



### TIAA-CREF Asset Management

### TIAA and CREF Accounts

Review Date: July 2012

#### Overall Annuity Rating Comments

TIAA-CREF is a leading provider of group annuity products and a leading recordkeeper in the 403(b) marketplace. TIAA-CREF holds the highest ratings in the insurance industry from the four major ratings agencies, which is a very important factor to be considered for investors that annuitize their investment.

Total investment fees for the annuity products are generally between 0.375% and 0.51%, A portion of the investment fees are used to offset the cost of plan administration (0.15% of the TIAA Traditional fee and 0.24% of the variable annuity fees). While the investment management component of the fees is reasonable, we would prefer that TIAA-CREF develop an institutionally priced annuity class, eliminating and/or reducing administrative offsets to provide plan sponsors more flexibility in the method used to pay plan administration expenses.

From an underlying investment perspective, we believe that for some of the annuities, clients would be better served by considering alternatives. Please note that the sub-ratings for the underlying investments reflect Aon Hewitt's standard processes for evaluating and rating investment strategies and are provided on a stand-alone basis without consideration of any annuity contract provisions or guarantees. Please refer to the product specific InBriefs for each annuity account.

However, depending on the contract type, TIAA-CREF contract provisions may impact the Plan's flexibility. For legacy RA and GRA contracts, there are three annuities that **must** be offered: TIAA Traditional, CREF Stock, and CREF Money Market. RC contacts are not as restrictive and do not have this requirement, but TIAA Traditional would be subject to a lower guaranteed minimum rate than the other TIAA Traditional contracts.

#### Annuity Product Rating

Annuity Product Rating	TIAA Traditional	CREF Money Market	CREF Bond	CREF Inflation Linked Bond	CREF Social Choice	CREF Stock	CREF Equity Index	CREF Growth	CREF Global	TIAA Real Estate
Overall	Hold	Hold	Sell	Hold	Under Review	Consider Contract Terms	Hold	Sell	Sell	Buy
Annuity Type	Fixed	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable
Asset Class	Income	Money Market	Core Bond	TIPs	Socially Resp. Balanced	US/Global Equity	US Equity Index	Large US Growth	Global Equity	Real Estate
Financial Stability	4	4	4	4	4	4	4	4	4	4
Net Fees	2	2	2	2	3	3	2	3	3	2
Underlying Investment	2	2	1	2	Under Review	1	2	1	1	4

## Annuity Product Rating Comments

Factor	Comments
<b>Financial Stability</b>	<p>TIAA-CREF holds the highest ratings in the insurance industry from the four major ratings agencies, which is very important for investors that annuitize their investment.</p> <p>TIAA-CREF is a leading provider of group annuity products and a leading recordkeeper in the 403(b) marketplace.</p>
<b>Fees</b>	<p>Total fees for the annuity products are generally between 0.375% and 0.51%, which include an amount that goes towards both investment management and plan administration. 0.15% of the TIAA Traditional fee and 0.24% of the variable annuity fees are used to offset plan administration expenses. The investment management component of the fees are reasonable.</p> <p>Aon Hewitt would like to see TIAA-CREF develop a separate lower fee share institutional annuity class that does not include such a significant amount towards plan administration, which would give plan sponsors more flexibility in paying plan administration fees.</p>
<b>Underlying Investment</b>	<p>From an underlying investment perspective, we believe that for some of the annuities, clients would be better served by considering alternatives. Please note that the sub-ratings for the Underlying Investment reflect Aon Hewitt's standard processes for evaluating and rating investment strategies and are provided on a stand alone basis without consideration of any annuity contract provisions or guarantees. See separate In Briefs for each annuity account.</p> <p>However, depending on the contract type, TIAA-CREF contract provisions may impact the Plan's flexibility. For legacy RA and GRA contracts, there are 3 annuities that must be offered: TIAA Traditional, CREF Stock, and CREF Money Market. RC contacts do not have this requirement, but TIAA Traditional would be subject to a lower guaranteed minimum rate in a RC contract.</p>
<b>Additional Product Comments</b>	<p>CREF Stock is a unique "all-in-one" portfolio intended to represent an investor's entire equity allocation. It provides this with a reasonable fee and with performance that is typically in line with its globally oriented benchmark.</p> <p>CREF Social Choice is a balanced 60% equity/40% fixed income account using a socially responsible approach. Many plan participants will be attracted to this account's emphasis on socially responsible investing with a secondary emphasis on the account's ability to outperform a broad market benchmark.</p>

## Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Each criterion, except for Operational Due Diligence ("ODD"), is individually rated from 1 to 4, where:

- 1 = Weak
- 2 = Average
- 3 = Above Average
- 4 = Strong

The comments and assertions reflect our views of the specific investment product and our opinion of its strengths and weaknesses.

## TIAA-CREF Asset Management

## CREF Global Equities Account

Review Date

Current Rating

Previous Rating

July 2012

**Sell**

New Rating

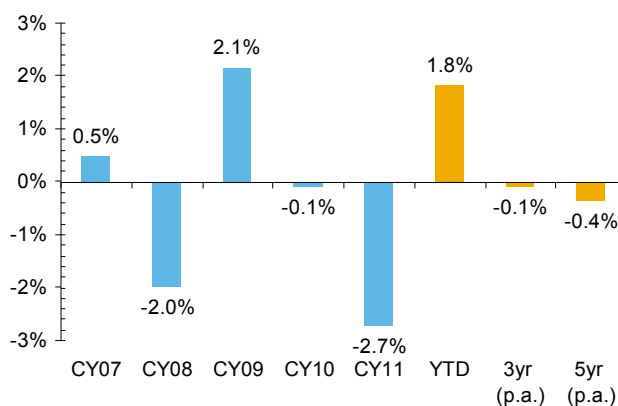
### Overall Rating

We recommend termination of client investments in the CREF Global Equities Account. Please note that our overall rating and sub-ratings for this investment product reflect our standard processes for evaluating and rating investment strategies and are provided without consideration of any annuity contract provisions or guarantees. Specific TIAA annuity contract provisions may impact your best course with regard to this investment and potentially other investments with TIAA. We recommend you consult with your Hewitt EnnisKnupp representative to determine your best options.

### Component Ratings

	Rating	Previous Rating
<b>Overall</b>	<b>Sell</b>	New Rating
Business	2	New Rating
Staff	2	New Rating
Process	1	New Rating
Risk	2	New Rating
ODD	Pass	New Rating
Performance	1	New Rating
T&C	2	New Rating

### Relative Performance to June 2012



Composite performance (USD) is net of fees relative to MSCI World Index – GD. CY = calendar year. Source: Manager

### Firm Summary

<b>Head Office Location</b>	New York, NY	<b>Parent Name</b>	Teachers Insurance and Annuity Association
<b>Firm AUM</b>	\$481.0 billion	<b>Investment Staff</b>	321
<b>Equity AUM</b>	\$179.1 billion	<b>Equity Staff</b>	87

### Portfolio Strategy Characteristics

<b>Team Location</b>	New York, NY and San Francisco, CA	<b>Team Head</b>	Tom Franks
<b>Strategy Inception</b>	May 1992	<b>Strategy Size</b>	\$14.0 billion
<b>Number of Holdings</b>	~1,500 – 2,500	<b>Annual Turnover</b>	60% – 90%
<b>Benchmark</b>	MSCI World Index - GD		
<b>Performance Objective</b>	Generate an information ratio near 0.5 net of fees over a full market cycle		
<b>Risk Tolerance Target</b>	2.0% – 4.0% tracking error		

Note: AUM and Staff numbers as at June 2012

## Investment Manager Evaluation

Rating Sheet		
Factor	Rating	Comments
<b>Business</b>	2	TIAA-CREF is comprised of two organizations: Teachers Insurance and Annuity Association of America, a New York life insurance company, and the College Retirement Equities Fund, an open-ended diversified management investment company registered with the SEC. A large firm with a significant presence with non-profit organizations, TIAA has the highest security ratings from the four rating agencies. Withdrawal provisions from their annuities have helped maintain their business, though other firms have made inroads in the past 10 years.
<b>Investment Staff</b>	2	<p>The firm has had material turnover with significant shuffling every few years among the executive and portfolio manager ranks. In January 2012, TIAA-CREF announced the imminent departure of Scott Evans, the president of the asset management group. In November 2011, TIAA-CREF announced the pending retirement of their CIO and a shuffle of head of public markets and fixed income which follows a previous senior management shuffle in the asset management group in August 2011.</p> <p>While we find lead portfolio manager Tom Franks to be competent, we do not believe him to be above average when compared to other global equity investors. We also believe the multi-manager structure of the strategy limits the ability of individual team members to make significant contributions. We view this as a potential downside for attracting and retaining the highest caliber investment professionals.</p>
<b>Investment Process</b>	1	<p>The process utilizes various underlying internally managed strategies including active quantitative, passive index, and active fundamental. The majority of assets are managed through individual fundamental portfolio managers and research analysts. Lead portfolio manager Tom Franks is charged with managing a global core sleeve of the Account while allocating capital to underlying portfolio managers and supervising the total portfolio's active risk exposure.</p> <p>We find the investment process utilized for the Global Equities Account to be sub-optimal. This is underscored by the historical volatility of returns relative to its benchmark. In their attempt to mitigate risk, we believe that the multitude of individually managed sleeves that are employed, in addition to the passive and quantitative sleeves, complicates portfolio construction and limits its ability to generate excess returns over longer periods.</p>
<b>Risk Management</b>	2	<p>TIAA-CREF has an Independent Risk Management Division that is headed by Chief Risk Officer Steve Gruppo. The strategy seeks to minimize active risk by spreading out the risk budget across underlying strategies, sectors, and geography.</p> <p>Portfolio positioning decisions regarding sector and region are relatively constrained. In addition, the strategy imposes additional constraints including a targeted beta range of 0.97 to 1.03.</p>

Rating Sheet		
Factor	Rating	Comments
<b>Operational Due Diligence</b>	Pass	<p>The firm maintains a Business Continuity program, including an incident management process modeled after Homeland Security guidelines that covers natural and manmade disasters, including pandemic events.</p> <p>The firm adheres to the CFA Institute Asset Manager Code of Professional Conduct and maintains a short-term trading policy for investment professionals. PricewaterhouseCoopers LLP is the firm's auditor.</p>
<b>Performance Analysis</b>	1	<p>According to TIAA-CREF, this strategy seeks to add positive, net-of-fee returns over time by actively managing a substantial portion of the portfolio. Although the strategy appears to maintain its targeted tracking error of 200-400 basis points annually, we do not have conviction that the Global Equity Account will add value for investors over the long term.</p>
<b>Terms &amp; Conditions</b>	2	<p>Both consultant relations and client service has been satisfactory.</p> <p>Fees for the CREF Global Equities Account are relatively attractive when compared to a peer group of actively managed global equity managers. Additionally, there is an embedded fee to help offset plan services. Depending on the contract, there may be additional restrictions and/or fees for exiting the product.</p>
<b>Overall Rating</b>	<b>Sell</b>	<p>We recommend termination of client investments in the CREF Global Equities Account. Please note that our overall rating and sub-ratings for this investment product reflect our standard processes for evaluating and rating investment strategies and are provided without consideration of any annuity contract provisions or guarantees. Specific TIAA annuity contract provisions may impact your best course with regard to this investment and potentially other investments with TIAA. We recommend you consult with your Hewitt EnnisKnupp representative to determine your best options.</p>

## Manager Updates and Monitoring

**Major Developments**    There are no major developments to report.

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**Key Monitoring Points**    There are no key monitoring points to report.

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## Ratings Explanation

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- 1 = Weak
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- 4 = Strong

The ODD factor can be assigned a Pass, Conditional Pass, or Fail rating and can be interpreted as follows:

**Pass** – Our research indicates that the manager has acceptable operational controls and procedures in place.

**Conditional Pass** – We have specific concerns that the manager needs to address within a reasonable established timeframe.

**Fail** – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived for the product from the individual ratings. We do not assign a fixed weight to each criterion to establish the overall rating; instead we consider each case individually. The overall rating score can be interpreted as follows:

- Buy** = We recommend purchase of this investment product.
- Buy (Closed)** = We recommend purchase of this investment product, however it is closed to new investors.
- Hold** = We recommend client investments in this product are maintained.
- Sell** = We recommend termination of client investments in this product.
- In Review** = The rating is under review as we evaluate factors that may cause us to change the current rating.

The comments and assertions reflect our views of the specific investment product and our opinion of its strengths and weaknesses.

## Disclaimer

This document has been produced by the Global Investment Management Team of Aon Corporation. Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. Consultants will be pleased to answer questions on its contents but cannot give individual financial advice. Individuals are recommended to seek independent financial advice in respect of their own personal circumstances.

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