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January 7, 2011

The Honorable Ben S. Bernanke
Chairman, Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington D.C. 20551

Re: Conformance Period for Entities Engaged in Prohibited Proprietary Trading or Private Equity Fund or Hedge Fund Activities (Docket No. R-1397; RIN No. AD 7100-58.)

Dear Chairman Bernanke:

TIAA-CREF appreciates the opportunity to provide input on the implementation of Section 619 of the Dodd-Frank Act (“DFA”), commonly referred to as the “Volcker Rule.” As the leading provider of retirement services in the academic, research, medical and cultural fields, TIAA-CREF manages over \$450 billion of retirement assets on behalf of 3.7 million participants at more than 15,000 institutions nationwide.¹ Incorporated as a stock life insurance company in the State of New York, we operate on a not-for-profit basis. TIAA-CREF offers retirement plans with a range of options that help institutions meet their retirement plan administration needs and individual clients meet their savings goals as well as their income and wealth protection needs.

As noted in our November 5, 2010 letter to the Financial Stability Oversight Council (“FSOC”) concerning its study on issues arising from the Volcker Rule,² TIAA owns a small ancillary thrift institution that primarily serves the purpose of decreasing costs for our participants while increasing efficiencies in the services we provide our retirement clients. While our thrift comprises a very small portion of our overall assets, our ownership of this thrift institution could subject all affiliates of our thrift, including our insurance business, to the investment and sponsorship restrictions of the Volcker Rule.

Both the statutory language in Section 619 of the DFA and the legislative history behind it clearly establish that it was the intent of Congress not to subject the business of insurance to the restrictions of the Volcker Rule.³ The Volcker Rule is designed to address specific risks to individuals, institutions, and the financial system as a whole that the business of insurance, as a highly regulated, minimally leveraged industry, simply does not present. As you proceed with the important work of implementing the Volcker Rule, we respectfully ask that you allow insurers to continue to conduct their normal business operations as long as such operations do not introduce undue risk to the overall economy. This includes investments in and sponsorship of private equity and hedge funds, both of which are important in allowing

¹ Market value as of December 31, 2010.

² See TIAA-CREF letter of comment dated, November 5, 2010, in FSOC comment file at <http://www.regulations.gov/#!documentDetail;D=FSOC-2010-0002-1301.1>

³ Vol. 156, No. 79. Congressional Record. S4136-S4138, May 24, 2010; Vol. 156, No. 105. Congressional Record. S5896. July 15, 2010

TIAA-CREF and other insurers to continue to provide valuable investment services and assist clients with diversification of assets.

To allow insurers affiliated with banking entities to continue to conduct their current regulated investment activities after implementation of the Volcker Rule, Congress specifically enacted Section 619(d)(1)(F) of the DFA. Under Section 619(d)(1)(F), permitted activity includes the ability of insurance companies to continue to invest in a wide range of securities, including private equity funds, within the limits allowed under insurance investment laws. Section 619(d)(1)(F) also expressly permits regulated insurance companies to continue their general account investment activities as provided for and regulated under state insurance investment laws. This is clear recognition by Congress that insurers must be allowed to continue to carry out their fundamental business model, which requires investing the company's own money in a prudent manner that ensures a healthy investment portfolio for paying customer benefits over the long-term, but does not involve engaging in high risk or short-term profit seeking.

State insurance laws compel insurers to hold their investments in a diversified portfolio, but do not force insurers to utilize any one specific portfolio structure. State insurance regulators allow insurance companies to sponsor private equity funds up to state limits on equity investments. In light of such existing state regulation and the language of Section 619(d)(1)(F), we recommend in our previous comment letter to the FSOC that implementation of the Volcker Rule confirm that insurance companies affiliated with depository institutions will be able to continue to invest in and sponsor private equity funds, subject to regulation in accordance with the relevant insurance company investment laws, while protecting the safety and soundness of any banking entity with which such insurance company is affiliated and the U.S. financial system.

With respect to instituting conformance periods for those organizations that ultimately will become subject to the Volcker Rule restrictions, we believe the conformance regulations should provide the Board of Governors of the Federal Reserve System ("Board") with the appropriate level of discretion and maximum flexibility to grant approvals for restricted entities to maintain their activities and investments for the full amount of time permitted under the Volcker Rule for all affected funds, especially illiquid funds. In particular, we believe the Board should consider the potential harm to investors as well as conflicts of interests between entities that sponsor funds and their fund investors should entities that are fund sponsors be required under the Volcker Rule to relinquish their role as a general partner of funds or are incentivized to prematurely terminate or liquidate underlying fund investments at unattractive prices. Overly restrictive regulations or an unnecessarily rigid process will operate against the interests of fund investors as well as restricted entities.

We look forward to working with the Board and the FSOC as this issue progresses. Please feel free to contact me at any time with questions or concerns.

Very truly yours,



Brandon Becker
Executive Vice President and Chief Legal Officer

cc: Ms. Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System.