



FINANCIAL SERVICES
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May 20, 2005

Neil Wollman, Ph.D.
Senior Fellow
Peace Studies Institute
Professor of Psychology
Manchester College
North Manchester, IN 46962

Dear Dr. Wollman:

Herb Allison asked me to respond to your recent announcements about changes that are occurring at the Social Choice for Social Change (SCSC) campaign. Over the last year, the dialogue between TIAA-CREF, Mr. Steve Schueth and the SCSC has been informative and helpful as we've reviewed many of the policies and practices we have long followed in an effort to be socially responsible as an investor. That said, we respectfully disagree with several of the points made in your e-mails, especially the perception that TIAA-CREF has not responded adequately to your campaign and the SCSC.

The SCSC campaign has requested that TIAA-CREF take three steps. As you know, our decisions are guided solely by our fiduciary responsibility. In keeping with the mission of our Charter, we are dedicated to securing the financial future of the 3.2 million participants who have entrusted us with their retirement savings. We have conducted significant due diligence of the proposals of SCSC, and our response is as follows.

- Proxy Voting and Shareholder Advocacy
We have developed a set of proxy voting guidelines to be used for voting shares held in the Social Choice Accounts. The guidelines incorporate the criteria that are used as screens in the KLD Broad Market Social Index (BMS Index), and will help to ensure that proxy votes are cast consistent with the investment strategy of the Social Choice Accounts. We expect to begin to implement the new voting guidelines in the summer of 2005.
- Investments in Community Development (up to 2% of Social Choice funds assets)
TIAA currently has more than \$170 million allocated to community development projects around the country such as the Community Preservation Corporation, New York Equity Fund, TPI Housing and Impact Community Capital – all of which provide financing for low-income housing. These investments fall within the parameters of the New York State Insurance Law, which governs all TIAA accounts.

The Social Choice Accounts are subject to the Investment Company Act of 1940, which requires that an account's Net Asset Value be determined on a daily basis and limits the illiquid investments that an account can make. For CREF accounts, that limit is 10 percent. The proposed investments in community development would be illiquid and extremely difficult to value on a daily basis.

Moreover, such investments would represent a deviation from the stated objective and strategy of the Social Choice Accounts. Specifically, the accounts currently operate as indexed accounts that aim to get market returns based on certain benchmarks. To the extent that the proposed investments would require active management, they would risk greater tracking errors and involve higher fees than are currently indicated in the prospectus.

Because the proposed investments in community development fail to meet the requirements of valuation, liquidity and stated investment objective and strategy, we do not have any plans to pursue them in the Social Choice Accounts.

- Investments in Double-Bottom Line Private Equity (up to 3% of Social Choice funds assets)
Venture capital for development programs present the same obstacles as do community development investments referred to above. They are illiquid, are difficult to value on a daily basis and deviate from the stated indexed strategy. As a result, we do not have any plans to pursue such investments in the Social Choice Accounts.

In earlier conversations, we indicated to Mr. Schueth that we would consider the idea of including a resolution on the TIAA-CREF proxy that would ask shareholders if they wanted these items incorporated into the Social Choice Accounts. Upon thorough review, we have determined such a resolution would not be in our participants' best interest. Because the requested shift in investment strategy would require more active management of the Social Choice Accounts, it would result in substantially increased costs. We do not believe it is prudent or proper to impose such costs on current participants. A shareholder vote would not allay our concerns because the costs would be borne by all participants, regardless of how they voted on the resolution. Accordingly, it is unlikely that we would support any such resolution you might introduce.

However, in considering your requests, we reaffirmed our commitment to providing TIAA-CREF participants with the products they want. Just as we worked with participants to develop the initial CREF Social Choice Account, we are willing to work with participants to create new products, provided that we can address issues of procedure, demand and cost. Specifically, we must be certain that we have or can obtain the necessary competencies to manage a fund; there is sufficient interest to generate an operating profit; and pricing of the fund can be set to achieve that profit, rather than a loss that would have to be subsidized by customers of other funds.

We are willing to survey current participants in Social Choice Accounts to determine their interest in investing in a separate Fund that would incorporate the investment strategies recommended by the SCSC. To ensure that the opinions gathered are well-informed, the survey would include sufficient information about the costs and methodology for handling the illiquidity of up to 5 percent of the Accounts. Participants would be asked whether, if such a Fund were offered, they would be interested in becoming an investor and, if so, whether they would move their assets from current accounts to the new Fund or invest new assets in the new Fund. The survey would yield hard data about market demand, which we could then use to determine the financial feasibility of a new Fund.

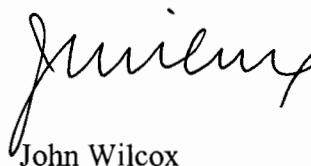
We are proud of our history and accomplishments as a socially responsible investor. As you know, we recognized early on (before most financial services companies) that our participants and customers wanted investment vehicles which more accurately reflected their personal and issue priorities. To that end, we created three different funds that provide individuals with the opportunity to invest their money in funds that screen out tobacco, alcohol, nuclear energy or weapons and defense-related businesses. Our funds also screen for companies' records in the areas of the environment and human rights.

Our largest fund, CREF Social Choice Fund, is celebrating its 15th anniversary this year. Introduced in 1990, it has grown into the world's largest socially screened investment fund for individual investors with just under \$7 billion in assets. Our other funds – TIAA-CREF Institutional Social Choice Equity Fund (with approximately \$144 million in assets) and TIAA-CREF Social Equity Fund (with approximately \$120 million in assets) – offer the same investment criteria to a larger group of investors interested in a socially responsible investment strategy.

We are committed to meeting our fiduciary responsibility and acting in the economic interests of our participants. At the same time, we strive to be a socially responsible investor and to engage in open and transparent communication on issues of importance to our participants.

We appreciate your continued interest, and hope this answers many of your questions and concerns.

Sincerely,



John Wilcox