

# UI pension plan's rules are relaxed

## Recipients of TIAA-CREF can 'cash out'

By Brian Sharp  
The Press-Citizen

**COUNCIL BLUFFS** — Ending a decade-long debate, the Iowa state Board of Regents on Thursday unanimously approved a change in its primary retirement plan, allowing departing employees unrestricted access to withdraw or convert money in their accounts.

The action essentially formalizes a TIAA-CREF pilot program that has been in place for several months but was set to expire June 15, allowing retired employees over age 55 to convert or "cash out" 100 percent of their CREF holdings.

"For me, it's a competitive issue, a retention issue, for faculty and staff at the University of Iowa," said UI President Mary Sue Coleman, who endorsed the change over objections from the regents' executive staff. "Our faculty feel very strongly about this."

Of the 8,000 institutions nationwide whose employees are covered by the Teachers Insurance Annuity Association-College Retirement Equities Fund, 64 percent allow some form of transfer; 48 percent —



Coleman

including other Big Ten schools — allow full transfer or cashing out of CREF accounts.

TIAA-CREF, the nation's largest retirement and pension plan, is the retirement plan of some 20,400 regent faculty and staff statewide, including 13,000 at UI.

For some perspective on what kind of priority faculty place on the CREF issue, consider the story relayed by Iowa State University Faculty Senate President Dean Ulrichson. Two of his colleagues, eyeing the June 15 pilot expiration and a possible end of full CREF access, simply took early retirement and left ISU.

The official lifting of CREF restrictions — which had allowed retired employees over the age of 62 immediate access only to one-third of their holdings — does not change TIAA's rule limiting annual withdrawals from those accounts to no more than 10 percent.

The 100 percent cashability for CREF accounts was recommended more than a year ago by the Funded Retirement and Insurance Committee, composed of UI faculty and staff. After the pilot program later was instituted, granting just that, it appeared to many faculty and staff that things were on track.

That is, until last week, when board Executive Director Frank Stork and legal counsel Charles Wright sent the regents an initial and preferred proposal to limit retirees' immediate CREF access at 50 percent of

holdings.

The recommendation sounded alarms at the three state universities, prompting a flood of e-mails, faxes and overnight letters — particularly from the UI campus — that, while appreciated, somewhat annoyed Regent Ellengray Kennedy.

Stork said Thursday that the 50 percent option allowed flexibility for employees while retaining regent stewardship responsibilities. Not granting full access at this time, he said, also would leave regents an incentive tool for later on, should the three state universities ever face budget problems and need to encourage early retirements.

"They are the employees' funds," said Regent Roger Lande, while noting that employer contributions to the individual accounts are twice those made by the employee. "But they are funds that are designated ... and put in for retirement purposes."

Lande supported the full-access

alternative, offered Thursday, as did a skeptical Regent Kennedy, who raised concern about the lack of information gathered from the pilot project that was supposed to aid regents in their decision.

Among the sparse details was a tally showing that, of the 131 UI retirees since mid-December, 122 took the full conversion option of the then-pilot project.

While Kennedy likened the regents' revised CREF policy to converting a retirement plan to supplemental income, less than 4 percent of retirees nationally have cashed out their CREF accounts. One likely discouragement is that the Internal Revenue Service immediately could tax that as income and then take a 10 percent penalty for the early withdrawal.

Also included in board actions Thursday:

■ Former employees who have left any of the state universities, and are under the age of 55, can cash out or transfer to another investment option one third of their CREF account. That portion equals the employee contributions only.

See PENSION/6A

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