

### Fund Objective and Investment Approach

The TIAA Traditional Annuity guarantees principal and a contractually specified interest rate to account participants. The account offers the opportunity for higher returns through additional amounts that may be declared on a year-by-year basis by the TIAA Board of Trustees. The account is backed by the financial strength and claims paying ability of TIAA. Individual bonds, commercial mortgages, real estate, stocks and other assets are selected by specialized teams that target different sectors of the marketplace. The portfolio follows specific guidelines with respect to major asset classes, sectors, industries, property types, geographic regions, individual issuers/borrowers, foreign holdings, liquidity, quality and derivatives. The portfolio is continually monitored by asset sector with performance by sub-category reviewed quarterly. TIAA is historically a buy and hold investor, investing for the long run.

### Performance Commentary

The TIAA Traditional Annuity in 2009 continued to meet its objective to preserve principal and provide a consistent flow of income. Interest credited to TIAA Traditional Annuities during a participant's accumulation stage includes a guaranteed amount and potentially an additional amount in excess of the guarantee. The TIAA Board of Trustees has declared additional amounts of interest for the Traditional Annuity, beyond the guaranteed minimum, every year since 1948. TIAA is well capitalized and maintains financial reserves at more than five times the required level that are available to absorb foreseeable losses within the TIAA General Account holdings. The TIAA Traditional Annuity's liquidity restrictions protect participants by preventing excessive account withdrawals that might otherwise create undue pressure to sell account assets from the General Account.

The TIAA Traditional Annuity has outperformed the EnnisKnupp GIC Index in each of the past ten years. In 2009 the account returned 4.50%, exceeding the GIC Index return of 4.46% by 0.04%. For the three-, five- and ten-year periods, the Traditional Annuity outperformed the benchmark by 0.40%, 0.27% and 1.90%, respectively.

<b>Fund Characteristics</b>	<b>TIAA Traditional Annuity</b>										
Total Fund Assets	\$184.2 billion										
Average Credit Quality	A+										
Composition	<table> <tr> <td>Corporate Bonds</td> <td>42.6%</td> </tr> <tr> <td>Commercial Mortgage Backed Securities</td> <td>34.0</td> </tr> <tr> <td>Asset Backed Securities</td> <td>3.9</td> </tr> <tr> <td>Mortgage Loans</td> <td>9.8</td> </tr> <tr> <td>Cash/Other</td> <td>9.6</td> </tr> </table>	Corporate Bonds	42.6%	Commercial Mortgage Backed Securities	34.0	Asset Backed Securities	3.9	Mortgage Loans	9.8	Cash/Other	9.6
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Fees	0.45% Annually										

**Historical Returns**

	TIAA Traditional Annuity	EnnisKnupp GIC Index	Return
	Return	Return	Difference
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
2008	5.3	4.7	0.6
2009	4.5	4.5	0.0
Trailing 3-Year	5.0%	4.6%	0.4
Trailing 5-Year	4.6	4.3	0.3
Trailing 10-Year	6.6	4.7	1.9

**Assessment**

The TIAA Traditional Annuity is a low-risk, guaranteed annuity account that invests in intermediate to long-term investment-grade debt instruments and wholly owned real estate. It has maintained annual outperformance versus the EnnisKnupp GIC Index. In addition, the TIAA Board of Trustees has declared additional amounts of interest beyond the guaranteed minimum every year since 1948. We recommend retention of this option.