



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 contracts 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 |
|------------------------------------|--|
| Financial Stability | <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> |
| Fees | <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> |
| Underlying Investment | <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> |
| Additional Product Comments | <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 Growth Account

| | | |
|--------------------|-----------------------|------------------------|
| Review Date | Current Rating | Previous Rating |
| July 2012 | Sell | New Rating |

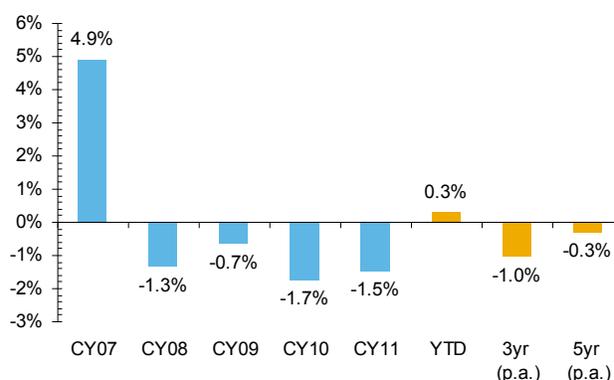
Overall Rating

We recommend termination of client investments in this product. 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 |
|----------------|-------------|-----------------|
| Overall | Sell | 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 the Russell 1000 Growth Index. CY = calendar year. Source: Manager

Firm Summary

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

Portfolio Strategy Characteristics

| | | | |
|------------------------------|---|------------------------|-------------------------------|
| Team Location | New York, NY and San Francisco, CA | Team Head | Susan Hirsch & Andrea Mitroff |
| Strategy Inception | April 1994 | Strategy Size | \$18.4 billion* |
| Number of Holdings | ~600-800 | Annual Turnover | 50% – 90% |
| Benchmark | Russell 1000 Growth Index | | |
| Performance Objective | Generate an information ratio near 0.5 net of fees over a full market cycle | | |
| Risk Tolerance Target | 2.0% – 4.0% tracking error | | |

Note: AUM and Staff numbers as at June 2012 *Includes assets managed in the mutual fund and annuity vehicles

Investment Manager Evaluation

| Rating Sheet | | |
|---------------------------|--------|--|
| Factor | Rating | Comments |
| Business | 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. |
| Investment Staff | 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>The CREF Growth Account is managed primarily by Susan Hirsch and Andrea Mitroff with additional oversight provided by the TIAA-CREF Funds Investment Committee. Although Ms. Hirsch and Ms. Mitroff possess substantial industry experience, we have not found their talents and insights to be above average relative to their peers.</p> |
| Investment Process | 1 | <p>The CREF Growth Account utilizes a multi-sleeve investment approach. Ms. Hirsch and Ms. Mitroff are both allocated approximately 25 percent of the portfolio assets to manage using fundamental, bottom-up approach largely supported by the research of the 35+ member team of TIAA-CREF equity analysts. Until December 2011, the remaining 50 percent of the portfolio was internally managed using a passive index strategy. Since then, a quantitatively managed approach was added to the portfolio. CREF's intention is to eventually reach the target allocation of 50 percent fundamental, 35 percent passive, and 15 percent quantitative.</p> <p>Overall, we believe the strategy does not possess sustainable competitive advantages in identifying sources of excess return through the analysis and execution of the Ms. Hirsch and Ms. Mitroff's fundamental work. Additionally, we lack the conviction that introducing a small allocation to a quantitative sleeve will add any value for clients.</p> |
| Risk Management | 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>The majority of the active risk will primarily be a function of the fundamental research of the companies held within Ms. Hirsch and Ms. Mitroff's actively managed sleeves. In addition, the quantitative allocation to the portfolio will also bear relative risks.</p> |

| Rating Sheet | | |
|----------------------------------|-------------|---|
| Factor | Rating | Comments |
| Operational Due Diligence | 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> |
| Performance Analysis | 1 | <p>According to TIAA-CREF, this strategy seeks to add positive, net-of-fee returns over time by managing a substantial portion of the account actively in search of gross investment return and maintaining low costs (i.e., fees). The strategy targets active risk in the range of 200 to 400 basis points and an information ratio of 0.5 over a full market cycle. The CREF Growth Account has failed to meet its modest excess return target over multiple market cycles.</p> <p>Looking forward, we lack conviction this strategy will add value for clients over over the long term.</p> |
| Terms & Conditions | 2 | <p>Both consultant relations and client service has been satisfactory.</p> <p>While fees for the CREF Growth product are compelling when compared to a peer group of actively managed large cap growth equity managers, the CREF Growth Account is managed more like an enhanced index strategy and fee comparisons to that peer group are somewhat less compelling. 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> |
| Overall Rating | Sell | <p>We recommend termination of client investments in this product. 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.

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

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 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

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