TIAA CREF
FINANCIAL SERVICES FOR THE GREATER GOOD®

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July 16, 2008

The Honorable Herb Kohl
Chairman
Senate Special Committee on Aging
G-31 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Kohl:

Thank you for your letter dated July 15, 2008. TIAA-CREF appreciates the opportunity to provide our views in connection to the Committee's hearing on "Saving Smartly for Retirement." The company shares the Committee's interest in improving our nation's retirement system and is committed to securing the lifetime financial security of our clients.

TIAA-CREF is a national financial services organization providing defined contribution retirement plans to more than 3.4 million clients at over 15,000 institutions. For 90 years, TIAA-CREF has helped its clients manage their assets to and through retirement. Established by Andrew Carnegie, the company was founded on, and remains committed to, the premise of providing lifetime financial security to our clients in higher education, hospitals and the non-profit cultural and research fields. To that end, our focus is on designing retirement plans that accumulate enough assets to provide for adequate streams of lifetime income (we currently pay out more than $10 billion per year in retirement benefits) while providing clients flexible withdrawal options at retirement to meet specific income needs.

TIAA-CREF would like to share with the Committee our views on hardship distributions and loans within defined contribution plans. Many employee elective deferral plans, such as Internal Revenue Code (IRC) section 401(k) and 403(b) plans permit participants to take in-service hardship withdrawals. While it is true that pre-retirement hardship withdrawals may jeopardize lifetime financial security for those who are forced to take them, these distributions are designed to be a last resort for those who find themselves in dire financial straights during their working years.

The Committee has expressed an appropriate interest in the impact of the availability of loans from retirement savings plans. According to a study by the Employee Benefits Research Institute (EBRI), permitting loans increases both participation and contribution rates in 401(k) plans. Furthermore, the study found that overall loan activity among 401(k) plan participants is limited. In TIAA-CREF's experience, only 3.3% of our clients who have loans as an option currently have loans outstanding. On average, approximately 4% of all pre-retirement loans end in default and are therefore treated as a taxable event.

We commend the Committee's longstanding interest in finding constructive solutions to the retirement savings crisis in America. TIAA-CREF looks forward to working with Congress to continue to take steps to strengthen the retirement savings of American workers and to ensure their financial security.

Most importantly, TIAA-CREF regrets any misunderstanding that may have been caused by a recent advertisement directed toward Thrift Savings Plan (TSP) participants. To avoid any additional confusion, the company will not run this advertisement in the future.

TIAA-CREF remains committed to the lifetime financial security of our clients and is dedicated to helping more Americans achieve the same results that many of our clients have. We thank the Committee for the opportunity to submit this statement and look forward to a continued dialogue on this important issue.

Sincerely,

Ed Van Dolsen
Executive Vice President, Institutional Client Services
TIAA-CREF Individual & Institutional Services LLC, Member FINRA/SIPC

cc: The Honorable Gordon Smith, Ranking Member