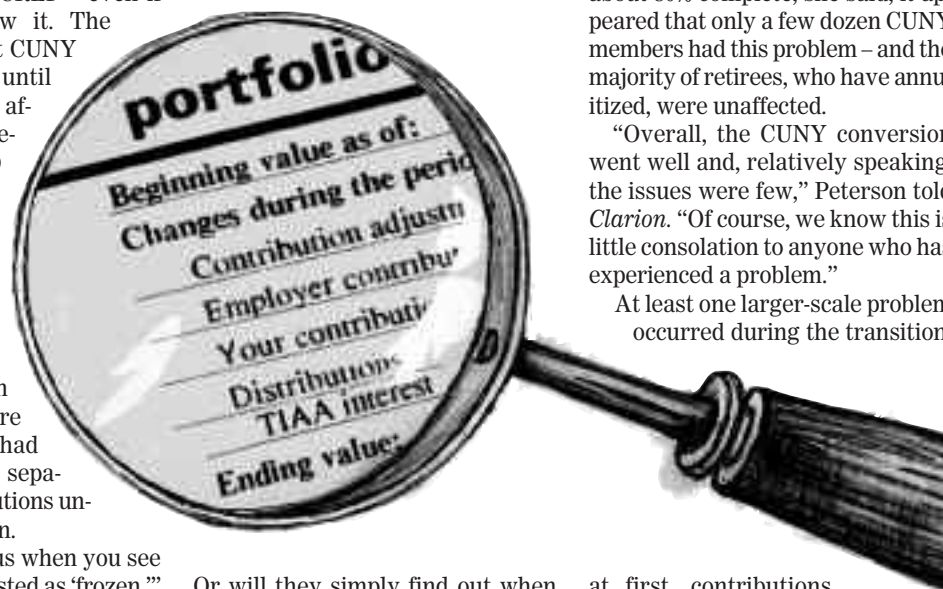
### SUCCESS?

TIAA-CREF says that the central reason for the change was to be able to offer "new products and services" in the future, as well as the general problems of maintaining a computer system that was out of date. It promises "exciting enhancements" in the future. But for the present, during the transition, participants at CUNY widely perceive the new system as "user-hostile," instead of "user-friendly."

The letter announcing the split in accounts told members who receive pension checks that "you may begin

receiving multiple payments that, added together, equal your original payment amount. It's possible that these payments may arrive on different days."

Will these members get advance notice of the new payment schedule?



Karen Caldicott

Or will they simply find out when the checks arrive? *Clarion* asked this question two days before we went to press, but TIAA-CREF spokespeople could not provide an answer.

"I've had my mortgage maintenance and credit cards on automatic payment!" retiree John Gillespie told *Clarion*. The timing of those bank transfers, he explained, was based on the dates when he got his systematic withdrawals from TIAA-CREF. After experiencing a problem with his account, Gillespie complained to TIAA-CREF that he felt obliged to cancel all his automatic billing arrangements, "given the unreliability of payments."

Gillespie was one of those who received an incorrect pension payment during the switch to the new computer system. "I discovered by accident," he said, "that I received about 30% of my retirement for the February 2 payment." While the shortfall was corrected the day after he complained, he received no specific explanation – despite repeated requests.

Another retiree, who asked not to be named, told *Clarion* that he also received only about a third of his regular amount, in two payments in February. "On February 12 I received a letter about the successful implementation of the software upgrade," he added. "Some success!"

TIAA-CREF's Peterson said the company regrets the incorrect payments and that "a very small number of CUNY members" among those receiving systematic withdrawals were affected. "In every one of these cases," he said, members will be made whole.

What happened, Markowski explained, was that these members should have gotten a second pay-

ment from their newly split account, but that "the money remained in that account." This happened when the split was carried out on the same day that a check should have been issued, she said – and she added that TIAA-CREF is reviewing all 1,000 CUNY members who receive systematic payments to identify any errors. With that review about 80% complete, she said, it appeared that only a few dozen CUNY members had this problem – and the majority of retirees, who have annuitized, were unaffected.

"Overall, the CUNY conversion went well and, relatively speaking, the issues were few," Peterson told *Clarion*. "Of course, we know this is little consolation to anyone who has experienced a problem."

At least one larger-scale problem occurred during the transition:

at first, contributions for TIAA-CREF members working at CUNY's four Educational Opportunity Centers were not made. TIAA-CREF says it has now corrected the problem.

Some members who have a loan from TIAA-CREF are also affected by the split in accounts: they now have to make two loan payments instead of one. "You can still make your one payment in one check, but just enclose the two separate coupons," said Markowski. "We apologize for any inconvenience." TIAA-CREF will work to change the system in the future, she said, so that two coupons are not necessary.

### INFORMATION, PLEASE

At the Retirees Chapter meeting and in interviews with *Clarion*, many members complained about poor information from TIAA-CREF phone centers. "When you call, no one can give you a solid answer," said Gray. "One person told me she was not familiar with the system."

"I would recommend that you call our New York rather than the general number," Liliam Quintero of TIAA-CREF told the March chapter meeting. "Our consultants in the New York office are really up to date on the specific plan at CUNY." There are two numbers for the New York office, she said: (212) 916-5800 and (800) 842-2011, "both ring on the same line." Markowski said that on its national number, TIAA-CREF now ensures that callers from CUNY are connected to the most senior consultant available.

In at least some cases, there have been misstatements of members' retirement accumulations. On February 17, one member told *Clarion*, he called TIAA-CREF's automated phone system to check his total accu-

mulation. "It was down over a million dollars," he said. This was before late February's drop in the stock market, which in any case could not have accounted for nearly that much of a decline. As of March, the discrepancy had still not been resolved.

This retiree, the former director of computer services at a CUNY college, was quite calm for someone who, on paper, was down a million dollars. "Look, I want to be fair to them," he said. "I don't believe that the money is gone." Though he expects the numbers to get straightened out, he was severely critical of TIAA-CREF's computer operations.

"Those of us who were in information systems can't believe that they put modifications in without adequately testing them or without notice," he said.

He also said that while such problems have been worse with the transition to the new system, they have been growing for some time. "Most of it seems to have occurred in the last three or four years," he said, "since TIAA-CREF went beyond academia and started marketing themselves to the general public."

Howard Reznikoff, of the Retirees' Chapter TIAA-CREF Issues Committee, agreed. "We've been accumulating problems," he said. "Now they have gotten worse."

### FOCUS

At the Retirees Chapter meeting, Hank Stroobants, a recent retiree from BMCC, told Markowski, "I think you have lost focus with these 'new products and services.' This group is not so concerned about that – I think you have lost focus on servicing us."

"I wouldn't want to have your job no matter how much it paid," Jim Perlstein, a retiree officer on the PSC Executive Council, told Markowski. "But I hope you would take a message back to your superiors, that TIAA-CREF is running a tremendous risk. There are alternatives, and there is nothing to stop the PSC and UUP from reconsidering the relationship with TIAA-CREF."

"We fully recognize that," Markowski responded, "and also that you as individuals have alternatives. This is a serious concern for us." She added that top TIAA-CREF management "is very aware of these issues," and focused on resolving them. The problems, she added, were not mainly with the new computer system itself, but with transferring the data from the old format.

Weiss told the meeting that the PSC has pressed TIAA-CREF to improve its phone support, and that the union is monitoring the situation. Members should check their statements carefully, she advised. "If you have a problem, call TIAA-CREF's New York office," she said. "If it does not get resolved, contact the PSC."

TIAA-CREF's New York office can be reached at (800) 842-2011.