Frequently Asked Questions

Introduction of new CREF R4 Share Class

Background

TIAA is committed to evolving and innovating to meet our client needs. As another step to create more flexibility in the pricing of CREF, we are excited to announce that **CREF is launching a new class – R4** - in late April 2022 as part of the annual prospectus update. This new class will have a lower administrative and distribution expense compared to the R1, R2 and R3 classes. The new R4 class offers total projected R4 expense ratios ranging from 6-12 bps while still offering the benefit of lifetime income to plan participants.

The R4 class will be available to institutions who have adopted TIAA Retirement Choice (RC)/TIAA Retirement Choice Plus (RCP) Contracts. TIAA will not provide any plan services or recordkeeping offset for the R4 class. The new class helps meet the demand for greater transparency of fees based on the feedback we have heard from you and your clients.

Q1. What is changing?

Effective April 29, 2022, a new class will be added to the existing R1-R3 structure. This new R4 class will offer the lowest expense ratio for CREF. All recordkeeping and plan service expenses will be removed from the Administrative & Distribution (A&D) portion of the expense ratio for this class. Recordkeeping related to CREF R4 will be paid separately via recordkeeping services agreements that TIAA has with plan clients as it is handled for mutual funds. Investment Advisory expenses and the M&E risk charge will remain consistent across all classes.

The expense ratios for the R4 class will have differentiation in the A&D expenses to reflect the fact that recordkeeping and plan service expenses will no longer be included. You can view specifics *here.*

Q2. When will the change take place?

CREF R4 will be effective as of April 29, 2022

Q3. Why are you making this change?

TIAA is committed to evolving and innovating to meet our client needs. We are adding the new R4 class as another step to create more flexibility in the pricing of CREF.
Market and competitive trends are driving Plan Sponsors to adopt zero revenue share investment offerings (institutional class-only line-ups). This additional class will meet the need of fee-leveling clients and those with institutional class-only line-ups.

Q4. How are the CREF Accounts different from mutual funds?

CREF is a variable annuity and not a mutual fund. These Accounts were designed to be converted into an income stream that can provide participants with annuity payments for a specific number of years oreven for a lifetime.

Q5. How is TIAA making this change?

CREF filed a prospectus supplement on January 31 announcing that R4 would be available effective April 29, 2022. This will be followed by the annual update to the CREF registration statement in late April. Adoption of the R4 class is up to the Plan Sponsor and their Consultant and can occur any time after the class goes live April 29, 2022. We are executing an extensive communications plan late January/early February leading with Consultants followed by communications directly to Plan Sponsors. If a Plan Sponsor is eligible, it will be up to that Plan Sponsor and their Consultant to determine if they would like to adopt the R4 class on their menu. Once a decision to adopt R4 is communicated to us, an implementation schedule will be provided by your Relationship Manager.

We will offer two implementations (Sept 2022 & January 2023) and more details will be communicated through our relationship managers. The deadline for implementations are April 15 and July 15 respectively. The plan is required to provide recordkeeping (RK) agreement update to their Relationship Manager to reflect CREF recordkeeping fee. If R4 is adopted, assets in a CREF Account in RC and RCP contracts at the time of the change will automatically be placed into the R4 class. And all future contributions will also be assigned to the R4 class.

Q6. Who is eligible for the R4 Share Class?

Institutions must offer RC or RCP contracts to be eligible for the new R4 class. An institution must be willing to sign a recordkeeping agreement or update their existing agreement to pay for CREF recordkeeping-related expenses separately. This is the same approach as is used for plans with institutional class mutual funds. Legacy contracts are not currently eligible because they do not allow for a separate recordkeeping fee to be collected. This is the early phase of our work to continue to innovate and evolve the CREF product suite and we are continuing to explore other alternatives to address the legacy contracts and will communicate any future solution when we are able to do so.

Q7. What criteria was used to determine the CREF class eligibility for R4 for an institution?

Plans with RC or RCP contracts are eligible for R4 class with a signed recordkeeping agreement to pay for recordkeeping services.

Q8. Can our institution opt-out of this change? Can I choose the CREF class I want to be in?

Adopting the R4 class of CREF is entirely up the Plan Sponsor and their Consultant. If you are not eligible to adopt R4 or choose not to if you are eligible, you will be continue to be subject to the eligibility criteria for the R1-R3 classes.

Q9. What are the components of the CREF expense ratio currently?

The expense ratio consists of the following components. You can view specifics for each account ***here.***

- **Investment management expenses.** These expenses generally include investment management, portfolio accounting and custodial services.
- **Administrative expenses.** These expenses cover expenses of the administration and operations of CREF and the contracts, including expenses associated with recordkeeping, premium allocation, tax and financial reporting, accounting, legal and compliance, facilities, and other contract owner-related services.
- **Distribution fees.** These fees are paid under a distribution plan that CREF has adopted authorizing payment of Rule 12b-1 or distribution fees, These fees are for all expenses associated with the provision of distribution services for the CREF contracts.
- **Mortality and Expense (M&E) risk charge.** This charge guarantees that CREF participants transferring funds to TIAA for the immediate purchase of lifetime payout annuities will not be charged more than the rate stipulated in the CREF contract.

Q10. Will any of TIAA-CREF's individual products be affected?

No, the eligibility for the individual products is not changing. CREF individual products eligibility is shown below.

Plan/Product	New Class
Investment Solutions IRA	R1
Keogh	R1
After-Tax Retirement Annuity (ATRA)	R2
Savings and Investment Plan (SIP)	R3
Accumulation Unit Deposit Option (AUDO)	R3

Q11. How will annuitants be affected?

Annuitants will continue to be aligned to the R3 class, no matter what their class designation was in their institutional retirement plan(s) or individual product(s) before receiving annuity income.

Q12. How will CREF's R4 expense ratio look relative to the market?

Based on recent Morningstar* analysis, the expense ratios for the CREF R4 Account classes are projected to be in the bottom decile of their respective Morningstar open-end mutual fund and variable annuity category for all accounts.

*Applies to mutual fund and variable annuity expense ratios. Source: Morningstar Direct, December 31, 2021. 64% of TIAA-CREF funds and variable annuity accounts have expense ratios that are in the bottom quartile (or 89.61% below median) of their respective Morningstar category. Our mutual fund and variable annuity products are subject to various fees and expenses, including but not limited to management, administrative, and distribution fees; our variable annuity products have an additional mortality and expense risk charge.

Q13. Does CREF expect to collect any additional revenue as a result of adding a new class?

No. CREF does not collect any additional revenue as a result of creating an additional class in its offering. CREF is an at-cost product and will remain so after this change. We are creating the new R4 class to allow for flexibility in how TIAA collects recordkeeping expenses from clients. Each client's economics is unique and overall fee experience for participants should be considered when evaluating whether to add class R4. The A&D costs for the R4 class is limited to product specific costs required to offer a registered product.

Q14. Why was eligibility for the new R4 class not designated by asset level?

The R4 class was created to allow more flexibility in how Plan Sponsors pay for recordkeeping and plan service expenses. The differentiation in the existing class structure (R1-R3) is based on size of client because recordkeeping and plan service expenses are similar for similar sized clients. Since the R4 class does not contain recordkeeping or plan service expenses and is paid for separately by the plan, any client of any size may adopt this structure. The separate recordkeeping fee will be negotiated between TIAA and the client and will reflect that client's economic factors including asset level.

Q15. What do I need to do as a plan sponsor if the plan decides to adopt R4?

A regulatory change notice including fee disclosure must be sent to all plan participants (regardless of ERISA or non-ERISA status of the plan) record kept by TIAA. Notices also must be sent to non-participating eligible employees of ERISA covered plans (i.e., those employees with plan accounts serviced by providers other than TIAA and who have an opportunity to invest in a CREF Account). TIAA will be supporting you in fulfilling these requirements. Sending the fee change notification at least 60 days prior to the change satisfies applicable regulatory requirements. These notifications will be managed either by TIAA or the plan sponsor, based on the plan sponsor's direction. In addition, participants with CREF certificates will receive an endorsement from TIAA..

Q16. Will TIAA notify my employees of this change?

Yes. If a Plan Sponsor decides to adopt the R4 class, TIAA will handle the required notifications for participants on our recordkeeping system, as part of the implementation process and as directed by the Plan Sponsor. Participants will receive information about their plan adopting class R4 of CREF at least 30 days in advance of the implementation date. Notification will be delivered via email for those who have opted-into receive electronic delivery of *both* public notices and fee disclosures, and via USPS for all other participants. (Note that non-ERISA participants need only to opt-in to public notices to qualify for electronic delivery.)

Q17. If I have other questions, whom can I contact?

You can contact your Relationship Manager, or if you are serviced by the Administrator Telephone Center, please call them at 888 842-7782, Monday to Friday, 8 a.m. to 8 p.m. (ET).

CONSULTANT/INTERMEDIARY-SPECIFIC Q&A

Q18. Will this have any effect on fee billing?

No. Any existing fee billing arrangement between individuals and their advisors will not be affected.

Q19. What effect does this have on the client's revenue credit account?

Based on the class the plan sponsor's plan is eligible for and the plan services expense associated with that class, the revenue credit account may be affected. Our Relationship Managers will be working with you and the plan sponsor to determine that affect.

Please reach out to our Consultant Relations team for additional information.

A variable annuity is an insurance contract and includes underlying investments whose value, similar to a mutual fund, is tied to market performance. When markets are up, you can capture the gains, but you may also experience losses when markets are down. When you retire, you can choose to receive income for life and/or other income options.

Annuities are designed for retirement and other long-term goals. They offer several payment options, including lifetime income. When you contribute to an annuity, your money must remain in it until you reach age 59-1/2. If you withdraw earnings before then, you may be subject to a 10% early withdrawal penalty. You may also pay ordinary income tax on other withdrawals from a qualified annuity. Depending on the issuing company, product and available options, the income may be fixed or variable. Guarantees and fixed-income payments are based on the claims- paying ability of the issuer. Variable annuity income varies based on the performance of the sub-accounts. Please note that with variable annuities, your money will be subject to the risks associated with investing in securities, including loss of principal.

This material is for informational or educational purposes only and does not constitute investment advice under ERISA. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

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

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