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Bruce McNutt is on a crusade.

He's warning his fellow teachers: You're losing thousands of dollars by paying high fees in your retirement savings accounts.

But when he tried to spread that message recently, he got "threatening" e-mails from an AXA Equitable salesman who sells retirement plans in the Wayne schools.

"An insurance company with millions and millions of dollars of resources and a legal department e-mailed me to scare me out of what I am doing, threatening legal action if I continue," said McNutt, who teaches math at Wayne Hills High School.

McNutt's experience shines a spotlight on teachers' retirement savings plans, which have come under fire because they are often invested in high-cost products sold by insurance companies.

The savings plans for non-profit workers, such as teachers and nurses, are called 403(b) plans. They are similar to the corporate world's 401(k) plans; both allow workers to set aside retirement savings of up to $15,000 this year (plus $5,000 for workers 50 and over). They offer tax breaks and automatic deductions from paychecks.

But there are key differences. Most 401(k)s are provided by mutual fund companies chosen by the employer, and offer matching contributions from the employer. By contrast, school boards generally do not offer matching contributions and do not choose one company to manage the investments. Instead, school districts have a long tradition of allowing insurance company salesmen into the teachers' lounges to sell annuities.

The tradition dates to the 1950s, when 403(b)s were created. At that point, they could be invested only in annuities. By the time the rules were changed in the 1970s, to allow mutual funds inside 403(b)s, the insurance industry was entrenched in the market.

Annuities combine investments in stock mutual funds or bonds with a thin layer of life insurance. The annuities offer tax-deferred investment growth, but the tax advantage is wasted inside a 403(b), because retirement plans already offer tax-deferred growth. And the annuity's life insurance guarantees only that if the account holder dies, the heirs will receive at least as much as was invested in the account, even if investment values are down.

These features don't come cheap. Variable annuities, which invest in the stock market, have annual expenses that average 2.4 percent. These expenses pay for salesmen's commissions, which average 4 percent to 7 percent on annuities, plus yearly fees averaging about 0.25 percent on each account.

However, mutual funds' annual expenses average 1.35 percent, according to Morningstar, the Chicago firm that tracks the financial industry.

Some mutual funds offer much lower fees; the Vanguard Group, the nation's largest mutual fund company, has fees below 0.20 percent on many of its mutual funds.

It all adds up

These yearly differences may seem small, but over a 30-year career, they can cut the teacher's nest egg by thousands of dollars.

Both the Securities and Exchange Commission and the National Association of Securities Dealers have issued warnings about annuities' high fees. The securities regulators say annuities may not be suitable in retirement plans, because retirement plans already offer tax deferral.

The National Association of Variable Annuities defends the products, saying the life insurance is worth the extra expense. And insurance companies say the extra cost also pays for the attention and advice of their representatives, who work one-on-one with teachers.

Around the country, teachers have been trying to expand choices in their 403(b) plans by bringing mutual fund companies into their districts to compete with insurance companies.

"I think as the word continues to get out about the inequities in the 403(b), teacher outrage grows. Right now, I think most teachers don't know what they don't know in regard to the 403(b). But when they find out, they become pretty angry and motivated," said Dan Otter, a teacher who is author of "Teach and Retire Rich" and founder of the 403(b)wise.com Web site.

That's where Bruce McNutt and his colleague, history teacher Doug Layman, are now.

McNutt and Layman both signed up for annuities when they started teaching, after being approached by salesmen in the teachers' lunchroom at Wayne Hills High School.

"The 403(b) is a great savings vehicle if done correctly," said Layman, "and I didn't know I was doing it incorrectly."

But both men started to educate themselves about investing over the last few years. The more they learned, the worse the annuities inside their 403(b)s looked.

"Most of the people who have 403(b)s have no idea what a variable annuity is, they have no idea what an expense ratio is, they have no idea what management fees are, they have no idea what the death benefit is, and they have no idea how to read the prospectus to figure it out," McNutt said.

First Amendment

McNutt started holding meetings for fellow teachers a few months ago, with the school district's permission. In the meetings, he explains the difference between 403(b)s and other retirement plans, as well as the different fees. He said he is careful not to give investment advice; rather, he points out the fees and hopes his audience will draw their own conclusions.

But when an AXA Equitable salesman, Thomas F. Montemurro, heard about the meetings, he warned McNutt that he might be violating securities laws by giving advice without a license.

The e-mails from Montemurro say in part: "You may get a letter from our legal department." Montemurro said one of his superiors believes McNutt is violating Securities and Exchange Commission regulations by "giving advice on products you have no license or credential to advise the public on."

However, securities lawyers Richard DeVita of Hoboken and Ernest Badway of Newark say the teacher is not violating any state or federal securities laws, as long as he's not being paid.

"If he's not getting compensated, he's got a First Amendment right to say anything he wants," said Badway, who formerly worked with the Securities and Exchange Commission and is now with the law firm of Saiber, Schlesinger, Satz & Goldstein.

A spokeswoman for AXA Equitable, Mary Taylor, said in a statement that the company's law department "was not notified and, without viewing Mr. McNutt's full presentation, would not presume to comment on whether Mr. McNutt has violated SEC rules about recommending the purchase of variable products."

McNutt said he never heard from AXA's legal department.

Science teacher Tom Winters, 29, attended one of McNutt's meetings. Before, he knew nothing about the fees in his 403(b), which is with AXA Equitable.

"I just needed it to be brought to my attention, so I could do my own research," he said. "This is something that could really cost me a tremendous amount of money."

Winters was offended by Montemurro's e-mails to McNutt, which he called a "veiled threat."

"I think it's really despicable, a big insurance company trying to bully people," he said.

School districts and teachers unions have traditionally taken a hands-off approach to 403(b) plans. Unlike private employers offering 401(k)s, the districts are not required by federal law to make sure that retirement plans have reasonable fees and are properly managed.

Typically, they simply approve vendors to sell the plans to teachers, let the sales reps into the schools and set up the teachers' payroll deductions.

No protection

The unions aren't protecting teachers, either. In some cases, teachers unions have endorsed variable annuities in exchange for payments from insurance companies.

Last month, New York Attorney General Eliot Spitzer announced that the New York State United Teachers union will pay a $100,000 fine to settle charges that it endorsed a high-priced retirement plan, in exchange for payments of as much as $3 million a year from the Dutch insurance company ING and its predecessor, Aetna Life Insurance and Annuity Co.

The New Jersey Education Association said it does not endorse any retirement-savings products.

In Wayne, the teachers union is helping McNutt to get Vanguard and Fidelity, two of the nation's largest mutual fund companies, added to the list of approved 403(b) providers in Wayne -- a list that is now dominated by insurance companies. The Board of Education is considering his request.

One school board member who supports this proposal is Jane Hutchison.

An employee of William Paterson University, she has a 403(b) at work, which she invests through TIAA-CREF, the biggest 403(b) provider on college campuses. TIAA-CREF is known for its low costs, and Hutchison's annual fees are below 0.7 percent.

"Our teachers are our most valuable asset, and I feel very strongly that we want to keep our teachers and see that they are adequately compensated in their retirement years," she said.

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