



# Institutional Investor Frequently Asked Questions

## CREF Money Market Account Expense Waiver

### Overall

- As the Coronavirus (Covid-19) global pandemic continues, and interest rates remain at a persistently low range, TIAA continues to evaluate options for a long term negative yield mitigation strategy for the CREF Money Market Account.
- The current fee waiver arrangement established in April 2020 was set to expire on December 31, 2020. To minimize disruption to participants and plan sponsors, TIAA has sought and secured a short term extension of the fee waiver arrangement with our regulators through June 30, 2021. Note that regulators have said this waiver cannot be renewed.
- Once this waiver expires on June 30, 2021, CREF Money Market Account investors **will** experience negative returns in the account due to our current interest rate environment.
- CREF operates at-cost, which means it does not generate any profit. This unique at-cost structure requires regulatory approval to waive expenses. Typical money market mutual funds waive their fees and fund it through the profits generated on that fund. CREF does not have profits to fund the fee waivers and therefore cannot provide fee waivers to the Money Market Account without regulatory approval.
- Plan sponsors who have not taken action regarding their plan investment line-up should use this additional time period to evaluate whether they would like to make a change. Plan Sponsors may want to make changes to their current investment fund line-up to help mitigate against such negative returns such as changing the default investment option or offering additional money market investment alternatives.
- Any Investment line-up changes should be communicated by the following dates to ensure implementation by June 30, 2021:
  - Relationship Manager led client by March 1<sup>st</sup> 2021,
  - Client serviced by Administrative Telephone Center by April 1, 2021
- The TIAA Access – TIAA-CREF Money Market Fund yield will continue to be negative until interest rates improve. (See details under Question #4)

## **Plan Sponsors with CREF Money Market Account as Default**

### **1. I thought TIAA said this waiver cannot be renewed—what changed?**

In April of 2020, when the fee-waiver was established, that was the guidance we were provided by our regulators, who approve the fee waiver arrangement between TIAA and CREF Money Market Account. At that time, TIAA, our regulators, or any industry experts did not know how long the global pandemic would persist, and how it would impact interest rates long term. Once it was clear this would be an ongoing issue and as TIAA monitored client action on plan investment line-up changes to mitigate the yield risk of the CREF Money Market Account, we felt it was prudent to approach our regulators to assess openness to a minimal extension to allow for more time for clients to take action.

### **2. Why is the extension only until June 30, 2021?**

Each fee waiver arrangement is required, by our regulators, to have both a time deadline as well as a maximum amount to be waived. Our original request in April 2020 was for an amount that we estimated to cover all 3 classes of the CREF Money Market Account through December 31, 2020. We have not used that full amount and will not by year end, and so sought the opportunity to use the full amount on behalf of our clients. This was one of the reasons our regulators were willing to extend the fee waiver arrangement. The remaining amount will comfortably cover all 3 classes through June 30, 2021. It is possible it may continue after that date but given the sensitivity to flows, and other unknown factors, clients that wish to take action should do so with the goal of any plan changes going live by June 30, 2021.

### **3. What is the due date for a final plan change decision in order for it be implemented and live by June 30, 2021?**

Clients and Consultants should work with their relationship manager contact to ensure all approvals and information is completed and received by TIAA no later than March 1, 2021 in order to meet a June 30, 2021 implementation deadline.

Clients that are served by the Administrative Telephone Center (ATC) should review their plan change offer on PlanFocus in the Plan Enhancement Center page by April 1, 2021.

### **4. Why is the CREF Money Market Account at-risk of a negative return?**

In a low interest rate environment, like the one that we are currently experiencing, potential negative returns are possible when yields of the Account's investments are insufficient to cover the costs of managing the Account. This may be the case for our, and many other providers', money market investment vehicles.

### **5. What is the CREF Money Market Account going to do to avoid negative returns long term?**

TIAA is evaluating several options to establish a long term solution to help mitigate negative yield risk. More information will be available as we discuss these options with regulators, however there is no guarantee that a viable solution will be available. Note any options we may be considering must be presented and approved by regulators prior to any disclosure.

### **6. What is an expense waiver and why doesn't the CREF Money Market Account *typically* offer one?**

CREF operates at-cost, which means it does not generate any profit. This unique at-cost structure requires regulatory approval to waive expenses. Typical money market mutual funds waive their fees and fund it through the profits generated on that fund. CREF does not have profits to fund the fee waivers and therefore cannot provide fee waivers to the Money Market Account without regulatory approval. There was a period of time (2009-2017) during which TIAA voluntarily provided this fee waiver; however, this was required to be discontinued in 2017 after ongoing discussion with our regulators and the TIAA Board.

**It is critical to note that the expense waiver extension for the CREF Money Market Account is limited and a short-term solution that is only available through June 30, 2021.** Should interest rates remain low throughout 2021, participants who continue to invest in the CREF Money Market Account should be prepared for the possibility of negative returns without the assistance of an expense waiver from TIAA after June 30, 2021.

**7. Is the TIAA ACCESS – TIAA-CREF Money Market Fund impacted in the same way as the CREF Money Market Account? Is there a fee waiver on this option?**

The TIAA-CREF Money Market Fund (used as an investment options within the TIAA Access annuity product) may experience negative yields. The fund's service providers may use their profits to waive fees to prevent a negative yield. However, the TIAA Access separate account wrap fees are not part of the waiver and therefore the TIAA Access - TIAA-CREF Money Market Fund sub-account may still experience a negative yield even if the underlying mutual fund expenses are waived.

**8. Will there be a recoupment process for the CREF Money Market Account similar to the previous fee waiver agreement?**

Yes, as part of TIAA's voluntary waiver agreement with regulators for the CREF Money Market Account, a recoupment process is required by regulators to be in place once account yields are positive. It will be limited to a 36 rolling month time period and represent 25% of net positive yield for the account. These are similar terms to the previous fee waiver agreement. Keep in mind that waivers and recoupment are on a class by class basis.

**9. Are plan sponsors able to redirect contributions from the CREF Money Market Account to other investment options?**

This will depend on the contract type that is used. Due to individual contract restrictions, we cannot provide the ability to redirect contributions from the CREF Money Market Account to other plan options. If an employer plan would like to remove or restrict contributions to the CREF Money Market Account, the institutionally owned Retirement Choice and Retirement Choice Plus contracts would allow for more employer flexibility, such as this.

**10. What is the institution's risk if the CREF Money Market Account is designated as their plan's default investment option?**

If the institution uses the CREF Money Market Account as their plan's default investment option, they may want to consider other possible default options. Industry guidelines point toward using Qualified Default Investment Alternatives (QDIAs), such as lifecycle/target-date funds, balanced funds (under certain conditions) or certain professionally managed accounts as default investment options.

For ERISA plans, money market funds generally are not considered to be QDIAs under the applicable U.S. Department of Labor (DOL) regulation, except in the short term, and do not offer protections against liability.

Institutions should consult their legal counsel for more information.

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Clients that are served by the Administrative Telephone Center (ATC) should review their plan change offer on PlanFocus in the Plan Enhancement Center page by April 1, 2021.

**11. What is the Institution's risk if the TIAA-Access – TIAA –CREF Money Market Fund is designated as their plan's default investment option?**

While the TIAA-CREF Money Market Fund provides fee waivers to prevent a negative yield for the fund, once the TIAA Access separate account wrap fees are deducted, the TIAA Access - TIAA-CREF Money Market Fund will still experience a negative yield. If Plan sponsors use the TIAA-Access – TIAA-CREF Money Market Fund as their plan's default investment option, they may want to consider other possible default options. Industry guidelines point toward using Qualified Default Investment Alternatives (QDIAs), such as lifecycle/target-date funds, balanced funds (under certain conditions) or certain professionally managed accounts as default investment options.

12. What options do institutions have to consider as they evaluate the market effects on the CREF Money Market Account or TIAA-Access – TIAA-CREF Money Market Fund. They can:

Consider the RetirePlus Series, default solutions that allow for professionally designed models to simplify asset allocation and provide options for lifetime income.

Change the plan's default investment option to meet the U.S. Department of Labor's (DOL) "safe harbor" Provision - also called a Qualified Default Investment Alternative (QDIA).

Change to a different default investment option that meets the needs of plan participants who have not selected an investment. Keep in mind that money market investments aren't generally intended to be used as a long-term retirement strategy for building wealth, but rather for short-term holdings while developing a long-term retirement strategy.

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13. What other options are available to the plan if the annuity only line-up is required?

The TIAA Access product offers the TIAA-CREF Lifecycle series as an underlying investment option that qualifies as a QDIA. If institutions want to make a plan line-up change, please have them contact their Relationship Manager.

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14. If the institution wants to make a change to the plan's use of money market funds, how can they do that?

Call their relationship manager to discuss options for the plan's investment menu.

If the plan is served by the Administrator Telephone Center, call 844-500-5062, weekdays, 8 a.m. to 8 p.m. (ET).

**Plan Sponsors without another Money Market Option in Plan**

15. If the plan currently only offers the CREF Money Market Account, what should they know about money market investment options more generally?

There are three categories of money market accounts available in the marketplace – government, retail, and institutional. CREF Money Market is classified as a government money market account. These accounts have distinct advantages and distinct disadvantages that should be considered when deciding which type of account to offer to employees. From a positive perspective, employees do not have restrictions or fees on liquidity in the account. However, these accounts can earn a lower yield than other types of money market accounts. In a low interest rate environment, like the one we are currently experiencing, this can result in a negative yield on the account when expense waivers are not being offered.

16. What options do institutions have to consider as they evaluate the market effects on the CREF Money Market Account. They can:

- Add additional Money Market accounts to diversify the choices available to plan participants
- Do nothing—keep the CREF Money Market Account
- Change the default from CREF Money Market to another default option

17. What other options are available to the institutions plan if required to have an annuity only line-up?

TIAA stable value product or an annuity wrapped mutual fund might be a suitable option. Please contact your Relationship Manager to discuss all available options.

18. If the institution wants to make a change to the plan's use of money market funds, how can they do that?

Call your relationship manager to discuss options for your plan's investment menu.

If the plan is served by the Administrator Telephone Center, call 844-500-5062, weekdays, 8 a.m. to 8 p.m. (ET).

### **Special Consideration for Plan Sponsors utilizing the TIAA Access – TIAA-CREF Money Market Fund**

19. Is the TIAA Access – TIAA-CREF Money Market Fund impacted in the same way as the CREF Money Market Account? Is there a fee waiver on this option?

The TIAA-CREF Money Market Fund (used as an investment options within the TIAA Access annuity product) may experience negative yields. However, the fund's service providers may use their profits to waive fees to prevent a negative yield. However, the TIAA Access separate account wrap fees are not part of the waiver and therefore the TIAA Access - TIAA-CREF Money Market Fund sub-account will still experience a negative yield even if the underlying mutual fund expenses are waived.

20. What is the institution's risk if the TIAA Access – TIAA-CREF Money Market Fund is designated as the plan's default investment option?

While the TIAA-CREF Money Market Fund provides fee waivers to prevent a negative yield for the fund, once the TIAA Access separate account wrap fees are deducted, the TIAA Access - TIAA-CREF Money Market Fund will still experience a negative yield. If the TIAA-Access – TIAA-CREF Money Market Fund is the plan's default investment option, consider other possible default options. Industry guidelines point toward using Qualified Default Investment Alternatives (QDIAs), such as lifecycle/target-date funds, balanced funds (under certain conditions) or certain professionally managed accounts as default investment options. For all-annuity line-ups, Stable Value could be an alternative if the plan does not allow for mutual funds and TIAA Access Lifecycle funds can serve as a QDIA eligible default.

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Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance.

**You could lose money by investing in the CREF Money Market Account. Because the accumulation unit value of the Account will fluctuate, the value of your investment may increase or decrease. An investment in the Account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Account's sponsor has no legal obligation to provide support to the Account, and you should not expect that the sponsor will provide financial support to the Account at any time.**

**The TIAA Access Money Market Account (the "Account") uses the TIAA-CREF Money Market Fund (the "Fund") as its underlying mutual fund investment option. You could lose money by investing in the Account which, in turn, invests in the Fund. Although the Fund seeks to preserve the value of its shares at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.**

TIAA-CREF Individual & Institutional Services, LLC, member FINRA, distributes securities products. CREF variable annuities are issued by College Retirement Equities Fund (CREF), New York, NY. Each of the foregoing is solely responsible for its own financial condition and contractual obligations.

**You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161 or go to [www.TIAA.org/prospectuses](http://www.TIAA.org/prospectuses) for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.**

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