



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
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

CREF Bond Market Account

Review Date	Current Rating	Previous Rating
November 2011	Sell	New

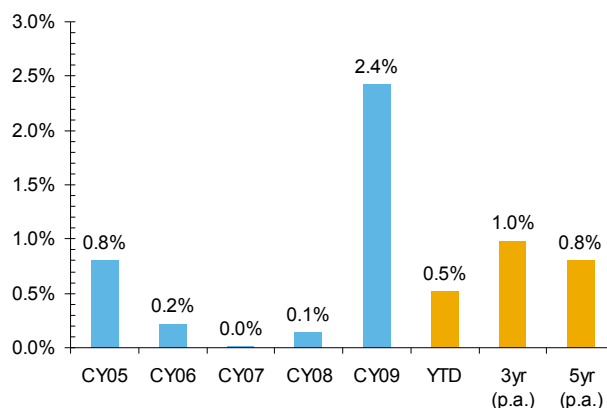
Overall Rating

Despite TIAA-CREF's size and their market position in the non-profit sector, the core bond strategy has been plagued by investment professional turnover. The instability at both Head of Fixed income and Lead Portfolio manager positions gives us little confidence that they will be able to even best the benchmark net of fees. They have fallen short of the benchmark in the past 10 years after fees, despite using high yield bonds.

Component Ratings

	Rating	Previous Rating
Overall	Sell	No Change
Business	2	No Change
Staff	1	No Change
Process	2	No Change
Risk	2	No Change
ODD	Pass	No Change
Performance	2	No Change
T&C	2	No Change

Relative Performance to September 2011



Composite performance (USD) is gross of fees relative to Barclays Capital U.S. Aggregate Index.
CY = calendar year. Source: eVestment Alliance

Firm Summary

Head Office Location	New York, NY	Parent Name	TIAA-CREF
Firm AUM	\$452 billion	Investment Staff	301
Fixed Income AUM	\$234.4 billion	Fixed Income Staff	96

Strategy Characteristics

Team Location	New York, NY	Team Head	Joseph Higgins
Strategy Inception	March 1990	Strategy Size	\$15.1 billion
Benchmark	Barclays Capital U.S. Aggregate Index		
Performance Objective	60 basis points		
Risk Tolerance Target	10-70 bps		
Opportunity Set	Benchmark assets, high yield, and derivatives		

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	1	<p>The firm has material turnover with significant shuffling every few years among the executive and portfolio manager ranks. TIAA-CREF just announced the pending retirement of their CIO and a shuffle of head of public markets and fixed income is follows a previous senior management shuffle in the asset management group in August. We believe that compensation at the firm precludes them from attracting and retaining the best employees, especially in New York.</p> <p>Fixed Income management will have its third Head of Fixed Income in the past year, and after the latest moves are complete, possibly its third Lead Portfolio Manager as well. This instability outweighs Higgin's experience.</p>
Investment Process	2	The strategy permits 20 percent in high yield and makes extensive use of TBAs for their mortgage allocation. Like many products at the firm they seek minimal tracking error. The target for the Bond account is 10 to 70 basis points.
Risk Management	2	TIAA-CREF has a separate risk management group of 25 professionals. Daily stress testing of investment structure, performance and risk guidelines is conducted. The firm uses Charles River's pre-trade compliance system. Bond Edge and Barclay's Point are utilized for attribution.
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 follows the CFA code of professional conduct and maintains a short term trading policy for investment professionals. Price Water House is the firm's auditor.</p>
Performance Analysis	2	The Core bond strategy performed well in 2008 and this year's downturn, but still ranks in the bottom decile of Evestment's peer group for the past 10 years.

Rating Sheet		
Factor	Rating	Comments
		Client service has been acceptable.
Terms & Conditions	2	Fees for the CREF Bond Market Mutual Fund of 33 basis points are competitive, and even the variable annuity costs of 44 basis points are acceptable.
Overall Rating	Sell	Despite TIAA-CREF's size and their market position in the non-profit sector, the core bond strategy has been plagued by investment professional turnover. The instability at both Head of Fixed income and Lead Portfolio manager positions gives us little confidence that they will be able to even best the benchmark net of fees. They have fallen short of the benchmark in the past 10 years after fees, despite using high yield bonds.

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:

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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 currently 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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