Frequently Asked Questions

Morningstar Advice and CREF Money Market Account

Overview

TIAA partners with independent third party, Morningstar Investment Management, who is responsible for making portfolio recommendations to your plan participants through TIAA's Retirement Advisor and Retirement Plan Portfolio Manager Services. Based on the low interest rate environment and recent events with the CREF Money Market Account, Morningstar has determined that it must start the process of removing the account when creating portfolios used in the advice program. This will begin to affect plans during their first Morningstar 90-day review period after February 1.

TIAA will work with plan sponsors in an effort to add an additional investment alternative to meet Morningstar's asset class and diversification requirements. If an alternative is not in place prior to Morningstar's subsequent review, the affected contract will be defaulted to "asset class guidance only" until and investment menu change is made. With plan sponsor approval, Morningstar can begin building the models as before – including the CREF Money Market Account – once interest rates rise and yields increase to cover the annuity's expenses.

Questions and Answers

Q1. What has changed with the CREF Money Market Variable Annuity Account?

Typical money market mutual funds waive their fees and fund it through the profits generated on that fund. CREF operates at-cost, which means it does not generate any profit. CREF does not have profits to fund the fee waivers and therefore cannot provide fee waivers to the Money Market Account without regulatory approval. Given the low interest rate environment and this legal structure, TIAA sought and secured a short term expense waiver that expired December 31, 2021. As a result of this expiration, the CREF Money Market Account will experience negative returns.

Q2. Why is Morningstar taking this stance?

Your plan's investment line-up has a limited number of fixed income investment options that are subject to Morningstar's independent quality analysis and assessment. One of those investment options, the CREF Money Market Account, no longer passes their criteria given the fund's current negative returns. As a result, Morningstar will no longer utilize this fund when creating the advice portfolios for your plan. Since you do not currently have a comparable fixed income investment alternative or your other fixed income investment is already receiving the maximum allocation, Morningstar will be unable to create investment portfolios that achieve their desired asset class targets.

Q3. How will I know which of my plans are affected?

You will be notified separately by TIAA regarding the specific plans that are affected by this.

Important Note: It is possible that all of your plans are affected or only a subset of plans, it depends on the specific fund line-up for each plan and whether or not there is a quality alternative to the CREF Money Market Account. This could include older contracts and plans that are frozen to new contributions.

Q4. What is the timing?

Morningstar currently reviews your plan's investment menu every 90 days and makes updates to the advice portfolios. This happens on a rolling basis and the timing can be different for each plan sponsor. The Morningstar policy on CREF Money Market goes into effect on February 1st. This means that your 90-day grace period will start on the plan's first normally scheduled menu review after February 1st and the grace period will end 90 days after that. During this grace period, Morningstar will temporarily continue to allocate the CREF Money Market Account This will allow you additional time to find an alternate fixed income option.

You will be notified separately by TIAA regarding the specific dates that apply to your plans. **Note:** this will be in the same communication mentioned above that will provide you the specific plans that are affected.

Q5. What actions do I need to take?

Morningstar recommends that the plan add an additional fixed income investment option, such as a money market, short-term bond investment, or stable value option to the plan menu. For institutions that are required to have an annuity only line-up, a stable value product or an annuity wrapped mutual fund might be an option.

Keep in mind: it is up to you, the Plan Sponsor and/or your Plan Consultant to determine the best course of action.

Q6. What happens if I don't take action?

As mentioned in Question 4, plan sponsors will have a 90-day grace period in which Morningstar will temporarily continue to allocate to the CREF Money Market Account. If no alternate fixed income options are added by the end of that grace period, Morningstar will no longer be able to build fund level portfolios for participants in the plan. In the event this occurs, participants can still use the asset allocation guidance provided by Morningstar in TIAA's Retirement Advisor and Retirement Plan Portfolio Manager tools, however, the tools will no longer provide fund level recommendations for the affected plans.

Q7. Will Morningstar add the CREF Money Market Account back as an investment option should yields increase to cover the annuity's expense?

Yes. Morningstar will begin building the models as before and will include the CREF Money Market Account once yields increase to cover the annuity's expense. Once the account is no longer yielding a negative return, upon the plan's 90 day review process, the model will pass and the CREF Money Market Account will once again be an investment option to the participant.

Q8. If the institution wants to make a change to the plan's use of money market funds or needs additional information regarding Morningstar Advice, what can they do?

- Call your relationship manager to discuss the advice component or to consider options for your plan's investment menu.
- If serviced by the Administrator Telephone Center, call 844-500-5062, weekdays, 8 a.m. to 8 p.m. (ET)

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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