



2012 Annual Report

TIAA-CREF

Real Estate Securities Fund

of the TIAA-CREF Funds

March 31, 2012

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Financial Services

Understanding your fund report

This annual report contains information about the Real Estate Securities Fund and describes the fund's results for the twelve months ended March 31, 2012. The report contains three main sections:

- The fund performance section compares the fund's investment returns with those of its benchmark index.
- The summary portfolio of investments lists the issuers, industries and types of securities in which the Real Estate Securities Fund had investments as of March 31, 2012.
- The financial statements provide detailed information about the operations and financial condition of the fund.

The views and opinions expressed in this report are through the end of the period, as stated on the cover of this report. They are subject to change at any time based on a variety of factors. As such, they are not guarantees of future performance or investment results and should not be taken as investment advice. The risks of investing in the TIAA-CREF Fund Real Estate Securities Fund are noted in the fund's prospectus.

As always, you should carefully consider the investment objectives, risks, charges and expenses of any fund before investing. For a prospectus that contains this and other important information, please visit our website at tiaa-cref.org, or call 800 842-2252 for the Institutional, Retirement or Premier classes or 800 223-1200 for the Retail Class. We urge you to read the prospectus carefully before investing.

Information for investors

Portfolio holdings

Securities and Exchange Commission (SEC) rules allow investment companies to list the top holdings of each fund in their annual and semiannual reports, instead of providing complete portfolio listings. The Real Estate Securities Fund also files complete portfolio listings with the SEC, and they are available to the public.

You can obtain a complete list of the holdings of the Real Estate Securities Fund (Schedule of Investments) as of the most recently completed fiscal quarter in the following ways:

- By visiting our website at tiaa-cref.org; or
- By calling us at 800 842-2252 to request a copy, which will be provided free of charge.

You can also obtain a complete list of the Real Estate Securities Fund's portfolio holdings as of the most recently completed fiscal quarter, and for prior quarter-ends, from our SEC Form N-CSR and Form N-Q filings. Form N-CSR filings are as of March 31 or September 30; Form N-Q filings are as of December 31 or June 30. Copies of these forms are available:

- Through the Electronic Data Gathering and Retrieval System (EDGAR) on the SEC's website at www.sec.gov; or
- From the SEC's Office of Investor Education and Advocacy.
(Call 202 551-8090 for more information.)

Proxy voting

The Real Estate Securities Fund's ownership of stock gives it the right to vote on proxy issues of companies in which it invests. A description of our proxy voting policies and procedures can be found on our website at tiaa-cref.org or on the SEC's website at www.sec.gov. You can also call us at 800 842-2252 to request a free copy. A report of how the fund voted during the most recently completed twelve-month period ended June 30 can be found on our website or on Form N-PX at www.sec.gov.

Contacting TIAA-CREF

There are three easy ways to contact us: by email, using the Contact Us link at the top of our home page; by mail at TIAA-CREF, 730 Third Avenue, New York, NY 10017-3206; or by phone at 800 842-2252.

Fund management

The Real Estate Securities Fund is managed by a portfolio management team of Teachers Advisors, Inc. The members of this team are responsible for the day-to-day investment management of the fund.

Important information about expenses

All shareholders of the TIAA-CREF Funds incur ongoing costs, including management fees and other fund expenses. They may also incur transactional costs for redemptions or account maintenance fees.

The expense example that appears in the table on page 5 is intended to help you understand your ongoing costs only (in U.S. dollars) and does not reflect transactional costs or the costs incurred by the fund for buying and selling securities. The example is designed to help you compare these ongoing costs with the ongoing costs of investing in other mutual funds.

The expenses shown do not include redemption fees or account maintenance fees, which may or may not be applicable, as described in the prospectus. If such fees were included, your total costs for investing in the fund would be higher. Note also that the TIAA-CREF Funds do not include a sales charge for purchases, reinvested dividends or other distributions.

The example is based on an investment of \$1,000 invested at the beginning of the six-month period and held for the entire period (October 1, 2011–March 31, 2012).

Actual expenses

The first line of the two lines listed for each share class in the table uses the class's actual expenses and its actual rate of return. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the six-month period.

Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses paid during period" to estimate the expenses you paid during the six-month period.

Hypothetical example for comparison purposes

The second line in each share class's entry shows hypothetical account values and expenses based on the share class's actual expense ratio for the six-month period and an assumed 5% per year rate of return before expenses. This was not the share class's actual return.

This hypothetical example cannot be used to estimate the actual expenses you paid for the period but rather allows you to compare the ongoing costs of investing in the fund with the costs of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other mutual funds.

Important information about expenses

Expense example

Six months ended March 31, 2012

Real Estate Securities Fund	Beginning account value (10/1/11)	Ending account value (3/31/12)	Expenses paid during period* (10/1/11- 3/31/12)
Institutional Class			
Actual return	\$1,000.00	\$1,291.19	\$3.04
5% annual hypothetical return	1,000.00	1,022.35	2.68
Retirement Class			
Actual return	\$1,000.00	\$1,290.23	\$4.41
5% annual hypothetical return	1,000.00	1,021.15	3.89
Retail Class			
Actual return	\$1,000.00	\$1,288.18	\$5.21
5% annual hypothetical return	1,000.00	1,020.45	4.60
Premier Class			
Actual return	\$1,000.00	\$1,291.12	\$3.84
5% annual hypothetical return	1,000.00	1,021.65	3.39

* "Expenses paid during period" is based on the fund's actual expense ratio for the most recent fiscal half-year, multiplied by the average account value over the six-month period, multiplied by 183/366. There were 183 days in the six months ended March 31, 2012. The fund's annualized six-month expense ratio for that period was 0.53% for the Institutional Class, 0.77% for the Retirement Class, 0.91% for the Retail Class and 0.67% for the Premier Class. The expense charges of one or more of the fund's share classes may at times reflect a reimbursement. Please see the prospectus for an explanation, including the date on which this reimbursement is scheduled to end. Without any such reimbursement, the expenses of the affected share classes would be higher and their performance lower.

About the fund's benchmark

The **FTSE NAREIT All Equity REITs Index** measures the performance of publicly traded real estate investment trusts in the United States that own, manage and lease investment-grade commercial real estate.

You cannot invest directly in an index. Index returns do not include a deduction for fees or expenses.

Real Estate Securities Fund

Performance for the twelve months ended March 31, 2012

The Real Estate Securities Fund returned 12.16% for the Institutional Class, compared with the 11.29% return of its benchmark, the FTSE NAREIT All Equity REITs Index. The table on the following page shows returns for all share classes of the fund.

Real estate investment trusts (REITs) overcame a 12.61% loss in the six months ended September 30, 2011 to post a double-digit gain for the twelve-month period. During the fourth quarter of 2011 and the first quarter of 2012, REITs and other stocks rallied on signs of an improving U.S. economy.

REITs outpaced the broad U.S. stock market, as measured by the Russell 3000® Index, which gained 7.18% for the twelve-month period. REITs also topped the 7.71% return of the broad domestic investment-grade, fixed-rate bond market, as measured by the Barclays U.S. Aggregate Bond Index.

For the five years ended March 31, 2012, REITs produced an average annual return of -0.12%, lagging the 2.18% average annual return of the Russell 3000 and the 6.25% return of the Barclays aggregate index.

Stock choices boost the fund's return

Eleven of the benchmark's 13 property sectors registered positive returns for the period. The regional mall sector was the top performer, gaining 33.3% amid a rise in consumer spending. The high level of home foreclosures contributed to strong results in the self-storage and apartments sectors, which rose 30.5% and 18.6%, respectively. Together, these three sectors made up more than one-third of the benchmark's total market capitalization on March 31, 2012.

The fund outperformed its benchmark because of numerous successful stock selections. These included overweight positions in mall operator Simon Property Group; American Campus Communities, which owns and manages student housing; and Essex Property Trust, an operator of upscale apartments on the West Coast. An underweight holding in ProLogis, an owner of distribution facilities, also helped the fund's relative return.

These positive results were partly offset by several unfavorable stock choices, including nonbenchmark positions in Agnico-Eagle Mines, Orient Express Hotels and CBRE Group, a real estate services provider. An overweight holding in FelCor Lodging Trust, an operator of hotels and resorts, further detracted from relative performance.

Real Estate Securities Fund

Performance as of March 31, 2012

Real Estate Securities Fund	Inception date	Total return	Average annual total return	
		1 year	5 years	since fund inception
Institutional Class	10/1/2002	12.16%	-0.67%	11.32%
Retirement Class	10/1/2002	11.96	-0.85	11.12
Retail Class	10/1/2002	11.79	-0.85	11.13
Premier Class	9/30/2009	12.06	-0.72*	11.28*
FTSE NAREIT All Equity REITs Index	—	11.29	-0.12	11.57†

The returns in this report show past performance, which is no guarantee of future results. The returns do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares. Returns and the principal value of your investment will fluctuate. Current performance may be higher or lower than that shown, and you may have a gain or a loss when you redeem your shares. For current performance information, including performance to the most recent month-end, please visit tiaa-cref.org. Performance may reflect waivers or reimbursements of certain expenses. Absent these waivers or reimbursement arrangements, performance may be lower.

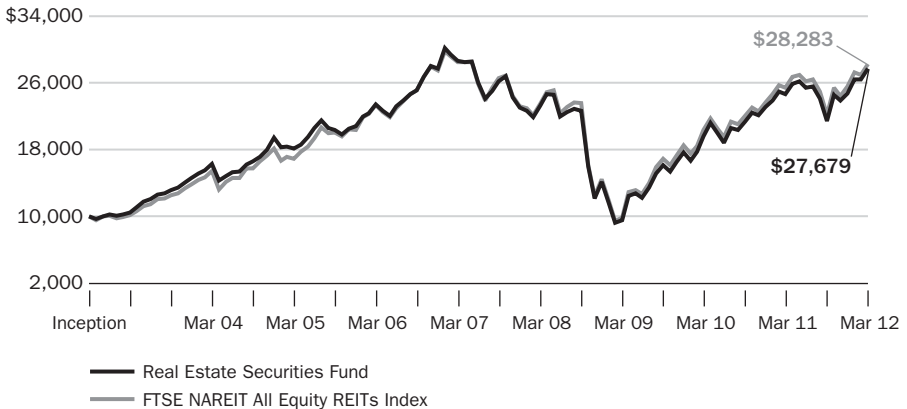
You cannot invest directly in an index. Index returns do not include a deduction for fees or expenses.

* The performance shown for the Premier Class that is prior to its inception date is based on the performance of the fund's Institutional Class. The performance for these periods has not been restated to reflect the higher expenses of the Premier Class. If those higher expenses had been reflected, the performance of the Premier Class shown for these periods would have been lower.

† Performance is calculated from the inception date of the Institutional Class.

\$10,000 invested at fund's inception

Institutional Class (inception October 1, 2002)



For the purpose of comparison, the graph also shows the change in the value of the fund's benchmark during the same period. The performance of the other share classes varies due to differences in expense charges.

Real Estate Securities Fund

Portfolio composition

Industry	% of net assets as of 3/31/2012
Specialized REITs	30.8
Retail REITs	25.0
Residential REITs	17.7
Office REITs	11.6
Industrial REITs	6.6
Diversified REITs	3.1
Real estate operating companies	1.6
Diversified capital markets	0.5
Real estate services	0.5
Mortgage REITs	0.4
Short-term investments	1.2
Other assets & liabilities, net	1.0
Total	100.0

Holdings by company size

Market capitalization	% of equity investments as of 3/31/2012
\$15 billion-\$50 billion	46.3
\$2 billion-\$15 billion	46.7
Under \$2 billion	7.0
Total	100.0

Summary portfolio of investments

Real Estate Securities Fund ■ March 31, 2012

Shares	Company	Value	% of net assets
COMMON STOCKS			
DIVERSIFIED CAPITAL MARKETS			
360,000	* HFF, Inc (Class A)	\$ 5,929,200	0.5%
		5,929,200	0.5
DIVERSIFIED REITS			
225,000	iShares Dow Jones US Real Estate Index Fund	14,015,250	1.3
240,000	Vornado Realty Trust	20,208,000	1.8
		34,223,250	3.1
INDUSTRIAL REITS			
1,570,000	AMB Property Corp	56,551,400	5.2
210,000	EastGroup Properties, Inc	10,546,200	1.0
2,000,000	* Global Logistic Properties	3,505,431	0.3
	Other	1,976,000	0.1
		72,579,031	6.6
MORTGAGE REITS			
300,000	Annaly Capital Management, Inc	4,746,000	0.4
		4,746,000	0.4
OFFICE REITS			
75,000	Alexandria Real Estate Equities, Inc	5,484,750	0.5
380,000	BioMed Realty Trust, Inc	7,212,400	0.7
500,000	d Boston Properties, Inc	52,495,000	4.8
240,000	Digital Realty Trust, Inc	17,752,800	1.6
400,000	Mission West Properties, Inc	3,944,000	0.4
470,000	SL Green Realty Corp	36,448,500	3.3
	Other	3,026,100	0.3
		126,363,550	11.6
REAL ESTATE OPERATING COMPANIES			
3,850,000	a Thomas Properties Group, Inc	17,671,500	1.6
		17,671,500	1.6
REAL ESTATE SERVICES			
250,000	* CBRE Group, Inc	4,990,000	0.5
		4,990,000	0.5

Summary portfolio of investments

continued

Real Estate Securities Fund ■ March 31, 2012

Shares	Company	Value	% of net assets
RESIDENTIAL REITS			
400,000	American Campus Communities, Inc	\$ 17,888,000	1.6%
340,000	AvalonBay Communities, Inc	48,059,000	4.4
200,000	Equity Lifestyle Properties, Inc	13,948,000	1.3
865,000	Equity Residential	54,166,300	5.0
75,000	Essex Property Trust, Inc	11,363,250	1.0
65,000	Home Properties, Inc	3,965,650	0.4
280,000	Post Properties, Inc	13,120,800	1.2
1,170,000	UDR, Inc	31,250,700	2.8
		<u>193,761,700</u>	<u>17.7</u>
RETAIL REITS			
1,575,000	DDR Corp	22,995,000	2.1
250,000	Equity One, Inc	5,055,000	0.5
300,000	Federal Realty Investment Trust	29,037,000	2.7
950,000	General Growth Properties, Inc	16,140,500	1.5
420,000	Kimco Realty Corp	8,089,200	0.7
300,000	Macerich Co	17,325,000	1.6
145,000	Realty Income Corp	5,615,850	0.5
400,000	Regency Centers Corp	17,792,000	1.6
779,900	Simon Property Group, Inc	113,615,832	10.4
200,000	Tanger Factory Outlet Centers, Inc	5,946,000	0.5
320,000	Taubman Centers, Inc	23,344,000	2.1
980,000	Westfield Group	8,984,749	0.8
		<u>273,940,131</u>	<u>25.0</u>
SPECIALIZED REITS			
810,000	American Tower Corp	51,046,200	4.7
325,000	CubeSmart	3,867,500	0.4
290,000	Entertainment Properties Trust	13,450,200	1.2
290,000	Extra Space Storage, Inc	8,349,100	0.8
780,000	HCP, Inc	30,778,800	2.8
615,000	Health Care REIT, Inc	33,800,400	3.1
250,000	Healthcare Realty Trust, Inc	5,500,000	0.5
1,350,000	Hersha Hospitality Trust	7,371,000	0.7
1,700,000	Host Marriott Corp	27,914,000	2.5
360,000	Plum Creek Timber Co, Inc	14,961,600	1.4
300,000	Public Storage, Inc	41,451,000	3.8
180,000	Rayonier, Inc	7,936,200	0.7
800,000	Ventas, Inc	45,680,000	4.2
1,200,000	Weyerhaeuser Co	26,304,000	2.4
	Other	17,606,450	1.6
		<u>336,016,450</u>	<u>30.8</u>
	TOTAL COMMON STOCKS (Cost \$948,784,812)	1,070,220,812	97.8

Summary portfolio of investments

concluded

Real Estate Securities Fund ■ March 31, 2012

Principal	Issuer	Value	% of net assets
SHORT-TERM INVESTMENTS			
TREASURY DEBT			
	United States Treasury Bill		
\$10,000,000	0.046%, 8/23/2012	\$ 9,995,240	0.9%
	Other	2,999,634	0.3
		<u>12,994,874</u>	<u>1.2</u>
	TOTAL SHORT-TERM INVESTMENTS (Cost \$12,997,089)	12,994,874	1.2
	TOTAL PORTFOLIO (Cost \$961,781,901)	1,083,215,686	99.0
	OTHER ASSETS & LIABILITIES, NET	10,949,284	1.0
	NET ASSETS	\$1,094,164,970	100.0%

Abbreviation(s):

REIT Real Estate Investment Trust

* Non-income producing.

a Affiliated holding.

d All or a portion of these securities have been segregated by the custodian to cover requirements on open written options contracts.

“Other” securities represent the aggregate value, by category, of securities that are not among the 50 largest holdings and, in total for any issuer, represent 1% or less of net assets.

For ease of presentation, a number of classification categories have been grouped together in the Summary Portfolio of Investments. Note that the Fund uses more specific categories in following its investment limitations on investment concentrations.

Statement of assets and liabilities

Real Estate Securities Fund ■ March 31, 2012

ASSETS	
Portfolio investments, at value†	\$1,065,544,186
Affiliated investments, at value‡	17,671,500
Cash	9,897,840
Receivable from securities transactions	5,431,228
Receivable from Fund shares sold	1,709,777
Dividends and interest receivable	2,452,062
Other	29,826
Total assets	1,102,736,419
LIABILITIES	
Management fees payable	58,967
Service agreement fees payable	6,740
Distribution fees payable	70,050
Due to affiliates	6,269
Payable for securities transactions	8,178,718
Payable for Fund shares redeemed	39,179
Income distribution payable	29,426
Written options (premiums \$227,603)	27,600
Accrued expenses and other payables	154,500
Total liabilities	8,571,449
NET ASSETS	1,094,164,970
NET ASSETS CONSIST OF:	
Paid-in-capital	\$ 984,462,440
Undistributed net investment income (loss)	2,880,858
Accumulated net realized gain (loss) on total investments	(14,812,116)
Net unrealized appreciation (depreciation) on total investments	121,633,788
NET ASSETS	1,094,164,970
INSTITUTIONAL CLASS:	
Net assets	\$ 644,848,830
Outstanding shares of beneficial interest, unlimited shares authorized (\$.0001 par value)	54,312,038
Net asset value per share	\$11.87
RETIREMENT CLASS:	
Net assets	\$ 249,433,414
Outstanding shares of beneficial interest, unlimited shares authorized (\$.0001 par value)	20,368,026
Net asset value per share	\$12.25
RETAIL CLASS:	
Net assets	\$ 141,354,766
Outstanding shares of beneficial interest, unlimited shares authorized (\$.0001 par value)	11,975,154
Net asset value per share	\$11.80
PREMIER CLASS:	
Net assets	\$ 58,527,960
Outstanding shares of beneficial interest, unlimited shares authorized (\$.0001 par value)	4,926,570
Net asset value per share	\$11.88
† Portfolio investments, cost	\$ 943,995,160
‡ Affiliated investments, cost	\$ 17,786,741

Statement of operations

Real Estate Securities Fund ■ For the year ended March 31, 2012

INVESTMENT INCOME	
Dividends*	\$ 20,132,494
Dividends from affiliated investments	115,500
Interest	1,657
Total income	20,249,651
EXPENSES	
Management fees	4,420,487
Distribution fees – Retail Class	256,583
Distribution fees – Premier Class	117,206
Fund administration fees	59,693
Custody and accounting fees	31,511
Professional fees	68,309
Shareholder servicing – Institutional Class	4,917
Shareholder servicing – Retirement Class	617,790
Shareholder servicing – Retail Class	136,011
Shareholder servicing – Premier Class	306
Trustee fees and expenses	8,507
Compliance fees	23,082
Interest expense	170
Registration fees	67,555
Other expenses	39,106
Total expenses	5,851,233
Net investment income (loss)	14,398,418
NET REALIZED AND UNREALIZED GAIN (LOSS) ON TOTAL INVESTMENTS	
Realized gain (loss):	
Portfolio investments	41,425,948
Written options	260,668
Foreign currency transactions	57,397
Net realized gain (loss) on total investments	41,744,013
Change in unrealized appreciation (depreciation) on:	
Portfolio investments	55,956,433
Affiliated investments	4,774,000
Written options	200,003
Translation of net assets (other than portfolio investments) and liabilities denominated in foreign currencies	265
Net change in unrealized appreciation (depreciation) on total investments	60,930,701
Net realized and unrealized gain (loss) on total investments	102,674,714
Net increase (decrease) in net assets from operations	\$117,073,132
* Net of foreign withholding taxes of	\$ 16,909

Statement of changes in net assets

Real Estate Securities Fund ■ For the period or year ended

	For the year ended March 31, 2012	For the six-month period ended March 31, 2011	For the year ended September 30, 2010
OPERATIONS			
Net investment income (loss)	\$ 14,398,418	\$ 3,284,175	\$ 11,919,577
Net realized gain (loss) on total investments	41,744,013	36,862,959	40,020,926
Net change in unrealized appreciation (depreciation) on total investments	60,930,701	68,135,036	98,598,086
Net increase (decrease) in net assets from operations	117,073,132	108,282,170	150,538,589
DISTRIBUTIONS TO SHAREHOLDERS			
From net investment income:			
Institutional Class	(7,264,460)	(2,128,467)	(5,247,895)
Retirement Class	(2,905,111)	(1,511,340)	(4,161,881)
Retail Class	(1,555,568)	(676,295)	(1,777,719)
Premier Class	(975,770)	(513,365)	(281,684)
From return of capital:			
Institutional Class	—	—	(546,958)
Retirement Class	—	—	(433,758)
Retail Class	—	—	(185,280)
Premier Class	—	—	(29,358)
Total distributions	(12,700,909)	(4,829,467)	(12,664,533)
SHAREHOLDER TRANSACTIONS			
Subscriptions:			
Institutional Class	303,392,562	68,071,257	58,520,557
Retirement Class	49,874,656	40,745,460	116,364,795
Retail Class	25,834,275	16,439,057	18,249,325
Premier Class	32,305,386	57,665,606	28,997,740
Reinvestments of distributions:			
Institutional Class	7,216,682	2,104,369	5,713,521
Retirement Class	2,905,111	1,511,340	4,595,639
Retail Class	1,487,942	645,736	1,871,222
Premier Class	975,770	513,365	311,042
Redemptions:			
Institutional Class	(63,001,066)	(42,860,920)	(60,652,456)
Retirement Class	(112,218,087)	(72,380,959)	(49,974,646)
Retail Class	(22,723,172)	(11,211,147)	(17,297,526)
Premier Class	(58,742,979)	(22,672,270)	(1,714,636)
Net increase from shareholder transactions	167,307,080	38,570,894	104,984,577
Net increase in net assets	271,679,303	142,023,597	242,858,633
NET ASSETS			
Beginning of period	822,485,667	680,462,070	437,603,437
End of period	\$1,094,164,970	\$822,485,667	\$680,462,070
Undistributed net investment income (loss) included in net assets	\$ 2,880,858	\$ 1,096,034	\$ 1,445,958

Statement of changes in net assets

concluded

Real Estate Securities Fund ■ For the period or year ended

	For the year ended March 31, 2012	For the six-month period ended March 31, 2011	For the year ended September 30, 2010
CHANGE IN FUND SHARES			
Shares sold:			
Institutional Class	28,405,635	6,724,866	6,909,770
Retirement Class	4,405,101	3,909,100	12,991,904
Retail Class	2,380,577	1,624,147	2,165,712
Premier Class	3,153,179	5,815,324	3,467,314
Shares reinvested:			
Institutional Class	680,459	208,758	663,181
Retirement Class	269,296	145,918	514,631
Retail Class	143,584	64,613	219,309
Premier Class	94,280	51,229	34,085
Shares redeemed:			
Institutional Class	(5,864,991)	(4,250,649)	(6,837,297)
Retirement Class	(10,404,642)	(7,079,509)	(5,779,485)
Retail Class	(2,162,491)	(1,115,281)	(2,105,025)
Premier Class	(5,300,708)	(2,227,970)	(194,693)
Net increase from shareholder transactions	15,799,279	3,870,546	12,049,406

Financial highlights

Real Estate Securities Fund ■ For the period or year ended

	Institutional Class					
	3/31/12	3/31/11†	9/30/10	9/30/09	9/30/08	9/30/07
FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD						
Net asset value, beginning of period	\$10.75	\$ 9.35	\$7.24	\$10.51	\$14.65	\$15.34
Gain from investment operations:						
Net investment income (loss) (a)	0.19	0.05	0.19	0.23	0.27	0.22
Net realized and unrealized gain (loss) on total investments	1.09	1.42	2.12	(3.31)	(2.24)	0.47
Total gain (loss) from investment operations	1.28	1.47	2.31	(3.08)	(1.97)	0.69
Less distributions from:						
Net investment income	(0.16)	(0.07)	(0.18)	(0.19)	(0.39)	(0.48)
Net realized gains	—	—	—	—	(1.62)	(0.90)
Return of capital	—	—	(0.02)	—	(0.16)	—
Total distributions	(0.16)	(0.07)	(0.20)	(0.19)	(2.17)	(1.38)
Net asset value, end of period	\$11.87	\$10.75	\$9.35	\$ 7.24	\$10.51	\$14.65
TOTAL RETURN	12.16%	15.80%(b)	32.16%	(28.84)%	(13.54)%	4.26%
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$644,849	\$334,174	\$265,753	\$200,324	\$242,867	\$252,164
Ratio of expenses to average net assets before expense waiver and reimbursement	0.54%	0.59%(c)	0.56%	0.60%	0.56%	0.58%
Ratio of expenses to average net assets after expense waiver and reimbursement	0.54%	0.57%(c)	0.56%	0.56%	0.56%	0.55%
Ratio of net investment income (loss) to average net assets	1.73%	0.98%(c)	2.29%	3.98%	2.38%	1.39%
Portfolio turnover rate	75%	30%(b)	66%	78%	94%	116%

Financial highlights

continued

Real Estate Securities Fund ■ For the period or year ended

	Retirement Class					
	3/31/12	3/31/11†	9/30/10	9/30/09	9/30/08	9/30/07
FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD						
Net asset value, beginning of period	\$11.08	\$ 9.64	\$7.46	\$10.81	\$15.00	\$15.66
Gain from investment operations:						
Net investment income (loss) (a)	0.17	0.04	0.17	0.21	0.24	0.19
Net realized and unrealized gain (loss) on total investments	1.14	1.46	2.19	(3.39)	(2.28)	0.49
Total gain (loss) from investment operations	1.31	1.50	2.36	(3.18)	(2.04)	0.68
Less distributions from:						
Net investment income	(0.14)	(0.06)	(0.16)	(0.17)	(0.37)	(0.44)
Net realized gains	—	—	—	—	(1.62)	(0.90)
Return of capital	—	—	(0.02)	—	(0.16)	—
Total distributions	(0.14)	(0.06)	(0.18)	(0.17)	(2.15)	(1.34)
Net asset value, end of period	\$12.25	\$11.08	\$9.64	\$ 7.46	\$10.81	\$15.00
TOTAL RETURN	11.96%	15.60%(b)	31.85%	(28.95)%	(13.76)%	4.11%
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$249,433	\$289,161	\$280,763	\$159,554	\$172,078	\$191,671
Ratio of expenses to average net assets before expense waiver and reimbursement	0.78%	0.83%(c)	0.81%	0.85%	0.81%	0.84%
Ratio of expenses to average net assets after expense waiver and reimbursement	0.78%	0.82%(c)	0.81%	0.81%	0.81%	0.80%
Ratio of net investment income (loss) to average net assets	1.54%	0.77%(c)	1.98%	3.53%	2.03%	1.18%
Portfolio turnover rate	75%	30%(b)	66%	78%	94%	116%

Financial highlights

continued

Real Estate Securities Fund ■ For the period or year ended

	Retail Class					
	3/31/12	3/31/11†	9/30/10	9/30/09	9/30/08	9/30/07
FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD						
Net asset value, beginning of period	\$10.69	\$ 9.30	\$7.20	\$10.46	\$14.59	\$15.27
Gain from investment operations:						
Net investment income (loss) (a)	0.15	0.04	0.17	0.23	0.31	0.21
Net realized and unrealized gain (loss) on total investments	1.09	1.41	2.11	(3.31)	(2.28)	0.47
Total gain (loss) from investment operations	1.24	1.45	2.28	(3.08)	(1.97)	0.68
Less distributions from:						
Net investment income	(0.13)	(0.06)	(0.16)	(0.18)	(0.38)	(0.46)
Net realized gains	—	—	—	—	(1.60)	(0.90)
Return of capital	—	—	(0.02)	—	(0.18)	—
Total distributions	(0.13)	(0.06)	(0.18)	(0.18)	(2.16)	(1.36)
Net asset value, end of period	\$11.80	\$10.69	\$9.30	\$ 7.20	\$10.46	\$14.59
TOTAL RETURN	11.79%	15.64%(b)	31.95%	(29.01)%	(13.66)%	4.26%
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$141,355	\$124,104	\$102,686	\$77,475	\$118,076	\$174,936
Ratio of expenses to average net assets before expense waiver and reimbursement	0.84%	0.84%(c)	0.77%	1.06%	0.85%	0.83%
Ratio of expenses to average net assets after expense waiver and reimbursement	0.84%	0.83%(c)	0.77%	0.75%	0.70%	0.65%
Ratio of net investment income (loss) to average net assets	1.42%	0.75%(c)	2.08%	3.89%	2.68%	1.32%
Portfolio turnover rate	75%	30%(b)	66%	78%	94%	116%

Financial highlights

concluded

Real Estate Securities Fund ■ For the period or year ended

	Premier Class			
	3/31/12	3/31/11†	9/30/10	9/30/09*
FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD				
Net asset value, beginning of period	\$10.75	\$9.36	\$7.24	\$7.24
Gain from investment operations:				
Net investment income (loss) (a)	0.18	0.05	0.14	0.00(d)
Net realized and unrealized gain on total investments	1.10	1.41	2.17	—
Total gain (loss) from investment operations	1.28	1.46	2.31	0.00(d)
Less distributions from:				
Net investment income	(0.15)	(0.07)	(0.17)	—
Net realized gains	—	—	(0.02)	—
Total distributions	(0.15)	(0.07)	(0.19)	—
Net asset value, end of period	\$11.88	\$10.75	\$9.36	\$7.24
TOTAL RETURN	12.06%	15.60%(b)	32.12%	0.00%(b)
RATIOS AND SUPPLEMENTAL DATA				
Net assets at end of period (in thousands)	\$58,528	\$75,047	\$31,260	\$250
Ratio of expenses to average net assets before expense waiver and reimbursement	0.68%	0.74%(c)	0.71%	221.11%(c)
Ratio of expenses to average net assets after expense waiver and reimbursement	0.68%	0.72%(c)	0.71%	0.72%(c)
Ratio of net investment income (loss) to average net assets	1.67%	1.03%(c)	1.56%	0.00%(c)
Portfolio turnover rate	75%	30%(b)	66%	78%

(a) Based on average shares outstanding.

(b) The percentages shown for this period are not annualized.

(c) The percentages shown for this period are annualized.

(d) Amount represents less than \$0.01 per share.

* The Premier Class commenced operations on September 30, 2009.

† Amounts shown are for the six-month period ended March 31, 2011 and are not necessarily indicative of a full year of operations. The Fund changed its fiscal year end from September 30 to March 31.

Notes to financial statements

Real Estate Securities Fund

Note 1—organization and significant accounting policies

The TIAA-CREF Real Estate Securities Fund (the “Fund”) is one of the investment portfolios of the TIAA-CREF Funds (the “Trust”), a Delaware statutory trust that was organized on April 15, 1999 and is registered with the Securities and Exchange Commission (“Commission”) under the Investment Company Act of 1940, as amended (“1940 Act”), as an open-end management investment company.

The Fund offers its shares, without a sales load, through its principal underwriter, Teachers Personal Investors Services, Inc. (“TPIS”), which is a wholly owned indirect subsidiary of Teachers Insurance and Annuity Association of America (“TIAA”). Teachers Advisors, Inc. (“Advisors”), a wholly owned indirect subsidiary of TIAA, is registered with the Commission as an investment adviser and provides investment management services for the Fund. The Fund offers four share classes: Institutional, Retirement, Retail and Premier Classes of shares. Each class differs by the allocation of class-specific expenses and voting rights in matters affecting a single class.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The Net Asset Value per share (“NAV”) for financial reporting purposes may differ from the NAV for processing transactions. The NAV for financial reporting purposes includes security and shareholder transactions through the date of the report. Total return is computed based on the NAV used for processing transactions. The following is a summary of the significant accounting policies consistently followed by the Fund.

Security valuation: The Fund’s investments in securities are recorded at their estimated fair value as described in the valuation of investments note to the financial statements.

Investments and investment income: Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned and includes accretion of discounts and amortization of premiums using the effective yield method. Dividend income is recorded on the ex-dividend date. Realized gains and losses on securities transactions are based upon the specific identification method. Distributions received on securities that represent a return of capital or capital gain are recorded as a reduction of cost of investments and/or as a realized gain. The Fund estimates the components of distributions received that may be considered return of capital distributions or capital gain distributions.

Income and expenses of the Fund are allocated on a pro rata basis to each class of shares of the Fund, except for service agreement fees, distribution fees and transfer agency fees and expenses, which are unique to each class of shares. Most expenses of the Trust can be directly attributed to a fund. Expenses that cannot be directly attributed are allocated to each fund in the Trust based upon the average net assets of each fund.

Foreign currency transactions and translation: Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day using exchange rates obtained from an independent third party. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Distributions to shareholders: Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date.

Income taxes: The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (“Code”) and will not be subject to income taxes to the extent that the Fund distributes all taxable income each year and complies with various other Code requirements. Therefore, no federal income tax provision is required. Management has analyzed the Fund’s tax positions taken for all open federal income tax years (2008-2012) and has concluded that no provision for federal income tax is required in the Fund’s financial statements.

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. GAAP. Reclassifications are made to the Fund’s capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under income tax regulations.

For the year ended March 31, 2012, permanent book and tax differences resulting primarily from differing treatments for foreign currency transactions, certain foreign taxes paid and gains and losses from the sale of stock in passive foreign investment companies were identified and reclassified among the components of the Fund’s net assets. Net investment income and net realized gains (losses), as disclosed on the Statement of Operations, and net assets were not affected by these reclassifications.

Foreign taxes: The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon the current interpretation of tax rules and regulations that exist in the markets in which the Fund invests.

Trustee compensation: The Fund pays the members of the Board of Trustees (“Board”), all of whom are independent, certain remuneration for their services, plus travel and other expenses. Trustees may elect to participate in a deferred compensation plan and defer all or a portion of their compensation. In addition, trustees participate in a long-term compensation plan. Amounts deferred are retained by the Fund until paid. The investment of deferred amounts and the offsetting payable to the trustees are included in other assets and accrued expenses and other payables in the accompanying Statement of Assets and Liabilities. Trustees’ fees, including any deferred and long-term compensation incurred, are reflected in the Statement of Operations.

Notes to financial statements

Note 2—valuation of investments

Portfolio investments are valued at fair value utilizing various valuation methods approved by the Board. U.S. GAAP establishes a hierarchy that prioritizes market inputs to valuation methods. The three levels of inputs are:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Fund’s major categories of assets and liabilities measured at fair value follows:

Exchange-traded equity securities, common and preferred stock: Equity securities listed or traded on a national market or exchange are valued based on their sale price on such market or exchange at the close of business on the date of valuation, or at the mean of the closing bid and asked prices if no sale is reported. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Foreign investments are valued at the last sale or official closing price reported on the exchange where traded and converted to U.S. dollars at the prevailing rates of exchange on the date of valuation. For events affecting the value of foreign securities between the time when the exchange on which they are traded closes and the time when the Fund’s net assets are calculated, such securities will be valued at fair value in accordance with procedures adopted by the Board. Foreign securities are generally categorized in Level 2 of the fair value hierarchy.

Debt securities: Debt securities will generally be valued using prices provided by a pricing service that may employ various indications of value including but not limited to broker-dealer quotations. Certain debt securities, other than money market instruments, are valued based on the most recent bid price or the equivalent quoted yield for such securities (or those of comparable maturity, quality and type). Debt securities are generally categorized in Level 2 of the fair value hierarchy; in instances where prices, yields, or any other key inputs are unobservable, they are categorized in Level 3 of the hierarchy.

Short-term investments: Short-term investments with maturities of 60 days or less are valued at amortized cost, which approximates fair value. The amortized cost of an instrument is determined by valuing it at its original cost and thereafter amortizing any discount or premium from its face value at a constant rate until maturity. Short-term investments with maturities in excess of 60 days are valued in the same manner as debt securities. Short-term investments are generally categorized in Level 2 of the fair value hierarchy.

Investments in registered investment companies: These investments are valued at their net asset value on the valuation date. These investments are categorized in Level 1 of the fair value hierarchy.

Options: Purchased and written options listed or traded on a national market or exchange are valued at the last sale price as of the close of such exchange or at the mean of the closing bid and asked prices if no sale is reported. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Any portfolio security for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued at fair value, as determined in good faith using procedures approved by the Board. To the extent the inputs are observable and timely, the values would be categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized as Level 3.

Transfers between levels are recognized at the end of the reporting period. For the year ended March 31, 2012, there were no significant transfers between levels by the Fund.

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2012:

Investments	Level 1	Level 2	Level 3	Total
Diversified capital markets	\$ 5,929,200	\$ —	\$ —	\$ 5,929,200
Diversified REITs	34,223,250	—	—	34,223,250
Industrial REITs	69,073,600	3,505,431	—	72,579,031
Mortgage REITs	4,746,000	—	—	4,746,000
Office REITs	126,363,550	—	—	126,363,550
Real estate operating companies	17,671,500	—	—	17,671,500
Real estate services	4,990,000	—	—	4,990,000
Residential REITs	193,761,700	—	—	193,761,700
Retail REITs	264,955,382	8,984,749	—	273,940,131
Specialized REITs	336,016,450	—	—	336,016,450
Short-term investments	—	12,994,874	—	12,994,874
Written options*	(27,600)	—	—	(27,600)
Total	\$1,057,703,032	\$25,485,054	\$ —	\$1,083,188,086

* Derivative instruments are not reflected in the Summary portfolio of investments.

Notes to financial statements

Note 3—derivative instruments

As defined by U.S. GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable. Derivatives require little or no initial investment and permit or require net settlement. The Fund values derivatives at fair value.

At March 31, 2012, the Fund has invested in derivative contracts which are reflected in the Statement of Assets and Liabilities as follows:

Derivative contracts	Asset derivatives		Liabilities derivatives	
	Location	Fair value amount	Location	Fair value amount
Equity contracts		\$—	Written options	\$27,600

For the period ended March 31, 2012, the effect of derivative contracts on the Fund's Statement of Operations was as follows:

Derivative contracts	Location	Realized gain (loss)	Change in unrealized appreciation (depreciation)
Equity contracts	Written options	\$260,668	\$200,003

Options: The Fund is subject to equity price risk in the normal course of pursuing its investment objectives. The Fund uses options contracts for hedging and cash management purposes and to seek to increase total return. Call and put options give the holder the right, in return for a premium paid, to purchase or sell, respectively, a security at a specified exercise price at any time during the period of the option. Written options are separately reflected as a liability in the Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as a realized gain or loss. Risks related to the use of options include possible illiquidity of the options markets, price movements in underlying security values, and for written options, potential losses in excess of the Fund's initial investment. During the year ended March 31, 2012, the Fund had exposure to options, based on underlying nominal values, generally between 0% and 4% of net assets.

Written options outstanding as of March 31, 2012:

	Contracts	Value
Boston Properties, Inc., Call, 4/21/12 at \$110.00	1,840	\$(27,600)

Transactions in written options and related premiums received during the period ended March 31, 2012, were as follows:

	Number of contracts	Premiums
Outstanding at beginning of period	—	\$ —
Written	11,728	968,617
Exercised	(2,657)	(402,706)
Expired	(1,231)	(188,311)
Closed	(6,000)	(149,997)
Outstanding at end of period	1,840	\$ 227,603

Note 4—investment adviser and affiliates

Under the terms of its Investment Management Agreement, the Fund pays Advisors a monthly fee based on the annual rate of between 0.44% and 0.50% of the Fund's average daily net assets for the management of the Fund's investment portfolio. The fee range represents a breakpoint schedule that reduces investment management fees as the Fund's net assets increase. The investment management fee effective rate is 0.50%. The Fund has entered into an Administrative Service Agreement with Advisors under which the Fund pays Advisors for its costs in providing certain administrative and operational oversight services to the Fund.

Under the terms of a Retirement Class Service Agreement, the Retirement Class of the Fund pays Advisors a monthly fee based on the annual rate of 0.25% of the Fund's average daily net assets attributable to Retirement Class shares of the Fund for providing certain administrative services related to the maintenance of Retirement Class shares on retirement plan or other platforms. Substantially all of the Retirement Class shareholder servicing fees reported on the Statement of Operations are paid to Advisors under the Service Agreement. Under the terms of a distribution Rule 12b-1 plan, the Retail Class of the Fund reimburses TPIS for amounts incurred up to 0.25% of the average daily net assets to distribute the Fund's Retail Class shares. The Premier Class of the Fund is subject to a distribution Rule 12b-1 plan that compensates TPIS for providing distribution, promotional, and shareholder services to the Premier Class of the Fund at the annual rate of 0.15% of the average daily net assets attributable to the Fund's Premier Class shares.

Certain affiliated entities may pay Fund expenses on behalf of the Fund. The Fund reimburses the affiliated entities for any such payment. Amounts owed to Fund affiliates for payment of Fund expenses are disclosed as due to affiliates on the Statement of Assets and Liabilities.

Advisors has agreed to reimburse the Fund if its total expense ratio (excluding interest, taxes, brokerage and other transactional expenses, acquired fund fees and expenses and extraordinary expenses) exceeds 0.96% of the average daily net assets for the Retail Class shares; 0.82% of average daily net assets for the Retirement Class shares; 0.72% of average daily net assets for the Premier Class shares; and 0.57% of average daily net assets for the Institutional Class shares. The expense reimbursement arrangements will continue through at least July 31, 2013, unless changed with approval of the Board.

The Fund may purchase or sell investment securities in transactions with affiliated

Notes to financial statements

entities under procedures adopted by the Board, pursuant to the 1940 Act. These transactions are effected at market rates without incurring broker commissions.

At March 31, 2012, TIAA Access, a registered separate account of TIAA, owned less than 1% of the Fund's shares.

Companies in which the Fund holds 5% or more of the outstanding voting shares are considered "affiliated companies" of the Fund, pursuant to the 1940 Act. Information regarding transactions with affiliated companies is as follows:

Issue	Value at March 31, 2011	Purchase cost	Sales proceeds	Realized gain (loss)
Thomas Properties Group	\$12,897,500	\$—	\$—	\$—
		\$—	\$—	\$—

Issue	Dividend income	Withholding expense	Shares at March 31, 2012	Value at March 31, 2012
Thomas Properties Group	\$115,500	\$—	3,850,000	\$17,671,500
	\$115,500	\$—		\$17,671,500

Note 5—investments

Restricted securities: Restricted securities held by the Fund, if any, may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in securities that are widely held and publicly traded.

Net unrealized appreciation (depreciation): At March 31, 2012, the cost of portfolio investments for federal income tax purposes was \$ 973,681,873. Net unrealized appreciation (depreciation) of portfolio investments for federal income tax purposes was \$109,533,813, consisting of gross unrealized appreciation of \$137,038,674 and gross unrealized depreciation of \$ (27,504,861).

Purchases and sales: Purchases and sales of portfolio securities (other than short-term instruments) for the period ended March 31, 2012 were \$724,462,492 and \$651,663,487, respectively.

Note 6—distributions to shareholders and other tax items

The tax character of distributions paid to shareholders during the year ended March 31, 2012, the period ended March 31, 2011, and the year ended September 30, 2010 was as follows:

	Ordinary income	Long-term capital gains	Return of capital	Total
3/31/2012	\$12,700,909	\$—	\$ —	\$12,700,909
3/31/2011	4,829,467	—	—	4,829,467
9/30/2010	11,469,179	—	1,195,354	12,664,533

The prior year-ended September 30, 2010 amounts in the chart above was adjusted to reflect distributions of \$1,195,354 which were reclassified as return of capital. In addition, the year-ended September 30, 2010 Statement of Changes and Financial Highlights were adjusted to reflect the return of capital distribution in net assets.

As of March 31, 2012, the components of accumulated earnings on a tax basis consisted of \$3,828,935 of undistributed ordinary income, \$109,533,814 of unrealized appreciation and (\$3,816,043) of capital loss carryovers.

The difference between book basis and tax basis net investment income, net realized gains and losses, and unrealized appreciation and depreciation is attributable primarily to the tax deferral of losses on wash sales, the utilization of capital loss carryovers, and the treatment of short term gain as ordinary income for tax purposes.

In certain circumstances, the Fund may distribute portfolio securities rather than cash as payment for redemption of Fund shares (in-kind redemption). The Fund may also accept portfolio securities rather than cash as payment for a purchase of Fund shares (in-kind purchase). During the period ended March 31, 2012, the Fund received \$98,072,313 of securities in an in-kind purchase transaction. During the period ended March 31, 2012, the Fund did not have any in-kind redemption transactions.

At March 31, 2012, the Fund had a capital loss carryover of \$3,816,043 which will expire as of March 31, 2018, if unused.

For the year ended March 31, 2012, the Fund utilized \$47,225,895 of its capital loss carryover available from prior years.

Under the recently enacted Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment tax years. As a result of this ordering rule, pre-enactment capital loss carryovers may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

Note 7—line of credit

The Fund participates in a \$1.5 billion unsecured revolving credit facility that can be used for temporary purposes, including, without limitation, the funding of shareholder redemptions. Certain affiliated accounts and mutual funds, each of which is managed by Advisors, or an affiliate of Advisors, also participate in this facility. An annual commitment fee for the credit facility is borne by the participating accounts and mutual funds on a pro rata basis. Interest associated with any borrowing under the

facility is charged to the Fund at a specified rate of interest. The Fund is not liable for borrowings under the facility by other affiliated accounts or mutual funds. Prior to June 28, 2011, the unsecured revolving credit facility was \$1.0 billion. For the year ended March 31, 2012, there were no borrowings under this credit facility by the Fund.

Note 8—indemnification

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and that provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund that have not yet occurred. Also, under the Fund's organizational documents, the trustees and officers of the Fund are indemnified against certain liabilities that may arise out of their duties to the Fund. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be unlikely.

Report of independent registered public accounting firm

To the Board of Trustees of the TIAA-CREF Funds and Shareholders of the TIAA-CREF Real Estate Securities Fund:

In our opinion, the accompanying statement of assets and liabilities, including the summary portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Real Estate Securities Fund (“the Fund”) at March 31, 2012, the results of its operations for the period then ended, and the changes in its net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at March 31, 2012 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Boston, Massachusetts
May 18, 2012

Trustees and officers (unaudited)

TIAA-CREF Funds ■ March 31, 2012

Disinterested trustees

Name, address and date of birth ("DOB")	Position(s) held with fund	Term of office and length of time served	Principal occupation(s) during past 5 years	Number of portfolios in fund complex overseen by trustee	Other directorship(s) held by trustee
Forrest Berkley c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 4/25/54	Trustee	Indefinite term. Trustee since 2006.	Retired Partner (since 2006), Former Partner (1990-2005) and Head of Global Product Management (2003-2005), GMO (formerly, Grantham, Mayo, Van Otterloo & Co.) (investment management); and member of asset allocation portfolio management team, GMO (2003-2005).	76	Director of GMO; Director, the Maine Coast Heritage Trust; Investment Committee member, Maine Community Foundation and the Elmina B. Sewall Foundation.
Nancy A. Eckl c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 10/6/62	Trustee	Indefinite term. Trustee since 2007.	Former Vice President (1990-2006), American Beacon Advisors, Inc., and Vice President of certain funds advised by American Beacon Advisors, Inc.	76	Independent Director, The Lazard Funds, Inc., Lazard Retirement Series, Inc., Lazard Global Total Return and Income Fund, Inc. and Lazard World Dividend & Income Fund, Inc.; Independent Member of the Boards of Lazard Alternative Strategies Fund, LLC and Lazard Alternative Strategies 1099 Fund.
Michael A. Forrester c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 11/05/67	Trustee	Indefinite term. Trustee since 2007.	Chief Operating Officer, Copper Rock Capital Partners, LLC (since 2007); Chief Operating Officer, DDJ Capital Management (2003-2006).	76	Director of Copper Rock Capital Partners, LLC (investment adviser).
Howell E. Jackson c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 1/4/54	Trustee	Indefinite term. Trustee since 2005.	James S. Reid, Jr. Professor of Law (since 2004), Acting Dean (2009), Vice Dean for Budget (2003-2006) and on the faculty (since 1989) of Harvard Law School.	76	Director, D2D Fund.

Nancy L. Jacob c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 1/15/43	Trustee	Indefinite term. Trustee since 1999.	President and Founder (since 2006) of NJ Advisors, Inc. (investment adviser); President and Managing Principal, Windermere Investment Associates (1997-2006).	76	None
Thomas J. Kenny c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 3/27/63	Trustee	Indefinite term. Trustee since 2011.	Partner (2004-2010), Managing Director (2002-2010), Goldman Sachs Asset Management.	76	Investment committee member, College of Mount Saint Vincent; Member, United States Olympics Paralympics Advisory Committee, University of California at Santa Barbara Arts and Lectures Advisory Council; Trustee and Treasurer, Crane County Day School.
Bridget A. Macaskill c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 8/5/48	Trustee	Indefinite term. Trustee since 2003.	Chief Executive Officer (since 2010), President and Chief Operating Officer (since 2009), First Eagle Investment Management; Principal, BAM Consulting LLC (2003-2009); Independent Consultant for Merrill Lynch (2003-2009).	76	Director, Arnhold and S. Bleichroeder Holdings; First Eagle Investment Management; American Legacy Foundation (Investment Committee); University of Edinburgh (Campaign Board); and North Shore Land Alliance.
James M. Poterba c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 7/13/58	Trustee	Indefinite term. Trustee since 2006.	President and Chief Executive Officer, National Bureau of Economic Research ("NBER") (since 2008); Mitsui Professor of Economics, Massachusetts Institute of Technology ("MIT") (since 1996), Former Head (2006-2008) and Associate Head (1994-2000 and 2001-2006), Economics Department of MIT; and Former Program Director, NBER (1990-2008).	76	Director, The Alfred P. Sloan Foundation and National Bureau of Economic Research; Member, Congressional Budget Office Panel of Economic Advisers; Vice President, Eastern Economics Association.
Maceo K. Sloan c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 10/18/49	Chairman of the Board and Trustee	Indefinite term as Trustee; Chairman for term ending December 31, 2012. Trustee since 1999. Chairman since 2009.	Chairman, President and Chief Executive Officer, Sloan Financial Group, Inc. (since 1991); Chairman, Chief Executive Officer and Chief Investment Officer, NCM Capital Management Group, Inc. (since 1991); Chairman and Chief Executive Officer and Chief Investment Officer, NCM Capital Advisers Inc. (since 2003); and Chairman, President and Principal Executive Officer, NCM Capital Investment Trust (since 2007).	76	Director, SCANA Corporation (energy holding company) and NCM Capital Investment Trust; Member, Duke Children's Hospital and Health Center National Board of Advisors.

Trustees and officers (unaudited)

continued

TIAA-CREF Funds ■ March 31, 2012

Disinterested trustees — concluded

Name, address and date of birth ("DOB")	Position(s) held with fund	Term of office and length of time served	Principal occupation(s) during past 5 years	Number of portfolios in fund complex overseen by trustee	Other directorship(s) held by trustee
Laura T. Starks c/o Corporate Secretary 730 Third Avenue New York, NY 10017-3206 DOB: 2/17/50	Trustee	Indefinite term. Trustee since 2006.	Associate Dean for Research (since 2011), McCombs School of Business, University of Texas at Austin ("McCombs"), and Director, AIM Investment Center at McCombs (since 2000). Charles E. and Sarah M. Seay Regents Chair in Finance (since 2002); Professor, University of Texas at Austin (since 1987). Former Chairman, Department of Finance, University of Texas at Austin (2002-2011).	76	Member of the Governing Council, Independent Directors Council (an association for mutual fund directors), and Investment Advisory Committee, Employees Retirement System of Texas.

Executive officers

Name, address and date of birth ("DOB")	Position(s) held with fund	Term of office and length of time served	Principal occupation(s) during past 5 years
Brandon Becker TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 3/19/54	Executive Vice President and Chief Legal Officer	One year term. Executive Vice President and Chief Legal Officer since 2009.	Executive Vice President and Chief Legal Officer of Teachers Insurance and Annuity Association of America ("TIAA"), and College Retirement Equities Fund ("CREF"), TIAA Separate Account VA-1, TIAA-CREF Funds, and TIAA-CREF Life Funds (collectively, the "TIAA-CREF Fund Complex") (since 2009). Former Partner, Wilmer Cutler Pickering Hale & Dorr LLP (1996-2009).
Richard S. Biegen TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 5/8/62	Chief Compliance Officer	One-year term. Vice President and Chief Compliance Officer since 2008.	Chief Compliance Officer of the TIAA-CREF Fund Complex and TIAA Separate Accounts VA-1 and VA-3 (since 2008). Vice President, Senior Compliance Officer (2008-2011) and Managing Director, Senior Compliance Officer (since 2011) of Asset Management Compliance of TIAA. Chief Compliance Officer of TIAA-CREF Investment Management, LLC ("Investment Management") (since 2008). Former Chief Compliance Officer (2008), Vice President, Senior Compliance Officer (2008-2011) and Managing Director, Senior Compliance Officer (since 2011) of Teachers Advisors, Inc. ("Advisors"). Former Managing Director/Director of Global Compliance, AIG Investments (2000-2008).

Roger W. Ferguson, Jr. TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 10/28/51	President and Principal Executive Officer	One-year term. President and Principal Executive Officer since 2012.	Principal Executive Officer and President of the TIAA-CREF Funds and TIAA-CREF Life Funds (since 2012). President and Chief Executive Officer of TIAA, CREF and TIAA Separate Account VA-1 (since 2008). Director of Covariance Capital Management, Inc. ("Covariance") (since 2010). Former Chairman, Head of Financial Services and Member of the Executive Committee, Swiss Re America Holding Corporation (2006-2008); Vice Chairman and Member of the Board of Governors of the United States Federal Reserve System (1997-2006).
Eugene Flood, Jr. TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 10/31/55	Executive Vice President	One-year term. Executive Vice President since 2011.	Executive Vice President, President of Diversified Financial Services of TIAA and Executive Vice President of the TIAA-CREF Fund Complex (since 2011). President, Chief Executive Officer, Manager and Chairman of TIAA-CREF Redwood, LLC ("Redwood") (since 2011). Director and Chairman of Covariance (since 2011). Manager and Chairman of Kaspick & Company LLC (since 2011). Director and Chairman of TIAA-CREF Life Insurance Company ("T-C Life") (since 2011). Former President and Chief Executive Officer (2000-2010) and Director (1994-2010), Smith Breeden Associates, Inc., an investment adviser. Former Trustee of the TIAA-CREF Fund Complex (2005-2011). Dean's Advisory Committee, Massachusetts Institute of Technology's Sloan School of Management (since 2000).
Phillip G. Goff TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 11/22/63	Principal Financial Officer, Principal Accounting Officer and Treasurer	One-year term. Principal Financial Officer, Principal Accounting Officer and Treasurer since 2007.	Treasurer of CREF (since 2008); Principal Financial Officer, Principal Accounting Officer and Treasurer of the TIAA-CREF Funds and TIAA-CREF Life Funds (since 2007) and Chief Financial Officer and Principal Accounting Officer (since 2009) and Treasurer (since 2008) of TIAA Separate Account VA-1. Director of Advisors (since 2008). Director of TIAA-CREF Asset Management ("TCAM") (since 2011). Senior Vice President (since 2010) and Funds Treasurer (since 2007) of Advisors and Investment Management. Former Chief Financial Officer, Van Kampen Funds (2005-2006).
Stephen Gruppo TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 9/25/59	Executive Vice President	One-year term. Executive Vice President since 2009.	Executive Vice President, Head of Risk Management of TIAA and Executive Vice President of the TIAA-CREF Fund Complex (since 2009). Executive Vice President, Risk Management (since 2009), Senior Managing Director of Advisors and Investment Management (2006-2009) and Head of Credit Risk Management of Advisors and Investment Management (2005-2006). Former Senior Managing Director, Acting Head of Risk Management of TIAA and Senior Managing Director of the TIAA-CREF Fund Complex (2008-2009). Former Senior Managing Director, Chief Credit Risk Officer (2004-2008) of TIAA. Former Director of T-C Life (2006-2008). Former Director of Teachers Personal Investors Services, Inc. ("TPIS"), Advisors and Investment Management (2008).
Ronald R. Pressman TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 4/11/58	Executive Vice President	One-year term. Executive Vice President since 2012.	Executive Vice President and Chief Operating Officer (since 2012) of TIAA and Executive Vice President of the TIAA-CREF Fund Complex (since 2012). Former President and Chief Executive Officer of General Electric Capital Real Estate (2007-2011).

Trustees and officers (unaudited)

concluded

TIAA-CREF Funds ■ March 31, 2012

Executive officers — concluded

Name, address and date of birth ("DOB")	Position(s) held with fund	Term of office and length of time served	Principal occupation(s) during past 5 years
Edward D. Van Dolsen TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 4/21/58	Executive Vice President	One-year term. Executive Vice President since 2006.	Executive Vice President, President of Retirement and Individual Services (since 2011) of TIAA and Executive Vice President (since 2008) of the TIAA-CREF Fund Complex. Former Chief Operating Officer (2010–2011), Executive Vice President, Product Development and Management (2009–2010), Executive Vice President, Institutional Client Services (2006–2009), Executive Vice President, Product Management (2005–2006), and Senior Vice President, Pension Products (2003–2005) of TIAA. Director of Covariance (since 2010). Director (since 2007), Chairman and President (since 2012) of TCT Holdings, Inc. Former Director (2007–2011) and Former Executive Vice President (2008–2010) of TCAM. Manager (since 2006), Former President and CEO (2006–2010) of Redwood. Former Director of Tuition Financing (2008–2009) and Former Executive Vice President of T-C Life (2009–2010).
Constance K. Weaver TIAA-CREF 730 Third Avenue New York, NY 10017-3206 DOB: 9/26/52	Executive Vice President	One-year term. Executive Vice President since 2010.	Executive Vice President, Chief Marketing Officer of TIAA and Executive Vice President of the TIAA-CREF Fund Complex (since 2010); Former Chief Communications Officer of TIAA (2010–2011). Former Senior Vice President, The Hartford Financial Services Group, Inc. (2008–2010). Former Executive Vice President and Chief Marketing Officer, BearingPoint (2005–2008).

Please note that the Funds' Statement of Additional Information (SAI) includes information about the Funds' trustees and is available, without charge, through our website, tiaa-cref.org, or by telephone at 800 223-1200.

Renewal of investment management agreement (unaudited)

Board renewal of the investment management agreement for the TIAA-CREF Real Estate Securities Fund

Among its other duties, the Board of Trustees (the “Board” or the “Trustees”) of the TIAA-CREF Funds (the “Trust”) is responsible for determining whether to initially approve and subsequently annually renew the investment management agreement (the “Agreement”) between Teachers Advisors, Inc. (“TAI”) and the Trust on behalf of its series, TIAA-CREF Real Estate Securities Fund (the “Fund”). Under the Agreement, TAI is responsible for providing investment advisory services and overseeing the everyday operations and other service providers of the Fund.

Section 15(c) of the Investment Company Act of 1940 (the “1940 Act”) requires that, after an initial period of up to two years, the Agreement for the Fund will remain in effect only if the Board, including a majority of those Trustees who have no direct or indirect interest in the Agreement, and who are not “interested persons” of the Trust, as that term is defined in the 1940 Act, annually renews that Agreement. All of the Trustees are deemed to be independent persons for this purpose.

Overview of the renewal process

The Board held a meeting on March 29, 2012, at which it considered the annual renewal of the Agreement with respect to the Fund using its previously-established process. As part of this process, the Board delegated certain tasks to its Operations Committee. Among these tasks, the Operations Committee worked with TAI and legal counsel to the Trustees to develop guidelines and specific requests relating to the types of information to be provided to the Committee and to the Board in connection with the proposed contract renewals, and then helped to evaluate the information provided in response to those guidelines. During a series of meetings held prior to the March 29, 2012 Board meeting, the Operations Committee reviewed such guidelines and requests in consultation with TAI representatives and input from other Trustees, legal counsel to the Trustees and legal counsel to TAI and the Trust, and then evaluated the information produced in accordance with those guidelines and requests.

Among other matters, the Operations Committee, following its consultations with others as noted above, confirmed or established various guidelines regarding the preparation of reports on the Fund to be provided to the Board by the Global Fiduciary Review unit of Lipper, Inc. (“Lipper”). Lipper is an independent provider of investment company data that is widely recognized as a leading source of independent data used by independent directors and trustees of investment companies during their advisory contract review processes.

Based on guidelines provided by the Operations Committee on behalf of the Board, Lipper produced, among other information, extensive performance and expense comparison data regarding the Fund, including data relating to the Fund’s management fee rates, total expense ratios, short-term and long-term investment performance, brokerage commission costs and portfolio turnover rates. Lipper also

Renewal of investment management agreement (unaudited)

compared much of this data for the Fund against a universe of investment companies and against a more selective peer group of mutual funds with similar investment objectives and strategies, each of which was selected by Lipper, and, in the case of the investment performance data, against the Fund's benchmark index. In each case, Lipper summarized the methodologies employed by it to provide the data contained in its reports. In addition, Lipper represented to the Board that its reports were designed specifically to provide the Board with the fee, expense and performance information that is necessary to help the Board satisfy its duties under Section 15(c) of the 1940 Act. Lipper also represented that it (and not TAI) had identified the selected comparative peer groups and universes and that it did so in a manner that was not intended to produce biased results for its clients.

Among other matters, the Operations Committee also requested and reviewed various information provided by TAI to facilitate the Trustees' evaluation of the reasonableness of the profits earned by TAI with respect to its services to the Fund pursuant to the Agreement. In this connection, the Operations Committee emphasized that different Trustees could, and likely would, give different weight to different factors when evaluating the profits realized by TAI.

In advance of the Board meeting held on March 29, 2012, legal counsel for the Trustees requested on behalf of the Board, and TAI provided, extensive information that was designed to assist the Board in its consideration of whether to renew the Agreement for the Fund. In addition to the data provided by Lipper as described above, this information included, but was not limited to, the following: (1) further information relating to the Fund's investment performance, including performance ratings provided by Morningstar, Inc. ("Morningstar"), which is a widely recognized mutual fund ranking service, and a narrative analysis of the performance of the Fund, which had underperformed its Lipper peer group by a specified amount over the three-year period ended December 31, 2011, together with an explanation of any events that had a material impact on the Fund's performance during that period; (2) a description of any fee waiver or expense reimbursement arrangements that were proposed or were in place during the prior year and the extent to which such arrangements would be continued or modified in the coming year; (3) a comparison of the Fund's management fee rate under the Agreement to the fee rates of any other comparable accounts managed by TAI or its affiliates; (4) any "fall-out" benefits that accrued or were identified as reasonably likely to accrue to TAI or its affiliates due to their relationship with the Fund aside from TAI's direct fee payments pursuant to the Agreement; (5) information regarding TAI's financial resources, senior professional personnel, overall staffing levels, portfolio manager compensation arrangements, business continuity plans, insurance coverage, compliance programs, any material pending litigation or compliance issues, portfolio trading and best execution practices, and any actual and potential conflicts of interest identified by TAI in connection with rendering services to the Fund; (6) information as to the profits earned by TAI in connection with its services pursuant to the Agreement; (7) a copy of the Agreement and certain related service agreements between the Fund and

affiliates of TAI; (8) a copy of TAI's SEC Form ADV registration statement (which was presented only to legal counsel for the Trustees); and (9) proposed narrative explanations of reasons why the Board should renew the Agreement.

In considering whether to renew the Agreement with respect to the Fund, the Board, with assistance from its Operations Committee, reviewed various factors with respect to the Fund, including: (1) the nature, extent and quality of services provided or to be provided by TAI to the Fund; (2) the Fund's investment performance; (3) the costs of the services provided to the Fund and the profits realized or potential profits to be realized by TAI and its affiliates from their relationship with the Fund; (4) the extent to which economies of scale have been realized or are anticipated to be realized as the Fund grows; (5) whether the fee schedule set forth in the Agreement reflects any such economies of scale for the benefit of Fund investors; (6) comparisons of services and fee rates with any contracts entered into by TAI with other clients to whom TAI provides comparable services; and (7) any other benefits derived or anticipated to be derived by TAI or its affiliates from their relationship with the Fund. As a general matter, the Board viewed these factors in their totality, with no single factor being the principal factor in determining whether to renew the Agreement.

In reaching its decisions regarding the renewal of the Agreement for the Fund, the Board took into account the information described above, other information provided to the Board in connection with this process, and relevant information provided to the Board and to its Committees on an ongoing basis in connection with the Board's general oversight duties with respect to the Fund. In addition, the Board received and considered information from its legal counsel as to certain relevant guidelines that relate to the renewal process under Section 15(c) of the 1940 Act and certain other legal authorities.

The Board received and considered both Trust level and Fund-specific information, but made its renewal determinations on a Fund-level basis. In deciding whether to renew the Agreement for the Fund, each Trustee may have accorded different weight to different factors and, thus, each Trustee may have had a different basis for his or her ultimate decision to vote to renew the Agreement for the Fund. At its meeting on March 29, 2012, the Board voted unanimously to renew the Agreement for the Fund. Set forth below are certain general factors the Board considered for the Fund, followed by a summary of certain specific factors the Board considered with respect to the Fund.

The nature, extent and quality of services

The Board considered that TAI is an experienced investment adviser that has managed the Fund since its operations commenced. Investment professionals at TAI also manage various accounts of the College Retirement Equities Fund ("CREF"), the TIAA-CREF Life Funds and the other series of the Trust. Under the Agreement, TAI is responsible for, among other duties: managing the assets of the Fund, including conducting research, recommending investments and placing orders to buy and sell securities for the Fund's investment portfolios; active daily monitoring of the

Renewal of investment management agreement (unaudited)

investment portfolios by various personnel with specific responsibility for the particular types of investments in question; reporting on the investment performance of the Fund to the Board on a regular basis; and carrying out, or overseeing the provision of, various administrative services to the Fund. The Board considered that TAI has carried out these responsibilities in a competent and professional manner.

The Board also considered, among other factors, the performance of the Fund, as discussed below. In addition, the Board considered the nature and quality of non-portfolio management services provided by TAI and its affiliates. In this regard, the Board considered its ongoing review of the performance of certain affiliated and unaffiliated service providers, including the quality of services provided by those firms and TAI's oversight of those service providers and the outsourcing of certain services to other firms.

Investment performance

The Board considered the investment performance of the Fund over one-, two-, three-, four- and five-year periods. The Board considered the Fund's performance as compared to its peer group, peer universe and benchmark index. Although the Fund had strong comparative performance during the two-year period, its performance during other periods was weaker. (For additional detail regarding the Fund's performance, see the synopsis below.) The Board concluded that, under the totality of circumstances considered, the investment performance of the Fund was within an acceptable range.

Cost and profitability

The Board considered financial and profitability data relating to TAI for the calendar year 2011 with respect to the Fund. The Board considered TAI's profit calculations with respect to its services to the Fund both before and after taking into account the costs incurred directly or indirectly by TAI in connection with the distribution of shares of the Fund. The Board acknowledged the reasonableness of having management fee rates which permit TAI to maintain and improve the quality of services provided to the Fund. The Board considered that TAI had earned profits with respect to the Fund in 2011 under the Agreement and expected this trend to continue. The Board concluded that TAI's profits with respect to its provision of services to the Fund in 2011 were not excessive in light of various relevant factors.

During its review of TAI's profits, the Board noted its ongoing efforts to examine the level of personnel and other resources available to TAI for its portfolio management functions so as to assess whether sufficient resources are being devoted to these functions.

Fees charged by other advisers

The Board considered information regarding fees paid to other advisers for managing similar funds, as analyzed by Lipper. The Board determined that the management fee rates charged to the Fund under the Agreement typically were lower than the management fee rates charged by many or most comparable mutual funds. In this connection, the Board also considered the inherent limitations of such comparisons in light of uncertainty as to how the fees of such similar mutual funds are set and potentially material differences between the Fund and its comparable mutual funds. The Board considered the potential limitations of such comparisons due to the fact that, in many instances, Lipper based its comparisons on financial data relating to fiscal periods that differed from the period for which the Fund's data were derived. Based on all factors considered, the Board concluded that the Fund's management fee rate under the Agreement was within an acceptable range in relation to those charged by appropriate groups of comparable mutual funds.

Economies of scale

The Board considered whether TAI has experienced or is anticipated to experience economies of scale in connection with the operation of the Fund. The Board also considered the extent to which the current fee "breakpoints" (that is, the Fund asset levels at which additional assets would be assessed lower fee rates) on the Fund would have a material effect on its fees. The Board considered TAI's representation that, although the current breakpoint discounts may be low compared to those of some competitors, the initial maximum fee rates in the Agreement are already at low levels compared to peer groups of mutual funds. Based on all factors considered, the Board concluded that the Fund's fee schedule was within an acceptable range in light of current economies of scale considerations and current asset levels.

Fee comparison with other TAI clients

The Board considered that TAI and its affiliates provide similar investment management services to other investment companies. In addition, TAI manages institutional client assets through a small number of unregistered commingled funds and separate accounts with similar investment strategies and investment staff. The Board considered the schedule of fees for each of these funds and accounts, and the management fee rates actually charged to clients with current separate accounts that are managed under similar investment strategies. The Board also considered TAI's representation that, while management fee rates charged to the Fund may differ from the management fee rates charged to these other funds and accounts, this is due in part to the fact that these other funds and accounts: are offered through products that charge additional fees to their investors; are offered in different types of markets; are provided with different types or levels of services by TAI; target different types of investors; and/or are packaged with other products, and that these factors, among others, justify different management fee rate schedules.

Renewal of investment management agreement (unaudited)

concluded

Other benefits

The Board also considered additional benefits to the Fund and to TAI and its affiliates arising from the Agreement. For example, TAI and its affiliates may benefit from the advisory relationship with the Fund and other series of the Trust to the extent that this relationship results in potential investors viewing the TIAA-CREF group of companies as a leading retirement plan provider in the academic and nonprofit markets and as a single source for all their financial service needs. Additionally, both TAI and the Fund may benefit from TAI's ability to acquire investment research related to its commission (i.e., soft dollar) arrangements.

Synopsis of factors

The Board considered the following specific factors (among others) in connection with its determination to renew the Agreement with respect to the Fund. If the Fund is described in the following discussions as being in the "1st" quintile, it is in the best of five groups (that is, the group has the best performance or the lowest expenses, as the case may be). References below to quintiles are based on data provided to the Board in the reports prepared by Lipper. The specific management fee, expense and performance factors outlined below are based on the Retirement Class shares of the Fund. Because the Retirement Class generally has different non-management expenses than the Institutional, Premier and Retail Classes of the Fund, the expenses and performance of these other Classes will differ from the expenses and performance shown for the Retirement Class. All time periods referenced below ended as of December 31, 2011. Under the Morningstar rating system, 5 stars is the highest (best) rating category and 1 star is the lowest rating category. Statements below regarding "net profit" or "net loss" refer to whether TAI earned a profit or incurred a loss for the services that it rendered to the Fund during 2011 under the Agreement.

- The Fund's annual contractual management fee rate is 0.50% of its assets with breakpoints.
- The Fund's total expenses and management fees were in the 1st quintile of the universe of comparable funds identified by Lipper for expense comparison purposes and the 2nd and 1st quintile, respectively, of the group of comparable funds selected by Lipper for expense comparison purposes.
- For the one-, three-, four- and five-year periods, the Fund was in the 4th quintile of the universe of comparable funds identified by Lipper for performance comparison purposes (the "Performance Universe") and 2nd quintile of its Performance Universe for the two-year period.
- The Fund received an Overall Morningstar Rating of 3 stars.
- TAI earned a net profit with respect to its services to the Fund for the one-year period.

Based primarily on the foregoing factors and considerations, the Board renewed the Agreement for the Fund.

Important tax information (unaudited)

For the year ended March 31, 2012, the Fund designates 2.88% (or the maximum amount allowable) of ordinary income dividends paid as qualifying for the maximum tax rate of 15% as provided by the Jobs and Growth Tax Relief and Reconciliation Act of 2003.

For the year ended March 31, 2012, the Fund designates 2.33% (or the maximum amount allowable) of ordinary income dividends paid as qualifying for the corporate dividends received deduction.

The information and distributions reported herein may differ from the information and distributions reported to shareholders for the calendar year ending December 31, 2012, which will be reported in conjunction with your 2012 Form 1099-DIV.

By early 2013, shareholders should receive their Form 1099-DIV and a tax information letter from the Fund. For your specific situation, we recommend that you consult a professional tax advisor.

How to reach us

TIAA-CREF website

tiaa-cref.org

24 hours a day, 7 days a week

Automated telephone service

800 842-2252

24 hours a day, 7 days a week

For the hearing- or speech-impaired

800 842-2755

8 a.m. to 10 p.m. ET, Monday–Friday

9 a.m. to 6 p.m. ET, Saturday

You should carefully consider the investment objectives, risks, charges and expenses of any fund before investing. For a prospectus that contains this and other important information, please visit tiaa-cref.org, or call 800 842-2252 for the Institutional, Retirement or Premier classes or 800 223-1200 for the Retail Class. Please read the prospectus carefully before investing. Investment, insurance and

annuity products are not FDIC insured, are not bank guaranteed, are not bank deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

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



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