

COMMENTARY ON THE RECENT PERFORMANCE OF THE CREF MONEY MARKET ACCOUNT

OCTOBER 1, 2008

Preservation of principal is, and always has been, the key focus of the portfolio managers who operate the CREF Money Market Account. That focus has been demonstrated during these turbulent weeks in the financial markets:

- The account's portfolio steered clear of troubled companies such as Lehman Brothers, AIG, Merrill Lynch and Washington Mutual. The account has small exposure to debt securities issued by Wachovia, representing less than 1% of their total assets.
- The CREF Money Market Account invested in only top-rated, high-quality instruments that are "first-tier securities" as of October 1, 2008.
- The portfolio has experienced no defaults or downgrades this year.

BACKGROUND

Money market funds around the globe have been jolted by the downgrades of short-term debt securities issued by Lehman Brothers, Merrill Lynch and several other financially troubled companies, which resulted in a sudden rise in prevailing short-term interest rates.

Generally, when interest rates on new securities increase, the market value of existing securities declines. The spike in overnight rates immediately caused a significant drop in the value of securities held by money market funds throughout the world. More importantly, some funds had substantial holdings in Lehman Brothers securities, which defaulted. This caused one registered money market fund to "break the buck," meaning that its \$1.00 share price, which normally is maintained at that level, fell below \$1.00. In addition, another fund closed.

* First-tier securities are those rated within the highest category by at least two nationally recognized statistical rating organizations or rated within the highest category by one, if it is the only organization to have issued a rating for the security, or those unrated securities that the advisor believes to be of comparable quality. The account may make other investments consistent with its investment objective and policies.



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ADDITIONAL INFORMATION

The CREF Money Market Account does not maintain a constant unit price of \$1.00, as it does not make distributions, and it values securities that are more than 60 days from maturity at market value.

The account's value is calculated each business day as an annuity unit value (AUV); the AUV stood at \$25.35 as of September 30. This valuation method provides more detail on smaller value changes than the traditional one, based on a \$1.00 share price. Using the traditional method, the share price is not adjusted unless the value of the share drops by half a percentage point, an event called "breaking the buck." Any smaller decline is not apparent to investors. A decline of that size in the CREF Money Market Account would register as a drop of 13 cents, based on September 30 AUV. The largest drop in the account's AUV over the last five years was less than 0.7 cents for the period ending October 7, 2008.

The slight fluctuations in the AUV of the CREF Money Market Account that have been seen during the month of September were a result of credit-related concerns in the market. This has resulted in higher yields, which reduces the value of existing securities. None of these fluctuations approached the level that would cause the account to 'break the buck,' if it were valued in the conventional way.

As of September 30, 2008, the CREF Money Market Account's portfolio was diversified among several categories of short-term securities. The largest of these was commercial paper (about 50% of the portfolio's assets), followed by U.S. government agency securities (about 30% of the portfolio) and bank certificates of deposit (about 20% of the portfolio). Commercial paper refers to short-term securities issued to investors by banks, corporations or other borrowers.

The CREF Money Market Account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Account seeks to preserve the value of your investment, it is possible to lose money by investing in the Account.

The CREF Money Market Account is a variable annuity account available through contracts issued by CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income, for employees, retirees, or trustees of any eligible institution meeting our criteria to offer TIAA-CREF-funded retirement plans. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance.

Annuity products are issued by CREF and TIAA (Teachers Insurance and Annuity Association), New York, NY.

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