

TIAA-CREF LIFECYCLE FUNDS METHODOLOGY AND DESIGN

INTRODUCTION

The TIAA-CREF Lifecycle Funds are designed to provide an effective and convenient means for investors who prefer to have their investments professionally managed to help successfully prepare for and fund their retirement years. The Lifecycle Funds invest in a selection of equity and fixed income TIAA-CREF Funds, providing diversified portfolios to suit the objectives of investors with different investment horizons.

TIAA-CREF developed the current Lifecycle Funds' design based on extensive financial market research, and the funds are consistently managed by a dedicated investment team that is focused both on the daily management of the funds as well as on the development and ongoing refinement of the design of the funds.

The sections that follow provide an explanation of the methodology that is incorporated in the design of the Lifecycle Funds and describe the relevant features that characterize TIAA-CREF's approach to lifecycle investing.

TIAA-CREF LIFECYCLE FUNDS GLIDEPATH DESIGN

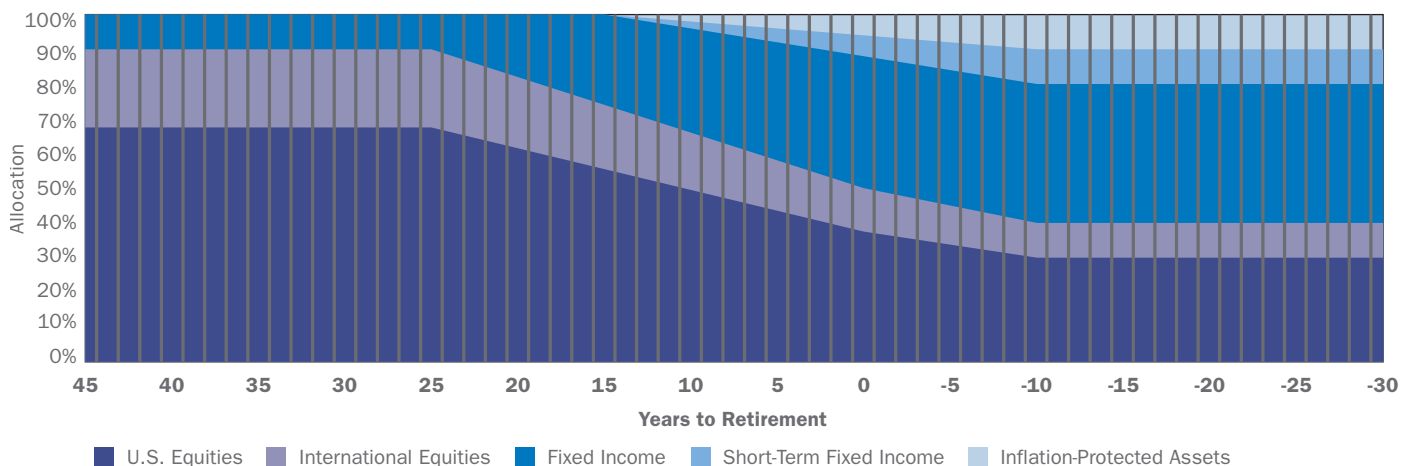
An important feature of any target maturity investment is the structure of the glidepath or planned progression of asset allocation changes over time. The TIAA-CREF Lifecycle Funds glidepath design takes into account the potential for returns as well as sources of risk under a wide variety of market conditions. In addition, our glidepath is uniquely customized to the demographics of our participants in academic, medical, cultural and research institutions, who tend to have a longer life expectancy than the general public.

The glidepath for TIAA-CREF Lifecycle Funds, both in graphical and tabular format, is shown on the following page:



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TIAA-CREF LIFECYCLE FUNDS GLIDEPATH: ALLOCATIONS CHANGE AS INVESTOR NEARS RETIREMENT DATE



LIFECYCLE FUND ALLOCATION

Amounts invested in each fund are allocated according to the following schedule (shown as percentages of the total assets of each Lifecycle Fund portfolio):

YEARS TO RETIREMENT	U.S. EQUITIES	INTERNATIONAL EQUITIES	FIXED INCOME	SHORT-TERM FIXED INCOME	INFLATION-PROTECTED ASSETS	TOTAL EQUITIES	TOTAL FIXED INCOME
45	67.5	22.5	10.0	0.0	0.0	90.0	10.0
40	67.5	22.5	10.0	0.0	0.0	90.0	10.0
35	67.5	22.5	10.0	0.0	0.0	90.0	10.0
30	67.5	22.5	10.0	0.0	0.0	90.0	10.0
25	67.5	22.5	10.0	0.0	0.0	90.0	10.0
20	61.5	20.5	18.0	0.0	0.0	82.0	18.0
15	55.5	18.5	26.0	0.0	0.0	74.0	26.0
10	49.5	16.5	30.0	2.0	2.0	66.0	34.0
5	43.5	14.5	34.0	4.0	4.0	58.0	42.0
0	37.5	12.5	38.0	6.0	6.0	50.0	50.0
-5	33.7	11.2	39.0	8.0	8.0	45.0	55.0
-10*	30.0	10.0	40.0	10.0	10.0	40.0	60.0
-15	30.0	10.0	40.0	10.0	10.0	40.0	60.0
-20	30.0	10.0	40.0	10.0	10.0	40.0	60.0
-25	30.0	10.0	40.0	10.0	10.0	40.0	60.0
-30	30.0	10.0	40.0	10.0	10.0	40.0	60.0

These allocations may change over time.

* -10 reflects the allocation for the Retirement Income Fund

METHODOLOGY INCORPORATED IN GLIDEPATH DESIGN

The Lifecycle Funds glidepath has been structured with the objective of maximizing risk-adjusted outcomes for investors with varying time horizons. A description of the rationale, process, and assumptions incorporated in the development of the glidepath is provided below.

In the development of the Lifecycle Funds' design, the Lifecycle Funds management team targeted a level of retirement income that would maximize the probability for replacement of approximately 50% of an individual's projected pre-retirement salary over the course of a 30-year retirement period, assuming a period of retirement savings spanning 35 years.

In modeling long-term investment outcomes, the Lifecycle Funds management team assumed a participant would contribute on a consistent basis to a Lifecycle Fund over their working years and make gradual systematic withdrawals in their retirement years. The Lifecycle Funds team primarily used two measurements as the basis of evaluating the potential effectiveness of various glidepaths: 1) the expected size and potential range of the nest egg on the date of retirement, and, 2) the probability of being able to make systematic inflation-adjusted withdrawals for 30 years (or life) in retirement.

For market returns, overall stock and overall fixed income allocations were modeled first, followed by separate analyses to determine sub-allocations within stock and within fixed income asset classes. We modeled asset class and sub-asset class returns in this way in order to leverage the long history of stock and bond returns from the S&P 500 and Long-Term U.S. Government Bonds from 1926 while still benefiting from the more refined sub-asset class detail that is available over shorter periods. Although the longer-term time series for U.S. stocks and bonds do not reflect the nuances of sub-asset class performance, they do include major shocks in the market including the Great Depression, the Bear market of '73/'74, the Crash of October '87, the equity sell-off after the NASDAQ peak in 2000, and the most recent financial crisis and market sell-off from '07-'09. More detailed sub-asset class data available over shorter periods was used to determine allocations to domestic and foreign equities and to determine allocations to short-term and inflation-protected bonds during various stages of retirement savings and withdrawal periods.

In modeling asset class returns, we used the 80+ year history of returns directly in our modeling and also performed Monte Carlo simulations of future possible return outcomes by re-sampling the long history at random. As well, we modeled scenarios of lower equity risk premiums in the future.

Throughout the analysis, return outcomes were measured in relation to the level of an investor's projected accumulated savings relative to projected ending salary. This measure of retirement wealth was used to estimate the likelihood that a Lifecycle Fund investor's projected nest egg would be of sufficient size to support an extended period of regular withdrawals over the course of retirement without depleting savings. For each simulation, we not only looked at the median outcome, but also the nest egg outcomes for 2 and 3 standard deviation events. Tail risk, which is the likelihood of unusual market events (more than 3 standard deviations), was a consideration. In addition, other simulations were run looking at income replacement ratios for each hypothetical shareholder's lifetime. In these cases, we not only simulated market returns, we also factored in the longer life expectancy of TIAA-CREF's clients using TIAA's mortality tables.

By providing prolonged and substantial exposure to equities during early periods of retirement savings, the TIAA-CREF Lifecycle Funds are designed to provide significant opportunities for asset growth and favorable risk-adjusted returns. As retirement approaches, the gradual increase in fixed income investments up to and during the targeted retirement period addresses investors' need for increased stability of principal over shorter savings horizons. The Lifecycle Funds seek to maximize the probability for higher levels of income replacement during retirement, while at the same time taking into consideration the potential impact of downside risks at all stages of retirement savings.

PLANNED PROGRESSION OF ASSET ALLOCATION CHANGES

TIAA-CREF Lifecycle Funds with 25 years or more from their retirement date seek to maintain a 90% allocation to equities and a 10% allocation to fixed-income investments. This initial allocation remains in place until the target retirement date is less than 25 years away, at which

point total equity exposure is reduced by approximately 1½% per year and fixed income exposure increases by an offsetting amount. In this way, the portfolio makes a gradual transition to a more conservative asset allocation over time. To reduce trading costs and to limit potential exposure to large single-day market movements, the transition from one targeted asset allocation to the next may be carried out over a long time period, making use of available daily fund inflows and redemption activity to realize the desired change in allocation. At the point of the targeted retirement date, the allocation to equities and fixed income is split evenly. During the initial years of retirement, equity exposure is further reduced by 1% per year until an allocation of 40% equities and 60% fixed income is reached ten years after the targeted retirement date. This portion of the glidepath, which maintains a substantial allocation to equities in the initial stages of retirement, was determined based on consideration of the need for capital appreciation as well as income in the earlier retirement years. The allocation of the Lifecycle Funds during this stage of the glidepath is particularly significant given the longer life expectancy of TIAA-CREF's client base and the need for retirement savings to last over a longer period of retirement.

Approximately seven to ten years after each Lifecycle Fund attains its respective retirement date, the Fund's Board may authorize its merger into the Lifecycle Retirement Income Fund, which maintains a constant allocation of 40% equities and 60% fixed income.

PERIODIC REBALANCING

Consistent management of portfolio allocations in relation to target allocations helps reduce the funds' vulnerability to market bubbles and prevents the fund's risk profile from drifting away from targeted levels. Whenever possible, portfolio allocation adjustments and rebalancings are accomplished using daily fund contributions and redemptions to limit trading costs and to avoid unnecessary portfolio turnover. If sufficient rebalancing cannot be achieved using daily contributions and redemptions, approximately, on a monthly basis, the Lifecycle Funds management team will implement trades to bring each fund back towards its target allocations.

COMPOSITION OF UNDERLYING INVESTMENTS

The asset allocation strategy and selection of underlying investments for the Lifecycle Funds has been determined on the basis of their contribution to return outcomes during periods of retirement savings and over the course of an individual's retirement. When considering the composition of funds to include within equity and fixed income asset classes, we categorize funds as falling into one of five primary groupings: 1) domestic equities; 2) international equities (including both developed and emerging markets); 3) fixed income (including core, core plus, and high yield); 4) short-term fixed income, and 5) inflation-protected assets. Additional detail regarding the composition of holdings within each of the five primary asset class groupings is provided below.

EQUITY PORTFOLIO COMPOSITION

The Lifecycle Funds invest in a range of TIAA-CREF equity funds encompassing a variety of approaches to active management, including both fundamental stock selection as well as quantitative stock selection techniques. By maintaining a diversity of approaches and strategies with varying levels of active risk, we seek to improve the consistency of returns over time through exposure to diversified sources of equity alpha realized by underlying funds. By maintaining specific weightings to individual funds, we are able to target a budgeted level of active risk or tracking error while at the same time maintaining consistent risk exposure within the overall portfolio.

The allocation to equities within each Lifecycle Fund is divided among domestic and international equities, with a split of 75% domestic and 25% international as a percentage of total equity assets. The international equity component is inclusive of both developed and emerging markets equities. Based on studies covering a range of time periods, we have found that the reduction in risk associated with international diversification historically has been maximized in the range of 25%–30% international exposure. While the international allocation within the Lifecycle Funds is currently at the lower end of this range, it is possible that international exposure may move to the higher end of the range based on further research.

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DOMESTIC EQUITY ALLOCATION

The domestic equity portfolio provides diversified, style-consistent exposure across large-, mid-, and small-cap stocks as well as to growth- and value-oriented stocks. The mix of domestic funds in which the Lifecycle Funds invest represent distinct, targeted strategies that employ a range of stock selection techniques, using fundamental and quantitative stock selection. The portfolio is designed to represent overall exposure similar in market capitalization, sector exposure, style, and overall risk characteristics to the broader domestic equity market, as represented by the Russell 3000 Index. The Lifecycle Funds invest in the following domestic funds:

	FUNDS IN EACH MARKET SECTOR	PROSPECTUS BENCHMARK
U.S. Equity	Growth & Income Fund	S&P 500® Index
	Large-Cap Growth Fund	Russell 1000® Growth Index
	Enhanced Large-Cap Growth Index Fund	Russell 1000 Growth Index
	Large-Cap Value Fund	Russell 1000 Value Index
	Enhanced Large-Cap Value Index Fund	Russell 1000 Value Index
	Mid-Cap Growth Fund	Russell Midcap® Growth Index
	Mid-Cap Value Fund	Russell Midcap Value Index
	Small-Cap Equity Fund	Russell 2000® Index

INTERNATIONAL EQUITY ALLOCATION

The international equity portion provides exposure to developed and emerging markets foreign equities, and is designed to provide overall risk exposure similar to stocks contained in the MSCI EAFE + Emerging Markets Index. The inclusion of emerging markets represents a more recent extension of international exposure within the Lifecycle Funds, providing an additional source of diversification while allowing the funds to potentially benefit from the rapid economic growth associated with emerging markets.

	FUNDS IN EACH MARKET SECTOR	PROSPECTUS BENCHMARK
International Equity	International Equity Fund	MSCI EAFE Index
	Enhanced International Equity Index Fund	MSCI EAFE Index
	Emerging Markets Equity Fund	MSCI Emerging Markets Index

FIXED INCOME PORTFOLIO COMPOSITION

The fixed income portion of the Lifecycle Fund portfolios is initially allocated to a portfolio of core, intermediate-term, core-plus intermediate-term, and high-yield bonds. As each Lifecycle Fund approaches its targeted retirement date, the allocation to high-yield bonds gradually decreases as a percentage of total fixed income investments, while allocations to inflation-linked and short-term bonds are initiated and gradually increase over time. The changing composition of fixed-income investments from early periods of saving through retirement reflects investors' greater need for inflation protection and stability of returns as investors approach retirement and during their retirement years.

	FUNDS IN EACH MARKET SECTOR	PROSPECTUS BENCHMARK
Fixed Income	Bond Fund	Barclays Capital U.S. Aggregate Bond Index
	Bond Plus Fund	Barclays Capital U.S. Aggregate Bond Index
	High-Yield Fund	BofA Merrill Lynch BB-B U.S. Cash Pay High Yield Constrained Index
Short-Term Fixed Income	Short-Term Bond Fund	Barclays Capital U.S. 1–5 Year Government/Credit Bond Index
	Money Market Fund	iMoneyNet Money Fund Report Averages™ – All Taxable
Inflation-Protected Assets	Inflation-Linked Bond Fund	Barclays Capital U.S. Treasury Inflation Protected Securities Index (TIPS) (Series-L)

COMPOSITION OF BENCHMARK AND DEGREE OF ACTIVE RISK

The performance of the Lifecycle Funds is evaluated in relation to a series of composite benchmarks that corresponds to each Lifecycle Fund's target date. The composite benchmark is comprised of five underlying indices, representing each of the five primary market sectors in which the Lifecycle Funds invest.

MARKET SECTOR	BENCHMARK
Domestic Equities	Russell 3000 Index
International Equities	MSCI EAFE + Emerging Markets Index
Fixed Income	Barclays Capital U.S. Aggregate Bond Index
Short-term Fixed Income	Barclays Capital 1–5 Year U.S. Government/Credit Index
Inflation-Protected Assets	Barclays Capital U.S. Treasury Inflation Protected Securities Index

The weightings to each asset class represented within the composite benchmark are determined in proportion to the target allocation of each Lifecycle Fund. As the target allocations change over time, the composition of the composite benchmarks changes over time accordingly.

Within each market sector, the Lifecycle Funds invest in underlying funds that in aggregate represent a balanced exposure to risk characteristics that are similar to the corresponding benchmark index for each market sector. As the degree of active risk represented by each underlying funds varies, the weightings to each underlying fund are determined in a way so that a targeted level of tracking error is maintained in proportion to the overall risk budget targeted for each fund. The targeted level of active risk associated with each Lifecycle Fund will vary depending upon the stage in the glidepath that each fund has reached and may also vary over time in relation to the Lifecycle Funds management team's strategic objectives.

CONCLUSION

The TIAA-CREF Lifecycle Funds are designed to accommodate the needs of a broad range of investors for an effective yet simple tool with which to achieve retirement savings objectives. Depending upon an investor's personal situation and risk profile, the Lifecycle Funds can appropriately be used as a standalone investment that serves as an exclusive means of retirement savings or may be used as a component within a broader retirement plan that includes retirement income from additional sources, such as guaranteed annuities or other retirement benefits. All elements incorporated in the Lifecycle Funds' design, including the structure of the glidepath and mix of underlying investments, are structured to allow for high returns while maintaining targeted, risk-managed exposure across a wide range of asset classes and market segments. These qualities make the Lifecycle Funds an excellent tool for investors at all stages of retirement planning to pursue favorable investment outcomes over a range of investment time horizons.

As with all mutual funds, the principal value of your investment is not guaranteed. Also, please note that the target-date is an approximate date when investors may begin withdrawing from the fund. Lifecycle funds are subject to asset allocation risk, general market risk, and the risks inherent in the underlying funds. As with all mutual funds, the returns and the principal value of an investment are not guaranteed. In addition to the fees and expenses associated with the Lifecycle Funds, there is exposure to the fees and expenses associated with the underlying investment options.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877 518-9161, or go to tiaa-cref.org for a current prospectus that contains this and other information. Please read the prospectus carefully before investing.

TIAA-CREF Funds, including the TIAA-CREF Lifecycle Funds, are managed by Teachers Advisors, Inc., under the supervision of the Board of Trustees. Teachers Advisors is an indirect wholly owned subsidiary of TIAA. It is registered as an investment advisor with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940.

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