



The Long View

Insured Retirement Institute (IRI) is pleased to celebrate exemplary leadership within the insured retirement industry. Our monthly article series, *The Long View*, spotlights individuals who have proven adept at seeing change on the horizon and adapting accordingly. Through one-on-one interviews, we aim to learn about each highlighted leader's career, successes, failures, lessons learned, and proudest moments.

Exceptional leaders are a stabilizing force in times of crisis. If you're looking for the calm in the storm, look no further than TIAA President and CEO Roger W. Ferguson, Jr. Time and time again, Mr. Ferguson has led organizations through volatile circumstances, bringing his expertise and steadfast fortitude to bear on behalf of his employees and the people he serves. A former Vice Chairman of the U.S. Federal Reserve System's Board of Governors, Mr. Ferguson led the Fed's initial response to the terrorist attacks on 9/11. Today—in the midst of a global pandemic as well as a national reckoning on race—he leads TIAA, the leading provider of retirement services in the academic, research, medical, and cultural fields.



IRI interviewed Mr. Ferguson, who will retire from TIAA in March, to talk about the leadership principles he brings to crisis situations and his advice to others leading during this year of uncertainty.



You earned a B.A., J.D., and Ph.D. in economics from Harvard before starting your career as an attorney in 1981. You talk about approaching your career not as a ladder but as a rock-climbing wall. What do you mean by that?



The old idea of a career ladder suggests smoothly progressing upward from one rung to the next. That analogy doesn't really work in today's ever-evolving world. A climbing wall seems more appropriate to the modern career because sometimes you may need to move sideways,

or even down a rung, to reach your goal—and sometimes you may need to adjust the goal itself.

My own career has not been a smooth progression upward on a single path. After earning a J.D. and then a Ph.D. in economics, I started my career as a lawyer. After a few years, I decided practicing law was not my path, so I entered the consulting world at McKinsey & Company. Next, I answered the call to become a public servant by joining the Federal Reserve. Following that, I returned to the private sector.

I feel very fortunate to have led TIAA for the past 12 years. We're a mission-driven company that serves people who make the world a better place. But getting to this point was never part of any master plan I had. If I had been dead-set on ending up as a CEO, I might have lived my life differently, and I might have missed out on some of the career experiences that made me who I am today.

When I speak to college graduates or people just starting out in their careers, my advice is to avoid being too rigid about one's career path and goals. Be open to trying different things. Don't be afraid to change course if that's what your heart is telling you to do. Take advantage of opportunities that come your way and be willing to take reasonable risks. Above all, think of your career as a journey. The purpose of the journey is figuring out what you like to do, where you like to do it, and with whom you like to work. At different points in your life, you may answer those questions differently. The key is to always keep growing and learning.

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Q:

You led the Federal Reserve's response in the days following the attacks on September 11, 2001. How do you calm and inspire your team in times of crisis? What advice do you have for today's leaders who are facing all the challenges unique to 2020?

A:

What I've discovered is that in any crisis, quality of leadership really does matter. There are four things that have proven to be helpful to me as I've worked with large institutions, and indeed, the entire U.S. economy, to guide through some of these crises.

First is communication. Without clear communication in a time of crisis, individuals may feel paralyzed or start working at cross-purposes. There's no such thing as too much communicating. Even if you're uncertain, let people inside and outside the institution hear your voice. Let them see what you see as best you can. If it evolves over time, be honest that facts have changed and therefore your analysis has changed.

Second is expertise. On 9/11, the fact that I understood the plumbing of the financial system was an important skill to have. You can't lead through a crisis based on superficial knowledge or an amateurish point

of view. As a leader, it's important to have as much expertise as possible about your organization and the environment in which you're operating. It will give you the confidence to make level-headed decisions in difficult times, and it will inspire confidence in others who look to you for leadership.

Third is empathy. We're going through a time now that is full of health, financial, and security uncertainties, and overlaying all of that are racial uncertainties. A leader in these moments needs empathy, an ability to understand how this is affecting people. At the Fed on 9/11, we were all worried about the health and welfare of loved ones while also trying to keep the system afloat. There are parallels to today's crises.

Fourth is fortitude. During a moment of crisis, individuals want to see their leaders buckling down, staying firm, not being foolish, and not ignoring facts. I often say that one of the most important things a leader can do during a crisis is to be more of a shock absorber than a shock amplifier.



You've been quoted as saying, "Racism is not something that only happens to poor, uneducated Black people. It happens to everybody." Understanding the reality that racism is pervasive in our world and the importance of combating it, what are you doing to drive diversity, equity, and inclusion at TIAA?



I think it's really important for everyone to understand that even African Americans who have lived and benefited from the American dream, and who are, as I am, beneficiaries of the civil rights movement, have had our moments as well. Racism is not a class-only issue; it has everything to do with what you look like.

As someone who started his education at a segregated elementary school and is today one of just a few Black CEOs in the Fortune 500, I am an example of both how far the nation has come in addressing racism and how far we have left to go.

Furthermore, racism isn't just Black people's problem; it's everyone's problem because it erodes the fabric of society. Change must begin with each of us as individuals, not only through voicing our own experiences, but through educating ourselves about the circumstances and history of others and working to eradicate racism and bias wherever we find it.

Leaders must take meaningful action because they have the power and the platform to lead change. CEOs bear the ultimate accountability for cultural change in their organizations. Leaders at all levels will take their cues from what they see the C-suite saying and, more importantly, doing. That's why I consider it part of my job to be, in a sense, TIAA's chief D&I officer. (Of course, we also have a world-class leader who oversees these efforts.)

At TIAA, we launched our Be the Change platform this summer to challenge systemic racism through programs, educational resources, and communications focused on supporting our employees while also challenging our company to take action. Since the launch, we have provided—to employees and clients—guidance, aligned to our values, for taking care of themselves and looking out for their teams and

colleagues, while also critically assessing how we can be more inclusive and anti-racist going forward.

Internally, we are focusing on four pillars for change to occur: change through understanding, change through dialogue, change through leadership, and change through action. I'm proud that our surveys have found our African American, Hispanic, and other minority employees are among the most engaged in our company. It's a sign that people feel empowered to stay active and involved during these difficult times.

I would note that TIAA has a very strong heritage when it comes to diversity and inclusion—one that predates my leadership by decades. We had a woman on our board in the 1940s and an African American board member in the 1950s. My predecessor, Clifton Wharton, was the first African American CEO of a Fortune 100 company. Because of our strong record on diversity and inclusion in the past, we recognize that we have a responsibility to lead into the future.



TIAA has made financial literacy a key focus of its philanthropic efforts. Of all the issues TIAA could choose, and all the places it could invest its time and resources, why does financial literacy rise to the top? What is a financial literacy initiative TIAA has spearheaded that makes you especially proud?



Financial literacy is vitally important because it's tightly linked to financial wellness. Each year, the TIAA Institute partners with the Global Financial Literacy Excellence Center (GFLEC) at George Washington University to survey Americans and produce an annual snapshot of their financial awareness. This Personal Finance Index, or P-Fin Index, confirms that people with higher financial literacy are much more likely to save and plan for retirement. They're also less likely to be "financially fragile," meaning they could pull together \$2,000 in cash within 30 days in an emergency.

As with so many issues in society, there is also a racial dynamic to the financial literacy challenge. According to the P-Fin Index, Black Americans exhibit lower financial well-being and financial literacy than many other demographics. This is one of the factors that contributes to wealth and income inequalities, which then feed into other challenges such as disparate health outcomes. There is clearly an urgent need to raise levels of financial literacy across America.

Our nation's financial literacy challenges start early. Today there are just 20 states that require high school students to learn financial literacy skills. More schools should offer such classes, and we're hopeful that legislation recently passed or pending in several states offers constructive steps forward.

We also think it's important to do our part to address the challenge, including bringing financial education to classrooms at all age levels. TIAA Bank sponsors the TIAA Bank Money Matters program at schools across Florida, Charlotte, and Puerto Rico to help grade school students build a solid financial wellness foundation. We expanded it to students remotely during COVID-19 school closures. We're planning to reach more than 10,000 learners across 100 schools by the end of 2021.

More than 7,000 college students across 12 universities have participated in TIAA's FinSights program, an innovative digital financial education program. By 2022, we expect to double that number to more than 15,000 college students.

We will continue making financial literacy a priority to help more Americans build lifelong financial security.



You were a major proponent of the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which passed in 2019. New legislation, the Securing a Strong Retirement Act of 2020, is now being considered by Congress to further strengthen Americans' prospects for a secure and dignified retirement. What perspective would you give to legislators considering support for the new bill?



One of the perspectives we have shared with Congress is that the retirement challenge is really a combination of three gaps that are posing a large risk to our country over the coming years:

- An access gap resulting from people lacking access to an employer-sponsored retirement plan.
- A savings gap resulting from the simple fact that most Americans don't save enough for retirement.
- And a guarantee gap resulting from Americans lacking access to in-plan products that can guarantee income throughout retirement.

This issue has become even more salient during the pandemic. TIAA surveyed 3,000 Americans this summer and found that three out of every five people have experienced financial stress in the COVID-19 pandemic. We also see people placing more value on being financially resilient—about two-thirds of the workers surveyed now want to save more.

Furthermore, retirement savings are perceived as critical to financial resilience. No goal ranked higher for the workers surveyed than saving for retirement, and the vast majority (nine in 10) agree that once they retire, it will be important to have a source of income that will not run out as they age. Unfortunately, only four in 10 people feel like they are on track with their saving, so we have a lot to do as a society to help people gain a greater sense of security about their retirement preparedness.

We were vocal in our support of the SECURE Act—and we know IRI was working right alongside us in that effort—because we believe it will lead to greater retirement security for Americans by giving more individuals access to an institutionally-priced, in-plan annuity option that provides guaranteed returns and the option to choose a guaranteed stream of retirement income they will not outlive. In fact, we are seeing increasing momentum with TIAA's RetirePlus series, demonstrating plan sponsors' interest in qualified default invest alternative (QDIA)-eligible model portfolios that can help improve retirement readiness and security.

The recent introduction of the Securing a Strong Retirement Act is a welcome sign that Congress is continuing to prioritize Americans' retirement security. That House bill, along with similar Senate legislation, has the potential to build on the important reforms set in motion by the SECURE Act. I'm encouraged to see that both bills are bipartisan, which shows the extent to which this issue is resonating across Congress, regardless of party.



What challenges do you think consumers will have in 2021 to meet their future retirement needs? Can you tell us about a tool or resource developed by TIAA that has significantly improved your clients' efforts to plan and save for retirement?



In addition to the financial challenges related to the pandemic, one issue that prevents many younger workers from saving more is their student loan burden. In our latest survey of workers in nonprofit organizations, released in November, we found that 58 percent of respondents reported having more than \$50,000 in debt. This impacts their ability to pay off their credit cards, save for retirement, buy a home, have children—all the life milestones that people work toward. And remember, these are many of the workers who are on the frontlines now, from healthcare workers treating patients to teachers guiding their students through the new reality of online learning.

To help alleviate the student debt burden, TIAA teamed up with Savi, a social impact technology startup, with the shared goal of helping nonprofit institutions offer a meaningful student debt relief solution to their employees. This solution helps employees reduce their monthly student loan payments immediately and qualify over time for relief from the balance of their federal student loans by enrolling in the federal Public Service Loan Forgiveness (PSLF) program.

The PSLF is a well-intentioned program, but it has presented challenges for some borrowers because of the complexity of understanding the rules and managing the paperwork. In fact, 98 percent of PSLF program applicants have been rejected for not meeting program requirements or due to missing or incomplete information on a form. Therefore, our solution is more than simply a tool or calculator—it helps participants successfully navigate the complex rules of the PSLF program.

TIAA and Savi conducted a pilot of the solution with seven nonprofit institutions. On average, our pilot participants are on track to save \$1,700 per year in student debt payments and have \$52,000 in debt forgiven. In total, we are projecting \$53 million in forgiveness, just from the pilot.

We're now rolling out the solution to more of our institutional clients to help them significantly expand the financial wellness benefits available to their employees. We have high hopes for this solution because everyone stands to benefit. Employers will get to help their employees manage a critical issue affecting their livelihood, and the participants we serve will get much-needed relief from their debt burden, so they can put more attention on other financial goals—including saving for retirement.

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