

**REMARKS OF HERB ALLISON
CHIEF EXECUTIVE OFFICER, CREF
SEVENTEENTH CREF ANNUAL MEETING OF POLICYHOLDERS
TIAA-CREF Headquarters
730 Third Avenue
New York, NY 10017
Tuesday, July 18, 2006, 9:00 A.M.**

MR. ALLISON:

Good morning. It's a pleasure to welcome you to the seventeenth Annual Meeting of CREF policyholders.

Thank you all for being here today.

I am Herb Allison, the Chief Executive Officer of CREF and TIAA.

Sharing the stage with me today are:

- Scott Evans, Head of Asset Management;
- Edward Grzybowski, Chief Investment Officer;
- George Madison, our General Counsel;
- And Laverne Jones, our Corporate Secretary.

Today, I want to discuss our progress since our meeting a year ago and update you on some new initiatives.

Since many of you are participants in both TIAA and CREF, I will cover the accomplishments of both.

Three years ago, we embarked on a process of transformation to reconnect us with our mission: to serve the interests of institutions and individuals in the not-for-profit community on the best terms practicable.

We are transforming many aspects of our operations to meet the financial needs of that community in the 21st Century. Our massive effort is on track and nearly all key elements of it will be in place by the end of this year.

As we near completion of the three-year strategic objectives we established in 2003, I want to summarize our progress, goals and additional benefits we will be delivering to you and other participants.

We have made great progress so far. I'd like to list some of our most notable accomplishments:

- We have continued to forge closer relationships with you by opening new local offices, beginning a major renovation of our Websites and increasing the number of professionals in our Telephone Counseling Centers.
- We are on track to complete the introduction of Open Plan Solutions to our institutional clients, enabling them to offer you a broader range of products from TIAA-CREF and other providers who meet our stringent criteria, as well as enhanced services including investment brokerage and personalized advice.
- Our financial strength has again been reaffirmed with the highest ratings from all four major rating agencies, and we continue to deliver solid investment performance.
- Our independent auditor, PricewaterhouseCoopers, issued TIAA-CREF an unqualified Sarbanes-Oxley 404 opinion, demonstrating our commitment to strong controls over our businesses.
- We reorganized the company into fully integrated, client-service groups to better serve our individual participants, Funds shareholders and institutional clients.

Our objective is to create for you a company with unmatched advantages, including:

1st, client solutions based on the open architecture needed to deliver objective advice, broader investment choices, and personalized services you and other participants want from us.

2nd, investment performance that is consistently competitive and in line with our long-term approach to investing.

3rd, exceptional value, in the form of high-quality products and services priced on the best terms practicable.

4th, market focus on the academic, medical, cultural and research fields in general, and on each of you through individualized service

delivered by our professionals in local offices and contact centers, and via the Web.

And 5th, staying power, evidenced by unquestioned financial strength, a reputation for integrity,

unsurpassed relationships with the not-for-profit community and our deep bench of professionals.

As we offer a broader array of products and services and expand our ability to communicate more personally with each of you,

we are already seeing a surge in the volume of our interactions with you – whether on the phone, on the Web, or in person –

but we expect the number to rise exponentially as we complete the process of moving institutions to Open Plan Solutions, with its far greater range of products and services, around the end of this year.

To keep pace, we have been expanding our service capacity.

We have opened 31 local offices over the past two-and-a-half years, bringing our total to 53 nationwide, so you can have more convenient access to our experienced and objective TIAA-CREF advisors.

We are rapidly adding consultants to our Telephone Counseling Center, and equipping them with the technology and training to augment the professional service that has always been a hallmark of TIAA-CREF.

This year we also began revamping our websites. The first of many enhancements to the secure section of the site, where you can access your private account information, took place in the first quarter and included a new look as well as easier navigation for individual clients.

By the end of this year, most – and perhaps all – of our institutional clients will have been converted to Open Plan Solutions, the platform that has allowed us to introduce new products and services you've asked for --

including additional fund choices, investment advice, brokerage, no-fee IRAs, debit cards and checking.

As of last weekend, we have migrated 600 institutional clients to Open Plan Solutions, representing \$136 billion in assets and 2.7 million individual clients.

We are taking care to balance, as best we can, the necessity for speed on migrating from our old service platform to our new one, with the need to assure adequate controls over our business and to meet the day-to-day needs of our clients.

In fact, we paused from migrations in June to install additional systems upgrades, prepare for a greater rate of migrations beginning this summer, and provide a well-deserved break for all the people working on this effort.

Concurrently, we are enhancing our products and services.

In June we introduced a new variable, universal life product known as Intelligent Life. This enhanced version of our current product has many more options and greater flexibility.

Last year, I promised that Open Plan Solutions would allow us to begin offering advice to help you make investment decisions.

Not only are we now offering advice, in May TIAA-CREF was selected the 2005 Advice Provider of the Year by *Defined Contribution & Savings Plan Alert*, a publication of Institutional Investor.

In a selection process conducted solely by the publication based on independent research, our advice offering came in ahead of all of our competitors throughout the financial industry.

I'd like to share what the publication said in its assessment:

“It would have been easy for TIAA-CREF to be complacent about offering advice. Even with some increased competition in the college and university retirement market, the firm still has a market share that few other players in any industry can rival.

For showing that being big and having existed for decades doesn't mean a firm isn't capable of change and growth, TIAA-CREF is being named Advice Provider of the Year.”

Needless to say, we are pleased not only with this validation of our distinctive new service, but also that we are now able to provide you advice on specific investments – not just asset classes.

For pension plans with that allow fund selection, our Advice and Planning Services (along with TIAA-CREF Lifecycle Funds) become available to employees when their institution migrates to Open Plan Solutions.

Nearly 100% of participating institutions which have been offered this service have accepted it — and that's additional validation of our strategic transformation.

And the newly launched Advice and Investment Services group will eventually enable us to deliver advice- and brokerage-related investments to all participants.

We are also reaching out to our clients who have complex financial needs through our new Wealth Management Group.

Just over one year old, the Wealth Management Group has exceeded our

ambitious goals for client satisfaction — and it has already generated \$1.7 billion in new and retained assets.

The rapid introduction of new products and services is a vivid demonstration of the dedication and capability of our people, all of whom are committed to creating and delivering products and services that our extensive research has told us you want.

I will be the first to acknowledge that the process of our transformation to a TIAA-CREF that serves you better has at times been painful – both for some of you and our staff, who spend nights and weekends striving to get us to the finished product quickly and accurately.

And while the vast majority of our millions of transactions each month are completed effectively and in a timely way, we have occasionally inconvenienced and frustrated some of you with processing problems, long wait times to speak with one of our consultants on the phone and incorrect account displays on our Website.

Our customer satisfaction scores remain close to our historic norms and higher than might be expected during this period of rapid change, but we are still experiencing some service issues.

These tend to be related to complex transactions that occur between our old and new platforms, such as processing loans and transfer payout annuities.

As a result, we are seeing higher than normal reports of service issues in calls to our Telephone Counseling Centers.

In addition to augmenting our staff in the counseling centers and improving our call-handling systems, we have implemented a “Resolution Room” to help better manage service issues.

Participants whose complaints are not resolved promptly are routed to our Resolution Room, where one consultant will work with each client throughout the resolution of that person’s problem.

In this way, we can assure participants that they have a single point of contact, which tends to lessen their frustration.

Our consultants are tremendously dedicated people who work as quickly as possible with our Pension and IRA Operations areas to get to the bottom of each case and resolve it satisfactorily.

We are sorry for any inconvenience we have caused, and we have made whole any individuals who incurred costs associated with our service problems.

Although only about one-half of one percent of our participants have been affected, we strive for every interaction with TIAA-CREF to be of the quality you have come to expect from us.

Even as we move rapidly toward completion of this unprecedented transformation, we have been bolstering our staying power — our ability to withstand market fluctuations and other business challenges — so we can continue to meet your needs and expectations for decades to come.

Let me give you some quick highlights.

As of the end of June, our assets under management reached a record high of \$380 billion. CREF assets were approximately \$184 billion and TIAA assets were approximately \$174 billion.

Our net capital is almost 4.5 times our required capital, the best ratio in our history and a key indicator of the strength of our AAA rating.

While we have expanded our services and augmented our financial strength, we have also been successful in bringing down our expense ratio.

Our pension expense ratio remains among the lowest in the industry.

In the past three years, the total TIAA-CREF expense ratio has declined from 54 basis points to 47 bps, while the total Pension expense ratio has come down from 47 bps to 43 bps.

After we complete the most intensive phase of our transformation, we will continue working to reduce our expense ratios over time, even as we further expand our services and strengthen our company.

During the past year, we have also repositioned our mutual fund business for faster growth.

Following two votes by the shareholders of the Institutional Mutual Funds, a new management agreement is now in place for 29 of TIAA-CREF's Institutional Mutual Funds.

The new agreement was supported by the independent board of the TIAA-CREF Funds.

It enables the funds to cover their cost of operation while remaining competitive with the lower-priced offerings in the industry.

Our clients will continue to benefit from high-quality mutual funds for a wide range of investment objectives, and the funds' operations can be financially self-sustainable.

The new investment agreement received strong support from both individual and institutional fund shareholders alike, with the funds receiving between 81% to 94% favorable support.

Overall, TIAA-CREF Institutional Mutual Funds represent less than two percent of TIAA-CREF's assets under management.

The proxy vote did not affect 98% of TIAA-CREF's assets under management, including any of the other TIAA-CREF products.

As we expand our systems capabilities to enable convenient access to account information online, we are mindful that we must do everything possible to ensure the security of our clients' personal, financial information.

We have taken many steps to help protect client data, and our Director of Information Security is responsible for ensuring that all of our Web applications restrict access to non-public customer information.

During the past year, we improved our overall control environment, especially our Information Technology controls. Again, we voluntarily participated in a Sarbanes-Oxley 404 review for which PricewaterhouseCoopers, the independent auditor, issued us an unqualified opinion for 2005.

We also hired a new Chief Compliance Officer, Jim Reilly, earlier this year, and he is dedicating new and additional resources to assuring total compliance with regulatory guidelines.

Our reputation is one of our most important assets, and we continue to foster a culture of ethics and compliance. We know that we must not be complacent in this regard.

Last year I spoke about the need for our company to grow in order to fulfill its mission in the 21st Century.

We took an important step in that direction last month, when we announced the acquisition of Kaspick & Company, the nation's leading provider of planned giving solutions for colleges, universities and other not-for-profit organizations.

Like TIAA-CREF, Kaspick is a mission-driven company with a strong reputation based on client trust.

They are a perfect complement to us, and will hasten our growth into the market for larger-sized planned gifts.

At the same time, the combination will strengthen our offerings to mid-sized planned giving programs that we have traditionally served through TIAA-CREF Trust Company.

Upon the deal's closing on September 30, Kaspick & Company will operate as a subsidiary of TIAA-CREF.

At these CREF annual meetings, we find that many of your questions tend to be about social issues, so I would like to spend a few minutes on that topic.

At \$8 billion, the CREF Social Choice Account is the largest socially screened fund available and has more than 430,000 investors.

Our company has a long and distinguished history across all disciplines of socially responsible investing:

- Working with KLD, a leading provider of social research for institutional investors, we have rigorously screened stocks for inclusion in the Social Choice Account since its inception in 1990.
- We demonstrate our commitment to Community Investing through investments in low-income and workforce housing within TIAA's Commercial Mortgage area.
- Since the early 1970s, we have employed engagement strategies to encourage best practices with our portfolio companies on corporate governance and social responsibility concerns.

As I promised we would at last year's meeting, we conducted a survey of about 1,000 participants, half of whom are invested in the Social Choice Account and half who are not.

It affirms that our participants want a secure retirement and place a strong priority on financial return.

The survey also illustrates that many participants think about the environmental and social impact of their investments.

We learned from the survey that participants have a deep need for more information about strategies and accounts for socially responsible investing, or SRI.

One of the ways that we will be providing additional information and working to generate more interest in SRI is through our new Social and Community Investing Department announced earlier this month.

Under the leadership of Managing Director Scott Budde and Amy O'Brien, our Director of Social Investing, and reporting to our Chief Investment Officer, the department will be responsible for looking at additional ways of offering socially responsible investments to participants.

They will research, develop and implement new investment programs, screening options and products and services.

We feel that it is imperative to have the right structure, policies and investment programs in place so that we can be successful in our efforts on corporate social responsibility issues.

For example, we recognize that community investing is one of the key issues to address.

Within the Commercial Mortgage area, we currently have more than \$300 million allocated to community development projects around the country, and a new annual goal of \$100 million.

We believe that we can achieve greater social impact by investing out of a broad range of accounts, rather than just the Social Choice Account. The General Account offers increased flexibility relative to Social Choice.

Along those lines, we are actively exploring a range of options, including some interesting microfinance investments and plan to make a related announcement soon.

At the same time, we are examining our options for community investing within the Social Choice Account, and we have had meetings with key SRI stakeholders to define and prioritize community investing opportunities.

Our Boards – and especially their fully independent committees on corporate governance and social responsibility – are closely involved in these deliberations and in determining how best to achieve balance between our social responsibility and our fiduciary obligations.

The new Social and Community Investing Department is closely aligned with our Corporate Governance area, led by John Wilcox.

We are in the process of adding resources to his area so that we may expand engagement on social issues.

Together, these areas will work with our independent boards to integrate TIAA-CREF's corporate governance and social responsibility policies.

TIAA-CREF has a longstanding history as a leader in corporate governance-related, global shareholder activism.

People might not be aware of some of these activities because we prefer to work quietly and behind the scenes.

We find this to be a more constructive way to effect change.

We take positions on a range of domestic and international corporate governance issues, including shareholder rights, executive compensation, and majority voting.

We also meet directly with portfolio companies on corporate governance concerns and take a leadership role in a number of global initiatives.

Looking ahead, we increasingly view corporate social responsibility as part of the governance responsibilities of corporate boards.

In response, we are adding staffing and expertise in social responsibility issues within our Corporate Governance group – the area of the company responsible for TIAA-CREF’s corporate engagement work.

We are also working with our independent trustees to revise our Policy Statement on Corporate Governance in ways that will clarify how we prioritize both corporate governance and social responsibility issues.

As we implement our strategies to serve you better, we are also continuing to strengthen our management team.

We are pleased to welcome Georganne Proctor as Chief Financial Officer.

Georganne joined us last month and brings broad financial expertise, proven leadership capabilities and an impressive track record to her new role.

Most recently she was Executive Vice President of Finance of Golden West Financial Corporation.

Formerly, she was Chief Financial Officer and a member of the board of directors of Bechtel Corporation.

I would like to thank Russell Noles, who ably led our finance functions over the past year as Acting CFO and has resumed leadership of our Internal Audit department.

I’d like to close these remarks by emphasizing that, even as we are transforming the way we serve you, we remain fully committed to the values that have differentiated us for 88 years: integrity, objectivity and service.

All of the improvements we are making to our infrastructure, products and services have one purpose: to better meet your evolving financial needs by providing the flexibility and choice you have asked for, along with the care and attention that is a hallmark of our organization.

By the end of this year, we should have substantially completed our three-year plans for strategic transformation.

During 2007 and beyond, the success of our strategy should become increasingly clear.

I want to express my great appreciation to our employees, who work tirelessly to help us achieve our mission on your behalf.

I also want to thank the Trustees of CREF and TIAA, as well as our Overseers, for their steadfast support and wise counsel as we have transformed our capability to serve you better.

And I want to thank you, our shareholders and participants, for placing your continued trust in TIAA-CREF.

I would now like to turn the program over to Ed Grzybowski, Chief Investment Officer, who will give you an update on our investments.

DISCLOSURES

Investment in a CREF variable annuity is subject to risk and you could lose money. CREF does not guarantee the investment performance of its accounts, and you bear the entire investment risk.

Ratings are a result of TIAA-CREF Life's relationship with TIAA. The ratings do not apply to the performance and safety of the variable accounts. Ratings apply to TIAA Traditional only, not to CREF and TIAA Real Estate Accounts. The ratings do not apply to the performance and safety of the variable accounts.

Variable Life Insurance policies offer a death benefit and generate a cash value based upon the performance of the investment portfolios. Cash values are subject to market risk and are not guaranteed by the insurance company.

Variable life insurance policies are subject to substantial fees and charges however, policies should be evaluated based upon all factors pertaining to the individual's unique circumstances.

Our advisors receive no sales commissions as part of their total compensation. They are compensated through a salary plus incentive program that rewards client service excellence rather than product promotion.