

DATE: _____

TO: Officers of TIAA-CREF
Att.: James Martin, Executive Vice President, CREF Investments
700 Third Ave., New York, NY 10017

COPIES: 1) Executive Officers of [this university/college]
2) Commission on College Retirement
Att.: Thomas G. Woodruff, Executive Director
875 Third Ave., New York, NY 10022

FROM: Undersigned faculty and staff of [this university/college]

RE: Freedom of choice for socially responsible pension fund options

Many members of [this university/college] are disturbed by the fact that their pension funds invested with TIAA and CREF are deriving income from the production of nuclear weapons and from doing business in South Africa.

The 30 U.S. corporations most heavily involved in nuclear weapons have been identified by the Investor Responsibility Research Center, Washington, DC in terms of contracts with Departments of Defense and Energy for components of "primary nuclear weapons systems"—either warheads or vehicles and technology intended mainly to wage a nuclear war.

At the end of 1985 CREF held securities of 29 of these top 30 nuclear contractors, amounting to 8.9% of the fund's total market value. The CREF fund also included 171 U.S. companies with subsidiary operations in South Africa, comprising 35% of the CREF fund's market value.

In addition to nuclear contractors, the CREF fund in 1985 held securities in 43 other companies among the top 100 military contractors, with a total of 25.4% of its total market value invested in either nuclear or other military producers.

Involvement of TIAA in nuclear weapons contractors is lower than that of CREF but non-trivial, amounting in 1983 to nine companies and 2.5% of the fund's total market value.

Concerns and understandings. Apprehensive over the continued build-up of nuclear weapons that threaten to annihilate civilization, many of the co-signers object on grounds of conscience to deriving pension benefits from companies heavily involved in nuclear weapons systems. Yet at present we have no alternative to investing our primary pension contributions in TIAA or CREF. We believe that all TIAA-CREF participants have the right to freedom of choice for socially responsible pension fund options.

The co-signers understand that current TIAA-CREF policy is to make investment decisions on the grounds of financial considerations (e.g., rate of return, risk level) and not of ethical ones. The co-signers also understand that any change in the investment mix of a given fund involves expense, and that establishing a separate fund or funds would also involve expense.

The co-signers nevertheless assert that TIAA-CREF participants have the right to accept lower returns or additional expenses if needed to allow socially responsible pension options. We note, however, that the financial performance of independent socially responsible investment funds over the past five years has been comparable to that of CREF.

A partial solution. A number of major universities (among them the University of California system, Stanford, University of Pennsylvania, and Columbia) have responded to similar concerns by negotiating with an independent socially responsible investment fund a 403(b)(7) plan whereby their employees can assign future primary pension contributions to the socially responsible alternative, as well as transfer supplementary contributions. This solution is only partial in that TIAA-CREF regulations do not allow previous contributions into its primary funds to be transferred out.

