Frequently Asked Questions

2022 TIAA Recordkeeping Offset Adjustments for CREF

Background

Consistent with the marketplace and financial services industry, as well as numerous other TIAA-CREF offerings, each of the eight CREF Accounts are structured into three classes, and all plans are assigned to one of those three classes, designated as R1, R2 and R3. The three classes of CREF allow institutions to benefit from the economies of scale that they generate:

- This class structure allows CREF to do what its mutual fund competitors do: offer classes whose expenses reflect the scale of plans' investable assets in CREF, with larger plans and institutions bearing lower expenses than smaller plans and institutions.
- Class designations are determined by an institution's CREF assets across all plans as follows:

Total CREF Assets	CREF Class
Less than $20 million	R1
$20 million up to $400 million	R2
$400 million or more	R3

Plan services expense offsets (recordkeeping offsets) may be provided by TIAA, as recordkeeper, to plans with TIAA or CREF annuities on their menus to assist plans in satisfying TIAA's revenue requirement. Plan services expense offsets are determined by TIAA in its capacity as a recordkeeper. Plan services expense offsets are not provided by TIAA or CREF annuities and do not impact expense ratios of such annuities. TIAA has not adjusted these recordkeeping offsets since 2015.

Q1: What is changing?

Effective July 1, 2022, the plan services expense offsets associated with each class of the eight CREF Accounts will be adjusted according to the schedule below:

- R1 CREF: from 35 basis points to 30 basis points
- R2 CREF: from 20 basis points to 15 basis points
- R3 CREF: will remain at 10 basis points

Q2: When will the change take place?

July 1, 2022.

Q3: Why are you making this change?

The CREF offsets were last changed in 2015. Since that time, CREF expense ratios have decreased by close to 40%. In light of the trends in declining expense ratios, TIAA is adjusting its plan service expense offsets to more accurately support the original intent of providing offsets to sponsors who use these classes of CREF.

Q4: How is TIAA making this change?

Our priority is to address the changes in recordkeeping offsets with as minimal disruption to the plan sponsor economic relationship with TIAA as possible. We will be implementing an extensive communications plan, including providing you and your clients with advance notice of the changes as well as the impacts of those changes on your clients' plans and plan participants.

Note: Where required by law, we will provide notifications at the sponsor and participant level.

Q5: Will this change happen automatically?

Yes. If your plan(s) currently use the R1 or R2 classes of CREF, the change will happen automatically on July 1, 2022. As a reminder, if your plan uses the R3 Class of CREF, there will be no change to the current offset structure.

Q6: When will these impacts occur?

In the case of a plan that fee levels, the first time a sponsor or participant might see the impact of the offset change is the plan fee and revenue reconciliation following the close of the third quarter, 2022. For plans that do not fee level, sponsors will see a lower funding amount in the Q3 2022 Revenue Credit Account.

Q7: What is the impact of this change on the client's plan?

- All plan sponsors will receive advance written notice of the change at least 60 days prior to the effective date of the change, but in most cases will receive written communication in early February 2022.
- Dependent upon how the plan sponsor is paying for qualified expenses and the change in offset amount for that plan's CREF class, the amount of the plan revenue may decline, hence the amount of the revenue credit may also decline, which could affect how an intermediary is paid for rendering qualified plan expenses.
- If the plan currently offers the R3 Class of CREF, there will be no change to the recordkeeping offsets for the plan, and therefore, neither the plan nor its participants will be impacted.
- If the plan currently offers either the R1 or R2 classes of CREF Accounts, the recordkeeping offsets associated with these classes will be decreasing by five (5.0) basis points. This change will result in one of two main impacts:
    - If a plan is not currently using a fee leveling solution, the drop in recordkeeping offsets will lower the amount of revenue credit attributable to the CREF assets in

their plan by five (5.0) basis points for each class, ultimately impacting Revenue Credit Account funding.
  - If a plan is fee leveling, the amount of plan service credits applied to participants' CREF accounts at the end of each quarter following the effective date of the change will be impacted.

Q8: What is the impact of this change on the client's plan participants?

- As noted above, the drop in recordkeeping offsets will lower the amount of the offset available to the plan. One of several impacts to plan participants is possible:
  - If the plan is returning this offset in the form of plan servicing credits via the Revenue Credit Account, there could be less funds in the RCA to distribute to plan participants.
  - If a plan is using a fee leveling/collection option, the lower offset amount could mean a lower plan service credit for the participant at the end of the calendar quarter when TIAA reconciles the offset versus the required fee.

Q9: Will this change affect a plan's ability to cover TIAA's revenue requirement or prevent the plan from paying its qualified plan expenses from the RCA?

For the vast majority of clients, this change will not create an inability to meet TIAA's revenue requirement, nor will it impact a sponsor's ability to pay qualified expenses from its RCA. However, a small number of clients have been forecasted to incur such challenges. TIAA has used historical qualified plan expense disbursement data to determine the population of clients in this situation, and TIAA has identified several alternatives to address this issue with each sponsor.

For those clients who fall into this category, TIAA will review current pricing and current fee leveling status to help clients determine the best alternative for them to mitigate this challenge. Details about these cases will be shared with the plan sponsor by their relationship manager. In addition, a complete forecast of the impact of these offset changes will also be shared with consultants.

Q10: What can a plan sponsor do if this change in the offsets leads their plan becoming unable to pay qualified plan expenses or TIAA's revenue requirement?

There are several possible ways to solve for this circumstance. TIAA will work with the sponsor to help them come up with a solution to address this particular challenge.

Q11: What do my clients need to do as plan sponsors?

If a plan is adding a new CREF class to its investment menu, a contract endorsement must be sent to all contract holders. If the plan utilizes a fee strategy that explicitly passes recordkeeping costs to participants (i.e., fee leveling), a regulatory change notice, including fee disclosure, must be sent to all plan participants (regardless of ERISA or non-ERISA status of the plan). Sending the fee change notification at least 30 days prior to the change satisfies applicable regulatory requirements. TIAA will support your client(s) in fulfilling these requirements.

Q12: Will TIAA notify plan participants of this change?

Employees who are participating in a plan which includes a specific fee leveling solution will be notified per regulatory requirements. Others will not receive a proactive notification of this change. A plan sponsor may choose to notify its participating employees of the change.

Q13: Can plan sponsors “opt out” of this change?

No, there is not an opt-out option.

Q14: Will this have any effect on fee billing?

No. Any existing fee billing arrangement between participants and their advisors will not be altered.

Q15: Can you provide some background about CREF?

TIAA began providing fixed-income annuities in 1918. In 1952, we pioneered the use of equity investments as a way of building retirement assets. These equity investments became America's first variable annuity, the College Retirement Equities Fund, or CREF. Today, CREF consists of eight accounts which offer participants broad asset class diversification to help them achieve their retirement needs and goals.

Q16: What are the eight CREF Accounts?

The eight core options listed below offer exposure to the major market segments:

1. **CREF STOCK ACCOUNT** (Inception: 1952): This Account seeks a favorable long-term rate of return through capital appreciation and investment income by investing primarily in a broadly diversified portfolio of common stocks.
2. **CREF GLOBAL EQUITIES ACCOUNT** (Inception: 1992): This Account seeks a favorable long-term rate of return through capital appreciation and income from a broadly diversified portfolio that consists primarily of foreign and domestic stocks.
3. **CREF GROWTH ACCOUNT** (Inception: 1994): This Account seeks a favorable long-term rate of return, mainly through capital appreciation, primarily from a diversified portfolio of common stocks that present the opportunity for exceptional growth.
4. **CREF EQUITY INDEX ACCOUNT** (Inception: 1994): This Account seeks a favorable long-term rate of return from a diversified portfolio selected to track the overall market for common stocks publicly traded in the United States, as represented by a broad stock market index.
5. **CREF BOND MARKET ACCOUNT** (Inception: 1990): This account seeks a favorable long-term rate of return primarily through high current income consistent with preserving capital. (Note: TIAA is updating the name of the **CREF Bond Market Account** to **CREF Core Bond Account** effective April 29, 2022.)
6. **CREF INFLATION-LINKED BOND ACCOUNT** (Inception: 1997): This Account seeks a long-term rate of return that outpaces inflation, primarily through investment in inflation-indexed bonds (fixed-income securities whose returns are designed to track a specified inflation index over the life of the bond).
7. **CREF SOCIAL CHOICE ACCOUNT** (Inception: 1990): This Account seeks a favorable long-term rate of return that reflects the investment performance of the financial markets while giving special consideration to certain social criteria.
8. **CREF MONEY MARKET ACCOUNT** (Inception: 1988): This Account seeks higher current income consistent with maintaining liquidity and preserving capital.

You could lose money by investing in the CREF Money Market Account. Because the accumulation unit value of the Account will fluctuate, the value of your investment may increase or decrease. An investment in the Account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Account's sponsor has no legal obligation to provide support to the Account, and you should not expect that the sponsor will provide financial support to the Account at any time.

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You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161 or go to TIAA.org/prospectuses for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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