

TIAA-CREF DIVESTMENT CAMPAIGN

TIAA-CREF AND SOUTH AFRICA: TIME FOR DIVESTMENT

The Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) owns more than \$7 billion in securities of U.S. companies operating in South Africa, making it one of the largest stockholders in these companies. With assets of \$39 billion and a membership of 800,000, TIAA-CREF is the largest pension fund in the world. Were it to divest, U.S. companies and, more importantly, the South African minority government would take note.

The Urgent Need for TIAA-CREF to Divest

The struggle for freedom in South Africa has entered a new stage. The growing Black resistance to aggressive police and military violence in South Africa make international economic pressure on the South African government urgent. Black South Africans are paying enormous costs for their struggle -- more than 1,000 people have been killed during the past 18 months, many thousands have been detained and many have been tortured under the State of Emergency. Yet the dramatic acts of protest continue to escalate. Many prominent South African leaders have urged for international economic pressure as a means of bringing the minority government to begin negotiations immediately with legitimate leaders of the Black community for the end to apartheid and the establishment of a unitary democratic state with equal political rights for all.

U.S. universities have been important arenas for the national debate over divestment. More than 60 institutions have decided to divest. Columbia, Iowa, Michigan State, Howard, Ohio State, Louisville, and Arizona State are divesting totally. The momentum has increased dramatically. Since April, 1985, twenty-eight colleges have decided to end their economic support for South Africa.

Now university faculty and staff are pressing the demand for divestment on their own pension system, in which more than 3,600 institutions participate. The South Africa-related securities held by TIAA-CREF exceed the total amount that has been divested by all universities, cities and states to date. Divestment by TIAA-CREF can make a substantial contribution to the U.S. divestment movement.

TIAA-CREF's Present Policy on South Africa

TIAA-CREF argues that it should keep its investments in companies operating in South Africa in order to have leverage to convince them to be "more forceful in fighting apartheid," according to TIAA-CREF spokesperson Claire Sheahan. TIAA-CREF explains its policy, revised in 1984, as follows:

The statement exhorts portfolio corporations to take steps to reduce discrimination by following exemplary hiring and employment practices in South Africa; by refraining from making new loans to South Africa's private and public sectors; and by not making additional capital investments or otherwise expanding their scope of operations in South Africa unless such actions can clearly be expected to further remove or reduce racial inequalities or discriminatory barriers in ways that do not strengthen the apartheid system.

1984 TIAA-CREF Annual Report

The Call for TIAA-CREF to Divest

In October 1985, a group of prominent scholars and educators assembled by the Association of Concerned African Scholars (ACAS) called on TIAA-CREF to change its policy from one of mere exhortation about working conditions, to one that requires U.S. firms operating in South Africa to publicly call on the minority government to take specific steps toward the establishment of a unitary democratic state as a condition of their continuing to do business there. If U.S. firms - and ultimately the South African minority government - fail to meet these requirements, TIAA-CREF policy should be to divest its securities in these firms. These scholars and educators asserted that the new level of political resistance and the daily police and military violence in South Africa require a decisive shift to a more aggressive policy.

In an advertisement in the October 31 Chronicle of Higher Education, this group called on TIAA-CREF to begin to divest from U.S. companies operating in South Africa unless those companies publicly pledge to withdraw if the South African minority government fails to do the following: (a) end the state of emergency; (b) release unconditionally all political detainees and prisoners, including Nelson Mandela; (c) remove legal restrictions on Africans to live, travel, and work anywhere in the country; (d) begin negotiations with legitimate Black leaders, including the African National Congress; and (e) grant independence to Namibia. Further, the group called on TIAA-CREF to divest of all securities in companies continuing to operate in South Africa after March 1987 if these steps had not been fully accomplished, and to complete the process of divestment within three years.

Among the endorsers of the advertisement were Donna Shalala, newly elected member of the TIAA board and President of Hunter College; William Cotter, President of Colby College; Joseph Murphy, Chancellor of City University of New York; Robert Cummings, Professor at Howard University and President of the African Studies Association; directors of four major African Studies Centers; and directors of the three leading national anti-apartheid organizations.

Representatives of these scholars and educators met with the chief executive officer of TIAA-CREF, James MacDonald, just before their November 21 Board meeting, and Donna Shalala, an endorser of the Campaign and a recently elected member of the Board of TIAA, presented the Campaign's demands at the meeting.

TIAA-CREF's Response to Our Demands

On November 21, TIAA-CREF announced its response to our demands: it would initiate shareholder proposals with any companies in their portfolio that had not signed the fair employment code known as the Sullivan Principles, requiring that these companies sign the Principles or withdraw from South Africa. TIAA-CREF refused to consider divestment from even these companies, which represent a mere 2% of CREF's equity holdings. TIAA-CREF managers also produced a document arguing against the concept of divestment and stressing that TIAA-CREF would continue to respond to corporate presence in South Africa only through shareholder actions.

Critique of TIAA-CREF's Policy

Over the years, TIAA-CREF has voted for stockholder resolutions urging companies to take various actions in South Africa, but has never sanctioned the companies by divesting if the requisite action was not taken.

TIAA-CREF's policy is far out-of-step with the political realities of South Africa. The Sullivan Principles, which TIAA-CREF views as an adequate corporate response to apartheid, have been endorsed by approximately 160 U.S. companies which employ 66,000 workers -- fewer than one percent of the South African labor force. More importantly, the Sullivan Principles neither make demands for Black political rights nor challenge the role played by U.S. companies in bolstering the system of apartheid. The union representing Ford Motor Company employees stated that the Sullivan Principles are "a piece-meal reform that allows this cruel system of apartheid to survive....The code does not demand apartheid to be abolished, but merely to modernize and ensure its perpetuation." New York Times columnist Anthony Lewis recently wrote, "desegregating a few factories does not seem meaningful when the country is in turmoil over people's yearning for elemental rights: the right to vote, the right to live with your family. The Sullivan principles never meant much to South Africans, and they have become irrelevant." TIAA-CREF's strategy of using shareholder resolutions to call for companies to sign the Sullivan Principles, completely misses the point.

Moreover, institutional investor proxy action has been used for nearly twenty years and has made barely a dent in the behavior of either the corporations or the South African minority government. The growing divestment movement, based on the power of the purse strings, has already had a much greater impact, forcing the South African minority government to recognize that economic and political support from the West is no longer assured.

Next Steps in the Divestment Campaign

TIAA-CREF members have responded enthusiastically to the Call for Divestment. The initial advertisement drew support from more than 700 TIAA-CREF members. The Campaign is now mobilizing large numbers of TIAA-CREF members to support the Call for Divestment before the next Board meetings of TIAA and CREF on February 20, 1986. This mobilization includes: (a) organizing a national petition Campaign on campuses that participate in TIAA-CREF; (b) seeking endorsements from professional associations and prominent educators; and (c) lobbying Trustees of TIAA and CREF, half of whom are located on university campuses.

Reverend Allan Boesak, president of the World Alliance of Reformed Churches and a founder of the United Democratic Front, has said, "I do believe that without economic pressure on the South African government, there will be no movement towards change." The TIAA-CREF Divestment Campaign is one attempt by American educators to respond to the escalating crisis in South Africa.