

### Fund Objective and Investment Approach

The TIAA Traditional Annuity is a fixed annuity account that guarantees principal and a contractually specified interest rate of 3%. The Traditional Annuity also offers the potential for greater growth through additional amounts in excess of the guaranteed rate, which may be declared on a year-by-year basis by the TIAA-Board of Trustees. The fund invests primarily in publicly traded bonds, asset backed securities, commercial mortgages and direct loans to business. All investments are subjected to a review of the key factors that impact returns.

### Performance Commentary

The TIAA Traditional Annuity has met its investment objective by preserving principal while providing a steady flow of income. Interest credited to TIAA Traditional Annuities in the accumulating stage includes a guaranteed amount plus dividends derived from earnings over and above the amounts needed for contractual guarantees. TIAA has been able to convert incremental risk into above average investment performance, enabling it to consistently provide participants with stable crediting rates. TIAA credited accounts with 5.25% interest on contributions for the twelve-month period ended January 31, 2008. The TIAA Board of Trustees has declared additional amounts of interest for the Traditional Annuity, beyond the guaranteed minimum, every year since 1948.

For calendar year 2007 and nine out of the past ten calendar years, the fund has outpaced the returns of the EnnisKnupp GIC Index as the portfolio of investments held in the TIAA Traditional Annuity has outperformed GIC-related equivalents.

<b>Fund Characteristics</b>	<b>TIAA Traditional Annuity</b>										
Total Fund Assets	\$170.9 billion										
Average Credit Quality	AA-										
Composition	<table> <tr> <td>Corp. Bonds</td> <td>38%</td> </tr> <tr> <td>Asset Based Securities</td> <td>4</td> </tr> <tr> <td>Mortgage Backed Sec.</td> <td>32</td> </tr> <tr> <td>Mortgage Loans</td> <td>12</td> </tr> <tr> <td>Other</td> <td>14</td> </tr> </table>	Corp. Bonds	38%	Asset Based Securities	4	Mortgage Backed Sec.	32	Mortgage Loans	12	Other	14
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Mortgage Loans	12										
Other	14										
Fees	0.45% Annually										

**Historical Returns**

	TIAA Traditional Annuity	EnnisKnupp GIC Index	Return Difference
	Return	Return	
1998	6.1	6.2	-0.1
1999	6.3	6.0	0.3
2000	7.7	6.4	1.3
2001	7.0	6.2	0.8
2002	6.5	5.1	1.4
2003	5.0	4.1	1.0
2004	4.5	3.9	0.6
2005	4.5	3.7	0.8
2006	4.8	4.1	0.6
2007	5.3	4.6	0.7
Trailing 3-Year	4.6%	4.1%	0.5
Trailing 5-Year	4.8	4.1	0.7
Trailing 10-Year	6.2	5.0	1.1

**Assessment**

TIAA Traditional Annuity is a diversified, low-risk investment that consistently has generated high current income while preserving principal. The account has exceeded its goal of providing a minimum interest credit of 3% while also outpacing the EnnisKnupp GIC Index. We recommend retention of this option.