

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

2006–2007 UPDATE

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

Influencing positive change through specialized asset management and corporate governance expertise

TIAA-CREF has a longstanding commitment to socially responsible investing (SRI) that is consistent with our non-profit heritage and historical commitment to serving those who serve the greater good. Our SRI program encompasses three key strategies:

- **Social screening:** We offer comprehensively screened investment portfolios, seeking to provide competitive return potential aligned with investors' values. Our socially screened investment products include the CREF Social Choice variable annuity account and the TIAA-CREF Institutional Social Choice Equity mutual fund. Overall, we manage more than \$9 billion in socially screened assets.
- **Shareholder advocacy and corporate engagement:** We exercise our shareholder rights by seeking to influence the environmental, social and governance (ESG) policies of the companies in which we invest. We employ this strategy across TIAA-CREF's entire portfolio, not just in our socially screened offerings.
- **Community investing:** We seek to generate competitive returns for our participants by specializing in focused, high social-impact investment programs across a wide variety of assets. Combined, our community investing programs represent more than \$550 million in commitments and investments. These programs are currently funded through the TIAA Traditional Annuity, a guaranteed fixed annuity account backed by TIAA's claims-paying ability.



FINANCIAL SERVICES
FOR THE GREATER GOOD®

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

TIAA-CREF: AN INTEGRATED APPROACH TO SOCIALLY RESPONSIBLE INVESTING (SRI)



- Through the Global Social and Community Investing Department (within TIAA-CREF Asset Management)
- Through the Corporate Governance Department (within Law & Compliance)

These three strategies are designed to complement each other by collectively promoting socially responsible business practices and high standards of corporate governance, which we believe can produce positive investment results over the long term. It is through this

holistic approach that our SRI program seeks to deliver a “double bottom line” of both economic and social benefits.

The following update highlights accomplishments and milestones that have strengthened TIAA-CREF’s position in the SRI arena over the past year. As demand for socially responsible investing grows, expanding our SRI capabilities is one important way we will continue to help meet our participants’ evolving financial needs.

DEDICATED RESOURCES, STRATEGIC PARTNERING

Our Global Social and Community Investing Department, created in May 2006 as part of our Asset Management division, and the Corporate Governance Department, part of our Law and Compliance group, are jointly responsible for TIAA-CREF’s SRI strategies.

The Global Social and Community Investing team oversees our social screening and community investing strategies, while the Corporate Governance team manages the shareholder advocacy and corporate engagement programs. Overall, ten TIAA-CREF professionals are fully dedicated to the SRI approaches described in this report, with additional expertise provided by our in-house portfolio managers who manage TIAA-CREF’s socially screened portfolios. Our TIAA Board of Trustees and independent CREF Board of Trustees also play key roles in overseeing how best to balance our social responsibility and fiduciary obligations.

In addition, TIAA-CREF collaborates with leading industry groups and with external business partners who provide independent, specialized expertise in key aspects of SRI. Valued input from our participants also helps shape the direction and priorities of our SRI program.

TIAA-CREF MEMBERSHIP IN MAJOR SRI INDUSTRY ORGANIZATIONS

- Social Investment Forum (SIF)*
- International Corporate Governance Network (ICGN)*
- Investor Network on Climate Risk (INCR)
- Interfaith Center on Corporate Responsibility (Affiliate)

* Indicates current TIAA-CREF representation on board of trustees/directors

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

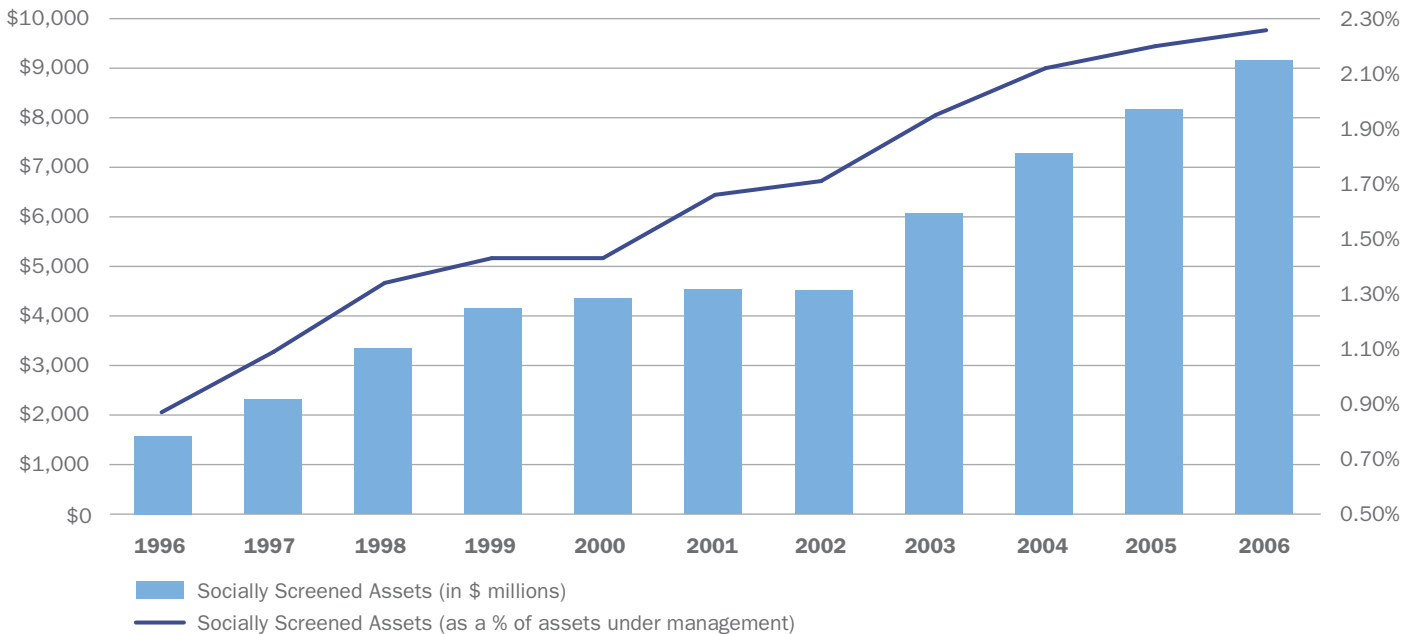
SOCIAL SCREENING

Delivering competitive returns, aligning with investor values

Our first socially screened portfolio, the CREF Social Choice Account, was launched in 1990 with participant input. With nearly \$9 billion in assets as of March 31, 2007, this account is the largest comprehensively screened investment vehicle for individual investors in the United States. In addition to the CREF Social Choice Account, which includes both equity and fixed-income segments, we offer socially screened equity-only portfolios through mutual funds and other investments available to individuals and institutions.

We know that financial return is a top priority for our participants, and we provide them the opportunity to align their social values with competitive long-term investment returns. While past performance is no guarantee of future results, the graph on page 4 charts the growth of a hypothetical \$10,000 investment in the TIAA-CREF Institutional Social Choice Equity Fund—Institutional Class (IMSC) from January 1, 2001, through May 31, 2007. For the purpose of comparison, the graph also shows the change in values of the KLD Broad Market Social Index (BMSI); the fund's current benchmark, the Russell 3000® Index; and a blend of the Russell 3000 and S&P 500® indexes.

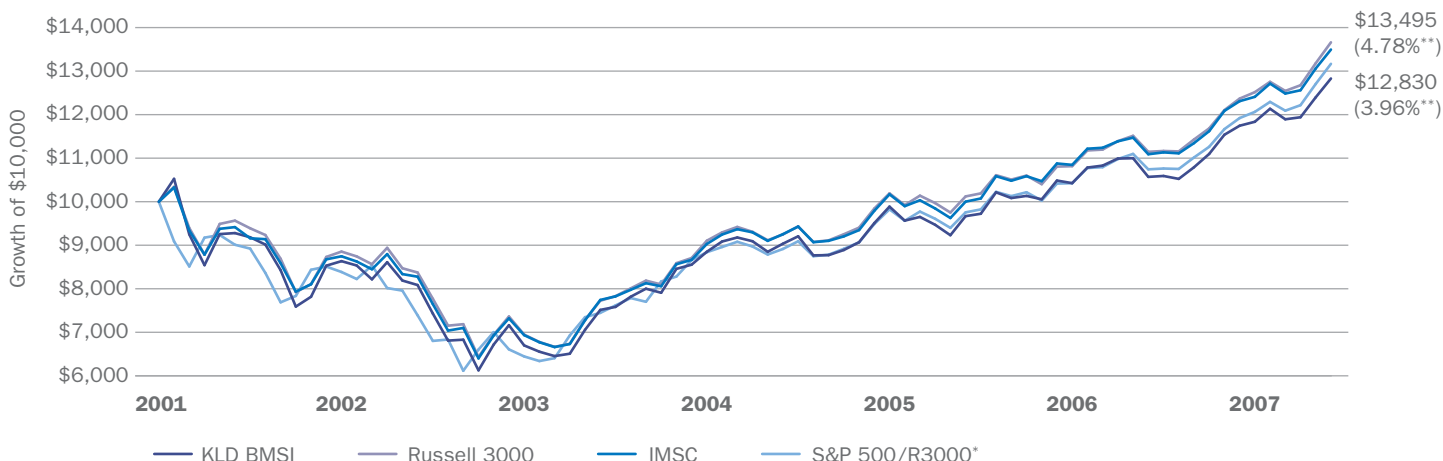
STRONG GROWTH IN SOCIALLY SCREENED ASSETS UNDER MANAGEMENT AT TIAA-CREF, 1996–2006*



* As of December 31, 2006. Socially screened assets include the CREF Social Choice Account, TIAA-CREF Institutional Social Choice Equity Fund, and TIAA-CREF Life Social Choice Equity Fund.

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

GROWTH OF \$10,000 SINCE 1/1/2001



* Blended benchmark. (The fund's benchmark changed from the S&P 500 Index to the Russell 3000 on 7/1/02.)

**Returns shown in parentheses are annualized.

Russell 3000 is a trademark and service mark of the Frank Russell Company. TIAA-CREF products are not promoted or sponsored by, or affiliated with, the Frank Russell Company. S&P 500 is a registered trademark and a service mark of the McGraw-Hill Companies, Inc. You cannot invest directly in any index.

TIAA-CREF INSTITUTIONAL SOCIAL CHOICE EQUITY FUND (INSTITUTIONAL CLASS)

PERFORMANCE AS OF 3/31/07

	TOTAL RETURN		AVERAGE ANNUAL TOTAL RETURN		
	3 MONTHS	YTD	1 YEAR	5 YEARS	SINCE INCEPTION (7/1/1999)
Social Choice Equity Fund†	1.23%	1.23%	10.31%	7.38%	2.91%
Russell 3000 Index	1.28%	1.28%	11.28%	7.23%	3.17%
Morningstar Large Blend Category	1.07%	1.07%	10.25%	6.12%	2.82%

The fund's gross expense ratio for this share class is 0.26%, and its net expense ratio is 0.22%. The net expense ratio reflects a contractual reimbursement of various expenses by the fund's adviser. This reimbursement is currently expected to continue through at least April 30, 2008. Without this reimbursement, the fund's expenses would be higher and its performance lower.

† Performance shown was impacted by a misallocation of income and net capital gains among the fund's share classes. If this misallocation had not occurred, the 3-month and YTD total returns would have been 2.12%, and the 1-year, 5-year and since-inception average annual total returns would have been 10.43%, 7.39%, and 2.91%, respectively. Teachers Advisors, Inc. made a cash infusion into the fund in August 2006 to address the impact of this misallocation. For additional information, please contact our Telephone Counseling Center at 800 927-3059.

The returns quoted represent past performance, which is no guarantee of future results. Returns do not reflect the taxes that a shareholder would pay on fund distributions or on redemptions of fund shares. The value of your investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Current performance may differ from that shown above. For performance current to the most recent month-end, visit TIAA-CREF at www.tiaa-cref.org.

The fund is subject to market risk, company risk and moderate index risk. In addition, because its social criteria exclude securities of certain issuers for non-financial reasons, this fund may forgo some market opportunities available to funds that don't use these criteria.

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

TIAA-CREF'S PROCESS FOR SELECTING COMPANIES TO INCLUDE IN THE CREF SOCIAL CHOICE ACCOUNT AND TIAA-CREF SOCIAL CHOICE EQUITY MUTUAL FUND

START WITH THE RUSSELL 3000® INDEX

which represents about 98% of the total U.S. equity market.

APPLY EXCLUSIONARY SCREENS

to Russell 3000 companies based on specific thresholds of involvement:
Alcohol, firearms, gambling, military weapons, nuclear power, tobacco

APPLY QUALITATIVE SCREENS

to remaining companies to identify the best environmental, social and governance (ESG) performers in each sector of the Russell 3000:
Community relations, corporate governance, workforce diversity, employee relations, environmental stewardship, human rights, and product safety and quality

BUILD THE PORTFOLIOS USING A PROPRIETARY OPTIMIZATION TECHNIQUE

to help track the returns of the Russell 3000:
Since screening eliminates approximately 1 in 3 companies, we employ special techniques designed to help us track the performance of the Russell 3000 despite a smaller investable universe.

KLD RESEARCH & ANALYTICS, INC.

TIAA-CREF has a longstanding relationship with KLD Research & Analytics, Inc., a leading independent provider of social research specializing in ESG assessments. KLD's Broad Market Social Index is an integral part of the screening process for all of our socially screened portfolios, including the CREF Social Choice Account and our Social Choice Equity mutual funds. For more information, visit the KLD website at www.kld.com.

SHAREHOLDER ADVOCACY AND CORPORATE ENGAGEMENT

Promoting strong corporate governance and social responsibility

At TIAA-CREF, we believe that shareholder advocacy and promoting good corporate governance are essential parts of a comprehensive SRI program. We recognize

that as a matter of good corporate governance and from the perspective of shareholder value, companies—and in particular, their boards of directors—should carefully consider the strategic impact of issues relating to the environment and social responsibility.

Our Corporate Governance Department, along with our independent boards of trustees, works to advance

TIAA-CREF TOPS PEERS IN PROXY VOTES TO LIMIT EXECUTIVE PAY

In a recent independent study* of proxy votes on executive compensation and other pay-related issues, TIAA-CREF ranked #1 among 29 major mutual fund companies for voting most consistently to limit excesses in executive pay. A copy of this report can be obtained by visiting http://www.afscme.org/docs/252-07_Failed-Fiduciaries.pdf.

* Published in June 2007 by the American Federation of State, County, and Municipal Employees (AFSCME), The Corporate Library, and the Shareowner Education Group.

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high standards of corporate governance, strengthen shareholder rights, and influence the ESG policies of the portfolio companies in which we invest. We believe these actions further our mission to help secure the long-term financial future of our participants as they get to and through retirement.

In March 2007, we published a new edition of our Policy Statement on Corporate Governance, which articulates TIAA-CREF's policies on corporate governance and social responsibility. The revised Policy Statement reflects recent developments in areas such as corporate governance, social and environmental policy, market structure, globalization, executive compensation and proxy voting.

The statement also reaffirms TIAA-CREF's focus on board accountability and constructive engagement with portfolio companies, which represents our preferred method for effecting positive change. Negotiating privately with companies to reach mutually agreeable solutions on key issues is our core strategy, but other activities, including submission of shareholder resolutions and proxy voting, are also important parts of our corporate governance program.

With regard to proxy voting, our trustees have adopted guidelines that we apply on a case-by-case basis. While we subscribe to a number of proxy advisory firms, all of our proxy decisions are made internally, using our own standards. In addition, we are strong advocates for shareholder interests, working individually and as part of collective shareholder organizations and coalitions, both in the United States and abroad.

SHAREHOLDER ADVOCACY AND CORPORATE ENGAGEMENT IN ACTION

Recent achievements of TIAA-CREF's shareholder advocacy program include:

- **Proxy voting:** Voted at more than 7,000 shareholder meetings, including votes on more than 700 environmental, social and governance-related shareholder resolutions
 - **Executive compensation:** Supported over 95 percent of shareholder resolutions asking companies to adopt an advisory vote on executive compensation disclosures
 - **Sustainability and community impact:** Supported 100 percent of shareholder resolutions asking companies to publish sustainability reports and over 70 percent of shareholder resolutions asking companies to produce reports assessing impact on local communities
- **Engagement:** Met with more than 200 companies to address multiple areas of concern, such as executive compensation, board accountability, transparency, and social and/or environmental issues. Specific areas of engagement included:
 - **Shareholder rights:** Persuaded ten large companies to increase board accountability by adopting bylaw amendments requiring directors to be elected by a majority of shareholders present at the meeting.

CURRENT PRIORITIES FOR CORPORATE ENGAGEMENT

In prioritizing issues for engagement, we take into account their materiality, potential impact on TIAA-CREF's investment performance, relevance to the marketplace, level of public interest, applicability of our policies, views of TIAA-CREF's participants and institutional clients, and the judgment of our trustees.

Current priorities for corporate engagement include:

- Climate change
- Human rights in Sudan
- Majority voting in director elections
- Executive compensation

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— **Sudan human rights initiative:** Contacted more than 60 portfolio companies with operations in Sudan and identified 15 that directly or indirectly generate revenues for the Sudanese government or have other ties to the regime; began discussions with selected companies in this group to encourage their withdrawal from Sudan or their engagement in humanitarian efforts. We are currently exploring escalated engagement steps, such as submitting shareholder resolutions or withholding board of director votes, for a number of companies in China, India and Malaysia whose business ties to the government in Khartoum appear to be most significant.

■ **Increased transparency:** Continued to exceed minimum regulatory requirements and standard industry practice for disclosing proxy voting records. We post our proxy votes on the TIAA-CREF website on an ongoing basis throughout the year—typically within a few weeks after each shareholder meeting in which we vote—not just once per year in a summary filing. To view TIAA-CREF’s proxy voting records, visit <http://www.tiaa-cref.org/about/governance/>.

■ **TIAA policyholder advisory vote on executive compensation policy:** Voluntarily offered TIAA policyholders a non-binding advisory vote on executive compensation policy disclosure. TIAA-CREF is one of the first U.S. companies to adopt and implement this practice.

EXPANDED INTERNATIONAL GOVERNANCE PROGRAM

As TIAA-CREF increases the level of international investments in many portfolios, we also seek more meaningful international standards for corporate governance, fair treatment of foreign and minority shareholders, equal access to information, and corporate transparency. Over the past year, the Corporate Governance Department’s international efforts included advocating for greater shareholder voting rights in France and Germany. We also continued efforts to improve corporate governance standards in Japan and other Asian markets.

COMMUNITY INVESTING

Serving local needs globally through focused and specialized investment programs

Community investing is a growing part of TIAA-CREF’s comprehensive approach to SRI. We focus on opportunities where we have specialized expertise, as well as the ability to invest effectively and with the greatest possible impact from both a financial and social perspective. This focus promotes the development of market-based approaches that drive our overall program.

A HISTORY OF COMMUNITY-BASED INVESTING

Our commitment to community investing began in 1985 with a \$10 million commitment to finance affordable housing in New York City under the auspices of Community Preservation Corp. Through the early 1990s, we expanded our efforts by investing in a number of tax credit funds with leading specialists in the low income-tax credit field, such as Enterprise Housing Partners.

In 1999, we joined forces with a consortium of insurance companies, primarily based on the West Coast, to launch Impact Capital CIL—a for-profit corporation focused on financing affordable housing, community facilities, economic development, and other socially responsible investments benefiting lower income individuals, families and communities in California and nationwide.

Today, TIAA-CREF serves on the board of directors of both Impact Capital and Community Preservation Corp., and we invest in several of their debt and equity products.

SOCIALLY RESPONSIBLE INVESTING AT TIAA-CREF

Under the direction of our Global Social and Community Investing Department, TIAA-CREF initiated or enhanced several projects over the past year with the aim of strengthening communities, reducing poverty or providing other economic or social benefits through flexible, market-based approaches:

- **Global Microfinance Investment Program:** In September 2006, TIAA-CREF launched a \$100 million, four-year Global Microfinance Investment Program, starting with a \$43 million private equity placement in ProCredit Holding AG, a leading microfinance company. Microfinance investments enable TIAA to seek competitive returns through investments that promote economic development. TIAA-CREF's program represents the largest equity investment in microfinance by a major U.S.-based asset management company. In addition, TIAA-CREF is active in the ProCredit Holding shareholding group.
- **Community Bank Deposit Program:** In January 2007, TIAA-CREF launched an investment program designed to help underserved U.S. communities by making sizable investments through FDIC-insured certificates of deposit at local community development banks that specialize in this type of lending. The first investment was for \$22 million in FDIC-insured CDs with subsidiaries of ShoreBank Corp., America's largest community development bank.
- **Corporate Social Real Estate Program:** As of June 2007, TIAA-CREF had an aggregate committed amount of approximately \$432 million consisting of multiple investments in commercial and housing developments located in areas earmarked as Economic Development

Areas (EDAs) by the census. In January 2007, our Global Social and Community Investing Department added a director to manage and expand the company's efforts in financing areas such as affordable housing, urban and smart-growth commercial development, and sustainable development.

An example of a recent investment is the New Boston Fund's Urban Strategy America ("USA") Fund. TIAA-CREF has committed \$20 million to this fund, which was launched in 2007 and targets investments in multifamily, office, research and development, retail, light industrial and warehouse/distribution properties in EDAs. This fund is committed to real estate investing that stimulates economic growth, job creation, "green" development and more affordable workforce housing. This investment serves the objectives of our Corporate Social Real Estate Program by combining outstanding sponsorship, high social impact and attractive return potential.

WE INVITE YOU TO LEARN MORE

TIAA-CREF's philosophy, experience and specialized expertise in socially responsible investing make us a leader in this increasingly important area of asset management. Our holistic approach offers distinct advantages to individual and institutional investors seeking to integrate SRI into their long-term financial goals. To learn more about TIAA-CREF and our commitment to socially responsible investing and strong corporate governance, please visit our website at www.tiaa-cref.org.

The initiatives described in this material involve risks, and do not ensure a profit or guarantee against loss.

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.

TIAA-CREF is a national financial services organization with more than \$414 billion in combined assets under management (3/31/07) and the leading provider of retirement services in the academic, research, medical and cultural fields.

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

Teachers Insurance and Annuity Association (TIAA), New York, NY, issues annuity contracts.

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