



TIAA Secure Income Account

Fees and expenses

Frequently Asked Questions and Answers

Overview

A common question about the TIAA Secure Income Account is what are its “fees” or “expenses”? The following summarizes some important points on this topic, followed by detailed questions and answers:

- The TIAA Secure Income Account is not an investment for purposes of federal securities laws; it’s a guaranteed insurance contract.
- Unlike a mutual fund or collective investment trust fund, the TIAA Secure Income Account does not include an identifiable “expense ratio” or “fee” like you might see published for a mutual fund or a variable annuity, which reduces the return a participant receives.
- Expenses and risks are factored before setting the interest rates or lifetime income payout amounts.
- Under Department of Labor (DOL) participant disclosure regulations (404a-5), the DOL acknowledges that “fixed return investments,” such as the TIAA Secure Income Account, do not have an expense ratio and, therefore, there is no need to provide an estimate of the compensation attributable to it.
- With respect to ‘compensation spread,’ TIAA’s charter obligates us to operate without profit to our parent company, the TIAA Board of Governors. In fact, through our “sharing the profits” approach, more than \$3 billion has been shared with TIAA Traditional participants on average each year over the past 10 years.¹
- As a courtesy, TIAA provides a hypothetical estimate of the TIAA Secure Income Account’s “investment and operating expense” to plan sponsors and investment consultants in the *408(b)(2) Investment Fee & Expense Disclosure*. TIAA estimates this as the percentage of plan assets invested in the TIAA Secure Income Account that might be needed to cover expenses and should not be used as a basis for comparison to other plan investment options. This represents an estimate of the portion of the target spread intended to help TIAA defray certain expenses, such as managing the TIAA General Account and costs associated with operating the TIAA Secure Income Account. This amount is not guaranteed, is subject to change and is not publicly disclosed.
 - Note that the amount reported as total expenses also includes the Plan Services Expense for those versions of the TIAA Secure Income Account that include a “Recordkeeping Fee”. If so, this fee is collected by TIAA (and is initially recorded as compensation to TIAA) by reducing the interest crediting rates under the TIAA Secure Income Account by the amount of the Recordkeeping Fee. TIAA then pays this amount to the plan’s recordkeeper on a periodic basis to help defray their costs associated with recordkeeping and administrative services performed by them.
- Keep in mind that TIAA Secure Income Account declared crediting rates are based on a number of factors, including the need to maintain appropriate contingency reserves that every insurance company must hold to provide for guarantees.
 - However, unlike other insurance companies, when TIAA’s reserves become higher than necessary, they are “released” to participants in the form of higher interest crediting and lifetime income payout rates the next year.
 - With no public shareholders—and a charter that requires TIAA operate without profit—TIAA is uniquely able to return earnings to participants through additional interest and lifetime income as well as reinvesting in our business.

TIAA Secure Income Account

Below are frequently asked questions and answers about TIAA Secure Income Account expenses.

Q1: Does the TIAA Secure Income Account have an expense ratio?

- **No.** As a spread-based fixed annuity the TIAA Secure Income Account does not have an expense ratio. While expenses are associated with the TIAA Secure Income Account, they are accounted for in arriving at the interest rates that are declared by TIAA. The TIAA Secure Income Account is not an investment for purposes of federal securities laws; it's a guaranteed insurance contract. The interest rate is declared in advance, and unlike a mutual fund or collective investment trust fund, the TIAA Secure Income Account does not include an identifiable expense ratio.

Q2: Why doesn't an expense ratio for the TIAA Secure Income Account apply?

- Estimated investment and operating expenses do not accurately reflect the way a fixed annuity functions, where expenses have been accounted for in the combination of guaranteed minimum and additional interest rates credited.
- Estimated investment and operating expenses are not guaranteed, are subject to change, and are not approved for public disclosure.
- To avoid misunderstanding, any estimates of the portion of the crediting rate spread that TIAA targets to seek to cover investment and operating expenses should not be passed on to participants.

Q3: What are ways to compare fixed annuities if there are no stated investment and operating expense fees?

- There are four key ways to compare fixed annuity products:
 - **Net Crediting Rate (accumulation):** Amount of interest paid by a fixed annuity product is reflective of any internal expenses.
 - **Lifetime Income Payout Rate (distribution):** Amount of lifetime income paid by a fixed annuity product is reflective of any internal expenses.
 - **Financial Strength:** When comparing fixed annuities, it's important to be mindful of the creditworthiness of the insurance company. While a higher interest rate and lifetime income payout rate might look appealing, the financial strength of the insurance company is important as it backs the guarantees and promises of payments.
 - **Contract Provisions:** Fixed annuities issued by different insurers or even issued by the same insurer, can have different contract provisions. The difference in these provisions should be factored into any analysis comparing products. Many times the contract provisions, liquidity provisions in particular, can affect the amount of interest paid.

Q4: All financial products must have fees associated with them. How can the TIAA Secure Income Account not have a stated fee?

- It isn't necessarily correct that all financial products must have stated fees. For example, bank Certificates of Deposit have a stated interest rate for a certain time period and the bank does not disclose a fee to support the CD interest rate. The CD interest rate is declared prospectively. The TIAA Secure Income Account interest crediting rates are also declared prospectively. In addition, the TIAA Secure Income Account does not have commission or sales fees like other certain annuities.

Q5: The TIAA Secure Income Account may be included in plan menus along with other investments such as mutual funds and collective investment trust funds, both of which have stated expense ratios. How can these products have stated fees and the TIAA Secure Income Account not have a stated fee?

- The TIAA Secure Income Account is a fixed annuity insurance product. It's not an investment for purposes of federal securities law. This type of plan investment option is not the same as securities like mutual funds and/or collective investment trust funds, which often appear alongside the TIAA Secure Income Account as part of institutional employer defined contribution plan investment menus. Mutual funds and collective investment trust funds have a stated fee that affects their total net return at the end of each day.
- The TIAA Secure Income Account as an insurance product declares its crediting rate prospectively. This is the essence of insurance. The TIAA Secure Income Account is obligated to credit participants with the declared rate regardless of any occurrence within the management of the account. The TIAA Secure Income Account declares crediting rates for each month's contributions, and that rate is held constant and applied to that month's contributions (and interest earned on those contributions) through the following end of February in any given year. Contributions made in the prior year have crediting rates declared each March 1 through the end of February the following year.

Q6: If TIAA makes “more money” than expected when the declared rate was calculated, where does that “profit” go?

- The TIAA Secure Income Account declared crediting rates are based on a number of factors, including the need to maintain appropriate contingency reserves which every insurance company must hold to provide for guarantees. When TIAA's reserves become higher than necessary, they are “released” to participants in the form of higher crediting and payout rates the next year. With no public shareholders—and a charter that requires TIAA operate without profit—TIAA is uniquely able to return earnings to participants through additional interest and lifetime income as well as reinvesting in our business.
- Operating the TIAA Secure Income Account as well as the TIAA General Account that backs the guarantees provided for in the TIAA Secure Income Account contract, and that supports the interest crediting rates for participants does involve expenses for administration and investment management. However, these costs, which may vary depending on a number of factors, including, but not limited to, actual expenses as well as the composition of the portfolio at a given time, are reflected in the interest rates credited and in the amount of required contingency reserves.

Q7: How should consulting firms compare the TIAA Secure Income Account in their investment software?

- As mentioned earlier, there is no DOL requirement to include any portion of “expenses” or target spread for spread-based products on 408(b)(2) disclosures. Insurers have taken different approaches as to what they report, if anything (noting that some insurers simply report “N/A” or 0.00% under the Net Expense column). As a result, a hypothetical “expense ratio” provided by TIAA as a courtesy to institutional audiences on 408(b)(2) reports (which represents an estimate of the portion of the spread targeted in our crediting rate mechanics) to cover TIAA's expenses, should not be used to compare the TIAA Secure Income Account to other options and should not be provided to/included in materials that the plan/consultant prepares for participants. A more appropriate approach to comparing the value delivered by a fixed account, like the TIAA Secure Income Account, could be to review guaranteed minimum interest rates, a history of total interest crediting rates, level of lifetime income provided, insurer financial strength and contract provisions. See Q3 for more details.

Q8: Is Plan Servicing Expense affected by this point of view?

- No. The Plan Servicing Expense reported in the 408(b)(2) Investment Fee & Expense Disclosure represents the “Recordkeeping Fee” amount deducted from the TIAA Secure Income Account gross interest crediting rates (if applicable), and paid to the plan’s recordkeeper on a periodic basis to help defray their costs associated with recordkeeping and administrative services performed by them. These Recordkeeping Fee amounts are fully disclosed in the TIAA Secure Income Account contract and marketing materials for both institutions and participants. As noted earlier, this amount is also included in the Net Expense column of the disclosure. Be aware however, that this Plan Servicing Expense (TIAA Secure Income Account Recordkeeping Fee) is disclosed on participant 404(a) reports.

For more information about the TIAA Secure Income Account, please call 888-842-5433 or email DCIOInternalsales@nuveen.com to learn more about the benefits of the TIAA Secure Income Account, and the value of protected savings and guaranteed lifetime income.



¹ TIAA may share profits with TIAA Traditional Annuity participants through declared additional amounts of interest during accumulation, higher initial annuity income, and through further increases in annuity income benefits during retirement. Additional amounts are not guaranteed beyond the period for which they are declared. TIAA Annual Statement, page 4, line 30.

This material is for informational or educational purposes only and does not constitute investment advice under ERISA. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor’s own objectives and circumstances.

The TIAA Secure Income Account is approved for issuance in 52 of 53 U.S. insurance jurisdictions. It is not approved to be issued to New York-domiciled contract holders.

Any guarantees under annuities issued by TIAA are subject to TIAA’s claims-paying ability.

The TIAA Secure Income Account is a guaranteed insurance contract and not an investment for federal securities law purposes. Interest credited to the TIAA Secure Income Account includes a guaranteed rate, plus additional amounts as may be established by the TIAA Board of Trustees. Additional amounts are not guaranteed for periods other than the period for which they are declared. All guarantees under contracts issued by TIAA are based on TIAA’s claims-paying ability. Past performance is no guarantee of future results.

The TIAA Secure Income Account is issued by Teachers Insurance and Annuity Association of America (TIAA), New York, NY.

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