TIAA-CREF asset management®

STATEMENT ON MARKET VOLATILITY AND RECENT EVENTS IN THE FINANCIAL SERVICES SECTOR

SEPTEMBER 16, 2008

Many investors are concerned about recent developments in the financial services industry and the increased volatility in the financial markets that has ensued. Investors are asking how these events will affect their portfolios and about the long-term health and viability of the financial services sector as a whole.

The following statement provides TIAA-CREF's perspective on these events and explains their effect to date on our funds and accounts. It also highlights the strength and stability of TIAA-CREF and describes how our portfolios are positioned to seek to avoid or mitigate the types of problems that have hurt other financial institutions.

WEATHERING VOLATILE TIMES: TIAA-CREF'S KEY ADVANTAGES

TIAA-CREF's combination of stability, strength and strategy offers important advantages for our participants and client institutions.

- **Stability:** While TIAA-CREF is closely monitoring developments on Wall Street, our investment philosophy continues to seek competitive returns over the long term, which is well suited to a retirement plan that seeks to deliver lifetime income to individuals.

- **Strength:** The nation's leading independent insurance rating agencies have all affirmed the highest possible insurance financial strength ratings for TIAA.[1] In fact, TIAA is one of just three U.S. insurance companies to receive the highest ratings from all four major rating agencies.

- **Strategy:** Even in turbulent times, clients can be well served by sticking with their long-term investment game plan and diversifying their holdings across a variety of asset classes.[2] To that end, TIAA-CREF is here to help clients with personalized, objective advice.

[1] These highest possible ratings from these independent analysts are as follows: A.M. Best: A++ (Superior), as of 9/08; Fitch Ratings: AAA as of 8/08; Moody's: Aaa as of 7/08; S&P: AAA as of 8/08. These ratings do not apply to variable annuities, mutual funds, or any other product or service not fully backed by TIAA's/TIAA-CREF Life's claims-paying ability.

[2] Diversification is a technique to help reduce risk. There is no absolute guarantee that diversification will protect against a loss of income.

TIAA CREF

FINANCIAL SERVICES FOR THE GREATER GOOD®

IMPACT OF SPECIFIC FINANCIAL HOLDINGS ON TIAA-CREF PORTFOLIOS

An important part of TIAA-CREF's investment approach, which seeks consistent growth for long-term investors, is to recognize that unexpected events do occur and to position the portfolios we manage in such a way that seeks to minimize the effects of problems at any single company.

While some TIAA-CREF funds and accounts have been adversely affected by their exposure to specific financial companies, the impact of recent developments to date has generally been limited as a percentage of overall portfolio holdings. The following summary provides a snapshot of TIAA-CREF's exposure to individual stocks that have become a cause of concern. Holdings are discussed as of July 31, 2008.

- **Lehman Brothers** has filed for Chapter 11 bankruptcy protection for its holding company. Lehman Brothers stock represented no more than one-fifth of 1% of the assets of any single TIAA-CREF mutual fund or variable annuity account as of July 31, 2008, while Lehman Brothers fixed-income holdings accounted for less than one-third of 1% of exposure in any single mutual fund or variable annuity account, and about one-tenth of 1% of the assets in TIAA's General Account. (Note that the TIAA General Account is an insurance company account and is not available to investors.) Because of this limited exposure, the effect of Lehman's problems on TIAA-CREF's portfolios is expected to be minimal.

- **Merrill Lynch** has agreed to sell itself to Bank of America. Merrill Lynch stock represented less than one-half of 1% of the assets in any single mutual fund or variable annuity account as of July 31, 2008, while Merrill Lynch fixed-income holdings accounted for no more than 1.17% of the assets of any single mutual fund or variable annuity account. Within TIAA's General Account, Merrill Lynch fixed-income holdings accounted for slightly more than one-tenth of 1% of total assets. Actively managed TIAA-CREF equity funds have maintained various underweight and overweight positions, relative to their benchmarks, in Merrill Lynch shares; these holdings generally had a modest effect on the funds' relative performance (between -0.38% and +0.08%) year-to-date through July 31, 2008.

- **AIG (American International Group)** has announced that it needs access to credit in order to reorganize itself. The Federal Reserve declined to loan funds to AIG but reportedly is trying to arrange loans from several investment banks. AIG stock represented no more than 1% of the assets of any single mutual fund or variable annuity account as of July 31, 2008, while AIG fixed-income holdings accounted for no more than one-tenth of 1% of the assets of any single mutual fund or variable annuity account. Within TIAA's General Account, AIG fixed-income holdings represented less than one-fifth of 1% of total assets. Nearly all actively managed equity funds held underweight positions in AIG, which modestly benefited those funds' relative performance (contributing between +0.03% and +0.38% year-to-date through July 31, 2008). The exception was the TIAA-CREF Institutional Mid-Cap Value Fund, which held a slight overweight position in AIG that had a small negative impact (-0.02%) on relative performance.

- **Washington Mutual**, the nation's largest savings and loan institution, has seen a sharp decline in its share price in recent weeks. Washington Mutual stock represented no more than one-half of 1% of the assets of any single mutual fund or variable annuity account as of July 31, 2008, while Washington Mutual fixed-income holdings accounted for less than one-half of 1% of the assets of any single mutual fund or variable annuity account. Within TIAA's General Account, Washington Mutual fixed-income securities represented slightly more than one-tenth of 1% of total assets. Nearly all actively managed equity funds held underweight positions in Washington Mutual, which benefited those funds' relative performance slightly (contributing between +0.01% and +0.11%). The exception was the TIAA-CREF Institutional Mid-Cap Value Fund, which held a slight overweight position in AIG that had a small negative effect (-0.04%) on relative performance.

- **Fannie Mae and Freddie Mac**. In general, the government's takeover of Fannie Mae and Freddie Mac has had a positive effect on the fixed-income securities issued by the two companies but an adverse effect on their stock. As of July 31, 2008, exposure to the common stock of Fannie Mae and Freddie Mac represented no more than one-quarter of 1% of the assets of any single mutual fund or variable annuity account, while the preferred stock of the two entities accounted for no more than two-thirds of 1% of any single mutual fund or variable annuity account. TIAA-CREF's exposure to Fannie Mae and Freddie Mac bonds and mortgage-backed securities totaled about $36 billion on July 31, 2008, and represented a substantial portion of the assets of a number of fixed-income mutual funds, variable annuity accounts and the TIAA General Account. Additional details on the impact of the Fannie Mae and Freddie Mac takeover are available here.

GENERAL EXPOSURE TO SUBPRIME CREDIT INVESTMENTS

Throughout the unfolding subprime crisis, TIAA-CREF's fixed-income mutual funds, variable annuity accounts and the TIAA General Account have had, and have maintained, low exposures to subprime securities and other types of fixed-income securities that have been the focus of investor concern. As of June 30, 2008, losses or impairments as a result of such holdings have remained limited, reflecting the depth of fundamental credit analysis that TIAA-CREF applies in the selection of all securities purchases. More information about our subprime credit exposure is available here.

PERSPECTIVE ON CURRENT VOLATILITY IN THE FINANCIAL SERVICES SECTOR

Recent events in the financial services industry—distressed mergers, acquisitions, government bailouts and outright bankruptcies—are extremely unusual but not unprecedented. They reflect the special cyclical and structural dynamics of the financial services sector, which historically has been noted for rapid changes in products, services and sources of revenue.

Many people are familiar with the concept of investment cycles, in which different asset classes rise and fall depending on interest rates, economic growth, inflation, investor sentiment and other factors. These cyclical forces are a fact of life in the financial sector. Recently, financial services companies have also confronted major—and sometimes rapid—structural developments, such as the rise of new markets in mutual funds, the introduction of derivatives and structured securities, and increased international investing. At times like this, the combination of cyclical and structural forces can have a significant effect on investor confidence, which plays a special role in the financial services arena.

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In the past, financial services firms of all sizes have come and gone in response to investment cycles, structural changes and investor perceptions—all of which pose challenges for financial firms and their regulators. As in past periods of volatility and heightened uncertainty, it isn't surprising that some firms are better equipped than others to meet these challenges. Regulators and policymakers have recognized these issues in the current environment. They also realize that these events affect the thinking of all consumers, whether they have investments or not. They have therefore moved carefully to contain the turmoil and rebuild investor and consumer confidence.

Long-term investors know from experience that the special dynamics of the financial services industry can produce difficult periods from time to time. As a result, they avoid becoming overly enthusiastic during euphoric periods, weather the storms during corrections and anticipate the potential for calmer waters ahead.

The holdings information provided above is as of the date indicated, and may not reflect the current holdings of the respective funds and annuities.

All TIAA-CREF investment products are subject to market risk and other risk factors.

Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. Payments from the variable annuity accounts [and mutual funds] are not guaranteed and will rise or fall based on investment performance. Mutual funds do not offer the range of income options available through annuities.

Certain securities may not be suitable for all investors.

TIAA-CREF Individual & Institutional Services, LLC and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161, or go to www.tiaa-cref.org for a current prospectus that contains this and other information. Please read the prospectus carefully before investing.

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