TIAA

Frequently asked questions (FAQs) about TIAA Traditional

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Section 1—Overview

1. What is an annuity?

An annuity is a product issued by an insurance company. It can be utilized to save while you work and is the only financial product that can provide access to a guaranteed lifetime "paycheck"[1] when you retire. A contract is issued to you by the insurance company that specifies the terms governing the annuity benefits. You can access annuities through retail channels or, if available, through retirement accounts.

The most common types of annuities are fixed or variable. Fixed annuities, also known as guaranteed annuities, pay you a minimum guaranteed rate of interest while you save and may have the opportunity for more depending on type. Variable annuities are investments and have values that fluctuate based on performance.

Annuities can be utilized in either or both phases:

- While you're saving—ability to grow your money tax deferred
- When you stop working—a fixed annuity provides an option for secure guaranteed lifetime "paycheck" in retirement. Please note, withdrawals prior to age 59½ may be subject to a 10% federal tax penalty in addition to ordinary income tax

2. What is TIAA Traditional Annuity and how can it help me with my retirement planning?

For more than 100 years, our flagship TIAA Traditional has helped millions of participants build and prepare a solid retirement foundation. While you and/or your employer contribute during your working years, your account balance will be credited with interest at competitive rates that are declared in advance.[2] When you retire, you have the option to use some or all of your balance to purchase a stream of regular monthly income that you can't outlive. Other income options may also be available to you.

[1] "Paycheck" is the annuity income received in retirement. Guarantees of fixed monthly payments are only associated with TIAA's fixed annuities.

[2] Interest credited to TIAA Traditional Annuity accumulations includes a guaranteed rate, plus additional amounts as may be established on a year-by-year basis by the TIAA Board of Trustees. The additional amounts, when declared, remain in effect through the "declaration year," which begins each March 1 for accumulating annuities and January 1 for payout annuities. Interest in excess of the guaranteed amount is not guaranteed for periods other than the period for which it is declared. Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability. TIAA Traditional is a guaranteed insurance contract and not an investment for federal securities law purposes.

An annuity is a form of insurance contract because it provides guarantees. Like all insurance products, the ability to satisfy guarantees is subject to what is referred to as the "claims-paying ability" of the insurance company that issues the contract. As such, TIAA Traditional's guarantees are subject to the claims-paying ability of its issuer, Teachers Insurance and Annuity Association of America. Additional amounts of interest or lifetime income, when declared, are not guaranteed for periods other than the period for which they are declared.[2]

TIAA Traditional is made available under multiple contracts. The contract that is available to you depends on the terms of your employer's plan (or whether you are accessing TIAA Traditional through an IRA). Interest rates, guarantees, terms and conditions can differ by contract. For additional details, see ***Section 2—Interest crediting rates*** and ***Section 3—Transfers and withdrawals***.

Our fixed annuity provides ***Guaranteed Growth*** which means the value of your retirement savings is guaranteed to increase every day even in the most volatile markets.[2] It also provides ***Dependable Lifetime Income*** by allowing you to turn your savings into regular monthly income to help meet your everyday living expenses in retirement. It's like getting a "paycheck" when you stop working. You choose when and how much TIAA Traditional savings to convert into lifetime income, subject to your employer's plan terms (for you, or you and your spouse or partner). You can combine lifetime income with other income options, payment frequencies, and payment start dates to tailor the plan to your own needs. You can also choose to select a minimum number of years (10, 15 or 20) of guaranteed income payments, which is called a "guarantee period." If you (or you and your spouse or partner) pass within the time period you select, payments continue to your designated beneficiary.

When electing lifetime income, participants are converting a portion of savings into a lifetime income stream as part of an overall income plan. Exchanging your savings for income payments (referred to as "annuitization") is a permanent decision and once lifetime income payments has been selected you are unable to change to another option. Since it can't be revoked, it's important that you maintain emergency funds in another area for any unexpected expenses. Our unique approach, consistent with TIAA's overall mission, may reward you with additional amounts of lifetime income the longer you have contributed to TIAA Traditional. For additional information, see ***Section 4—Lifetime income options***.

The TIAA Traditional Annuity is a guaranteed annuity account backed by the claims-paying ability of Teachers Insurance and Annuity Association of America (TIAA). It guarantees your principal and a contractually specified minimum interest rate, plus it offers the opportunity for additional amounts in excess of this guaranteed rate.[2] It is important for you to know that TIAA's financial strength ratings, as assessed by independent rating agencies, are among the highest for U.S.-based life insurance companies.[3]

In the event that an insurance company such as TIAA becomes unable to satisfy its obligations, there are state guaranty associations that may be available to help satisfy some or all of the outstanding obligations. Like all insurance companies, TIAA is a member of these guaranty associations.

3. Who can use TIAA Traditional?

Any participant in an employer plan where TIAA Traditional is offered may use TIAA Traditional. Additionally, TIAA Traditional is available through a TIAA IRA to eligible individuals, including those who currently work for organizations in the nonprofit industries we serve; people who previously worked for those organizations, as long as they were employed for 3+ years or while they were age 55 or older; and family members of those same people (living or deceased).

[3] For its stability, claims-paying ability and overall financial strength, Teachers Insurance and Annuity Association of America (TIAA) is a member of one of only three insurance groups in the United States to currently hold the highest rating available to U.S. insurers from three of the four leading insurance company rating agencies: A.M. Best (A++ as of 7/20), Fitch (AAA as of 11/20) and Standard & Poor's (AA+ as of 8/20), and the second highest possible rating from Moody's Investors Service (Aa1 as of 9/20). There is no guarantee that current ratings will be maintained. The financial strength ratings represent a company's ability to meet policyholders' obligations and do not apply to variable annuities or any other product or service not fully backed by TIAA's claims-paying ability. The ratings also do not apply to the safety or the performance of the variable accounts, which will fluctuate in value.

4. Why should I choose TIAA Traditional?

TIAA stands apart by offering ***Exclusive Benefits***. Our 'sharing the profits' approach seeks to reward you with additional growth and income.[4]

TIAA Traditional's guarantees are backed by TIAA's claims-paying ability and supported by its highly rated financial strength.[3] It has no deferred sales charges and surrender charges only apply in limited circumstances under two contract types. (See ***Section 3—Transfers and withdrawals*** for more information on the contracts and circumstances where surrender charges could apply.)

Our not-for-profit heritage has distinctive potential benefits for participants. Like all insurance companies, we set money aside (contingency reserves) as required to protect your guaranteed savings and income benefits. However, unlike most insurance companies, TIAA seeks to provide unneeded profits back to you in support of your retirement. Learn more under ***Section 4—Lifetime income options***.

5. How does TIAA Traditional work?

An annuity like TIAA Traditional has two phases—accumulation and retirement income.

Accumulation phase:

Because TIAA Traditional is a guaranteed annuity, if you select lifetime income, your income will never fall below a certain guaranteed level. With TIAA Traditional, the value of your retirement savings is protected and guaranteed to increase every day, even in the most volatile markets. Contributions to TIAA Traditional earn competitive crediting rates (total interest rate).

- <u>Guaranteed minimum rate:</u> Watch your balance grow every day as the guaranteed interest rate (between 1-3%) increases the value of your retirement savings
- <u>Additional amounts:</u> TIAA has paid more than the contractual guaranteed minimum rate on multiple contracts since 1948.[2,5] Additional amounts become part of your guaranteed accumulation.
- <u>Total crediting rate:</u> The total interest rate (guaranteed minimum rate amount plus any additional amounts) paid by TIAA

You put money in while you work. Your savings earns a minimum rate of interest with the potential for additional amounts of interest above the minimum that may be declared periodically by TIAA's Board of Trustees.[2] The total interest crediting rates (minimum guaranteed rate plus any additional amounts) can differ by the type of contract available to you. (See ***Section 2—Interest crediting rates*** and ***Section 3—Transfers and withdrawals*** for more information on when restrictions may apply and the effect these restrictions can have on the interest rates we pay you.)

Retirement income phase:

You have the flexibility to take money out in a number of ways when you retire. Depending upon the contract that TIAA Traditional is offered under, options may include some or all of:

- Lifetime income payments guaranteed to pay you income for your life only or the lives of you and a spouse or partner. (See ***Section 4—Lifetime income options*** for additional details.)
- Non-lifetime income options. (See ***Section 5—Non-lifetime income options*** for additional details.)

[4] TIAA may share profits with Traditional Retirement Annuity owners through declared additional amounts of interest and through increases in annuity income throughout retirement. These additional amounts are not guaranteed.

[5] Source: TIAA Actuarial Department as of December 2020.

Section 2—Interest crediting rates

6. **How does the value of my account change?**

When you contribute to TIAA Traditional, you will be paid interest at competitive crediting rates that are declared in advance. Even in the most volatile markets, you will never lose the value of the principal you contribute. In fact, your principal and earnings will grow every day—guaranteed.[2]

7. **How is interest credited on contributions?**

The total interest rates paid by TIAA (guaranteed minimum amount plus additional amounts, if any) on contributions and/or transfers in ("funds applied") made in the current month are set and declared at the beginning of each month and, in the accumulation phase, are guaranteed through the end of the following February. For future contributions or transfers after the current month, TIAA can raise, lower or keep the crediting rate the same based, in part, on current market conditions and other factors. You should also be aware that interest rates can differ by contract type.

8. **When are new TIAA Traditional Annuity rates declared?**

TIAA can establish and declare new rates for new funds applied at any time, but these declarations are typically made once a month. How often the rate changes depends on a number of factors, including, in part, the interest rate environment and the yields and earnings available on investments in TIAA's general account, which backs TIAA Traditional's returns.[6] Interest rates for new funds applied can change as often as every month, but in some cases they may remain the same for multiple months. Once declared, the rate remains in effect for these funds until the end of the "declaration year," which begins each March 1 for accumulating annuities.

9. **Does the current rate applied to my new contributions also apply to my older accumulations?**

No. TIAA Traditional credits interest based on the time period during which you make the contribution or transfer in. As a result, the money you contribute or transfer during different time periods may earn different rates of interest. Think of each time period as a different bucket.

- The money you contribute in earlier time periods (earlier buckets) can earn different rates
- If you have contributed regularly over various time periods, then you will have a balance in multiple buckets

Renewal rates

On March 1, the rates for all existing time periods (referred to as "renewal rates") are reviewed for possible reset. Rates are then guaranteed until the end of the following February (i.e., a one-year period). TIAA's Board of Trustees determines the interest rate in excess of the minimum guaranteed rates for a particular time period.

Interest rates are determined based on factors including, but not limited to, the following:

- The interest rate environment at the time the funds were contributed
- The interest rate environment at the time the funds were transferred in
- TIAA's expenses and changes in interest rates over time

10. **Can you tell me more about "interest buckets"?**

TIAA believes that the "interest bucket" system is the most equitable way to credit interest among all participants. The system helps ensure that accumulations in participants' accounts are credited with total interest rates that reflect, in large part, both the prevailing interest rate environment and the financial experience of TIAA general account investments that support each interest bucket.[6]

[6] Participants do not invest in the TIAA general account portfolio, which supports the minimum guaranteed returns, additional amounts and payout obligations under the TIAA Traditional Annuity. The TIAA general account, which backs the guarantees and benefits of TIAA Traditional, is comprised of long-term, potentially higher yielding investments. Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability.

TIAA uses the interest bucket system to group TIAA Traditional accumulations. An "interest bucket" consists of all TIAA Traditional accumulations that were contributed or transferred in during the same time frame and are, therefore, receiving the same interest rate. A typical time frame is one or more consecutive calendar months.

Two important additional points about interest buckets: First, over time it's possible that the interest rates on separate interest buckets may converge, and second, the split of your savings across interest buckets can have an effect on the amount of lifetime income you can receive, if you so elect. See ***Section 4—Lifetime income options*** for additional details.

11. How are interest rates determined?

The interest rate for a particular bucket in excess of the minimum guaranteed rate is determined at the discretion of TIAA's Board of Trustees. These rates are determined based on many factors, including the interest rate environment at the time the funds were contributed or transferred into the interest bucket, changes in interest rates over time, TIAA's expenses, the financial experience of the TIAA general account, and the need to maintain adequate capital to support TIAA's financial strength and to support the growth and strategy of TIAA.

While the investment returns of TIAA's general account do not flow directly to TIAA Traditional participants, TIAA Traditional crediting rates reflect, in part, the yields and earnings that TIAA obtains on bonds and other investments. These yields and earnings tend to change over time; when and by how much they change can help define when an interest bucket begins and ends, and what its crediting rate will be.[6]

12. How often is interest credited to TIAA Traditional, and is it credited on weekends?

TIAA Traditional interest is credited every day of the year but is only posted as of the end of each business day. For example, a participant's accumulation value at the end of a Monday (if it's a business day and not a holiday) will reflect interest for Saturday and Sunday, as well as for Monday. During leap years, interest will be compounded and credited each day, including on February 29, such that an amount on deposit on the December 31 immediately preceding the leap year will have grown by the annual effective crediting rate(s) as of the end of the day on December 31 of the leap year.

13. Where can I find the current interest rates and historical performance for TIAA Traditional?

Current TIAA Traditional interest crediting rates for new funds applied are available online at **TIAA.org/traditional**. Click on *View Rates* under Guaranteed Growth and select *Retirement Plan Annuities* under the Performance section, where you can filter the list for TIAA Traditional. To see your personal TIAA Traditional balances by bucket, the current guaranteed minimum and total interest crediting rates for each time period, and your personal dollar weighted average current crediting rate, log in to your account at **TIAA.org**. Look at your balances by asset class, then click *View Interest Rates* under the Guaranteed Asset class section.

14. Why does TIAA Traditional pay higher interest rates on some contracts versus others?

Higher total crediting rates are typically paid on TIAA Traditional contracts that require benefits to be paid over time and/or within a short window with a surrender charge. The TIAA General Account backs TIAA Traditional's interest and income payout guarantees. Since this account invests in strategic long-term assets, TIAA is able generate higher returns over what might be earned from short-term liquid assets.[11] (See ***Section 3—Transfers and withdrawals*** for additional details.) These provisions are designed to allow the TIAA general account, which backs the guarantees and benefits under TIAA Traditional, to invest in long-term illiquid assets that often offer enhanced returns versus short-term, more liquid assets.[6]

Other contracts allow full freedom to withdraw and transfer out of TIAA Traditional, but the trade-off for increased access has typically been lower interest crediting rates.

TIAA has rewarded participants who save in contracts where benefits are paid in installments over time (instead of in an immediate lump sum) by crediting higher interest rates, typically 0.50% to 0.75% higher.[7] Higher rates will lead to higher account balances and more retirement income for you.

In addition, differences in minimum guaranteed crediting rates between contracts can also affect the level of the total interest crediting rates (minimum guaranteed rate plus any additional amounts). (See **Question 23** for additional details.)

15. Does TIAA Traditional provide any minimum guarantees?

Yes. TIAA Traditional provides minimum guaranteed interest crediting rates during the accumulation phase and a minimum amount of lifetime income when you retire. The minimum guaranteed interest crediting rate can differ by contract as shown in the table at right.

TIAA strives to credit interest above the minimum rates. In fact, TIAA has credited interest above the contractual minimum guaranteed rate on one or more contracts every year since 1948, and since 1981, the TIAA Traditional Retirement Annuity and Supplemental Retirement Annuity interest crediting rates have outpaced inflation.[7, 8]

The table below summarizes TIAA Traditional minimum guarantees:

Contract type	Accumulation phase minimum guaranteed interest crediting rate[8]	Minimum guaranteed lifetime income annuity payment amounts[8]
Retirement Annuity (RA)	3% for all contributions remitted since 1979	Based on 2.50% interest and a fixed mortality table. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.5%), fixed mortality table and other provisions at the time contributions were made.
Group Retirement Annuity (GRA)	3%	Based on 2.50% interest and a fixed mortality table. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.5%), fixed mortality table and other provisions at the time contributions were made.
Retirement Choice (RC)	Floats between 1% and 3% and redetermined each 1/1. Applies to premiums deposited during the applicable calendar year and is guaranteed for 10 years, at which point the minimum rate for these premiums will be reset	Based on 2.00% interest and a mortality table that is updated each year. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.0%), variable mortality table and other provisions at the time contributions were made.
Supplemental Retirement Annuity (SRA)	3% for all contributions remitted since 1979	Based on 2.50% interest and a fixed mortality table. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.5%), fixed mortality table and other provisions at the time contributions were made.
Group Supplemental Retirement Annuity (GSRA)	3%	Based on 2.50% interest and a fixed mortality table. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.5%), fixed mortality table and other provisions at the time contributions were made.
Retirement Choice Plus (RCP)	Floats between 1% and 3% and redetermined each 3/1. Applies to all accumulations and premiums deposited during the period	Based on 2.00% interest and a mortality table that is updated each year. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.0%), variable mortality table and other provisions at the time contributions were made.
IRA (issued on or after 10/11/2010)	Floats between 1% and 3% and redetermined each 3/1. Applies to all accumulations and premiums deposited during the period	Based on 2.00% interest and a mortality table that is updated each year. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.0%), variable mortality table and other provisions at the time contributions were made.
IRA (issued prior to 10/11/2010)	3%	Based on 2.50% interest and a fixed mortality table. Payment amount for the payout option selected is based on a combination of contractually specified interest rate (2.5%), fixed mortality table and other provisions at the time contributions were made.

The current minimum guaranteed rate for each contract is available online at **TIAA.org**.

7 Source: TIAA Actuarial Department.

8 Based on TIAA's claims-paying ability. Additional amounts above this guaranteed level of income may also be provided, and are calculated based on different interest rates and mortality tables than used in determination of guaranteed benefits, but in no case would result in less than guaranteed levels of income.

Section 3—Transfers and withdrawals

16. Can I transfer or withdraw my TIAA Traditional balances not converted to lifetime income?

Transfer and withdrawal options will vary by the type of contract you use. Be aware that your employer's retirement plan may utilize more than one type of contract. When TIAA Traditional is made available within an employer-sponsored retirement plan, income and withdrawal options are subject to the terms of the employer plan. Withdrawals prior to age 59½ may be subject to a 10% federal tax penalty in addition to ordinary income tax.

The rules governing TIAA Traditional participant-initiated transfers and withdrawals by contract are listed below. In addition, your employer's retirement plan may have additional restrictions or conditions that can affect the liquidity of the product. Please refer to your contract or certificate for full details or contact us at **800-842-2252**.

Contracts where TIAA Traditional pays benefits in installments over time (typically higher interest rates):

- **Retirement Annuity (RA)—**Lump-sum withdrawals are not available from the TIAA Traditional account. Subject to the terms of your employer's plan, all withdrawals and transfers from the account must be paid in 10 annual installments. After termination of employment, additional income options may be available including income for life, interest-only payments, and IRS required minimum distribution payments.
- **Group Retirement Annuity (GRA)—**Subject to the terms of your employer's plan, lump-sum withdrawals are available from the TIAA Traditional account only within 120 days after termination of employment and are subject to a 2.5% surrender charge. All other withdrawals and transfers from the account must be paid in 10 annual installments. After termination of employment, additional income options may be available including income for life, income for a fixed period of time, interest-only payments, and IRS required minimum distribution payments.
- **Retirement Choice Annuity (RC)—**Subject to the terms of your employer's plan, lump-sum withdrawals are available from the TIAA Traditional account only within 120 days after termination of employment and are subject to a 2.5% surrender charge. All other withdrawals and transfers from the account must be paid in 84 monthly installments (seven years). After termination of employment, additional income options may be available including income for life, interest-only payments, and IRS required minimum distribution payments.
- **Contracts where TIAA Traditional pays benefits immediately (typically lower interest rates):**

  Lump-sum withdrawals and transfers are available from the TIAA Traditional account without surrender charges or any restrictions (other than a 90-day equity wash that may apply under certain RCP contracts as described below). After termination of employment, additional income options may be available including income for life, income for a fixed period of time (available under some contracts), and IRS required minimum distribution payments. These contracts generally pay lower interest rates than the previously described contracts as a result of the enhanced liquidity.

  - Supplemental Retirement Annuity (SRA)
  - Group Supplemental Retirement Annuity (GSRA)
  - Retirement Choice Plus Annuity (RCP)[9]
  - IRA and Keogh

  Under this second group of contracts, if you transfer out of TIAA Traditional and transfer back within 120 days, the amount up to the original transfer will be credited with the same interest rates that would have applied if the transfer out had not taken place. Such interest will be credited from the date the transfer in was made. Interest will not be paid for the period from the date of the transfer out to the date of transfer in. We refer to this as "time period restoration."

[9] Certain RCP contracts impose a "90-day equity wash rule." Under those contracts, if your plan offers investment options known as "competing funds" (for example, a money market account, short-term bond funds, self-directed brokerage accounts, or the TIAA Real Estate Account), and you want to transfer money from TIAA Traditional to one of those options, the amount you transfer must first be directed to a non-competing option (for example, a stock fund or intermediate-term bond fund) where it must remain for 90 days before being transferred to the competing fund. (TIAA Contract form IGRSP-02-ACC/TIAA Certificate form IGRSP-CERT3-ACC.)

17. Why do you have a time period restoration policy?

The reason we have a time period restoration policy under certain contracts is to discourage participants who have an average interest rate, weighted across their buckets, that is less than the current (or expected future) new money rate, from transferring out of TIAA Traditional and then transferring back in shortly thereafter to attempt to obtain the higher new money interest rate associated with the current bucket. If we allowed this type of activity to occur and did not have a restoration policy in place, it could result in lower interest rates than those we can currently pay, thus potentially negatively impacting all participants.

Section 4—Lifetime income options

18. Can TIAA Traditional provide guaranteed income for life?

Yes. Founded in 1918 for those who serve others, TIAA Traditional was designed and built to help meet both your retirement savings as well as your lifetime income needs. On average, we shared more than $3 billion with TIAA Traditional plan participants each year and $10 billion total over the past 3 years.[10]

Opting for lifetime income is a personal decision based on your facts and circumstances, but consider this: As of year-end 2019, 9020 people age 95 and older, 1052 people age 100 and older, and 48 people age 105 and older were still receiving lifetime income from TIAA Traditional.

Over what could be 30 or more years in retirement, keep in mind that contributing to TIAA Traditional gives you the certainty that you will have a "paycheck" in retirement that can help cover your basic, everyday living expenses without worrying about outliving your income. Of course, you don't have to convert all of your TIAA Traditional savings to lifetime income, but if you can cover your basic living expenses with a TIAA Traditional Annuity, you will be able to use the other money you have saved for discretionary purposes.

For more information, visit TIAA's Preparing for Retirement site at **TIAA.org/public/offers/insights/preparing-for-retirement** or give us a call at **888-583-2535**.

19. What options do I have for lifetime income?

You choose when to convert some or all of your TIAA Traditional savings into income (or you and your spouse or partner). You can also choose to add a guarantee period so that even if you pass away early and do not live until the end of the guarantee period, payments will continue to those you have designated until the end of the guarantee period. Of course, if you live past the end of the guarantee period, we keep paying you as long as you live. You can mix lifetime income with other income options, payment frequencies, and payment start dates to help meet your retirement and estate planning needs. Guaranteed lifetime income from TIAA Traditional can be paired with income from other sources, such as variable investment products, that may provide the potential to capture market upside and hedge against inflation.[11]

Lifetime income payments are backed by the financial strength and claims-paying ability of TIAA, one of only three insurance groups in the United States to currently hold the highest possible rating from three of the four leading insurance company rating agencies.[3]

20. Is there anything special about TIAA Traditional's lifetime income payments?

Yes. Our not-for-profit heritage has distinctive potential benefits for participants. Like all insurance companies, we set money aside (contingency reserves) as required to protect your guaranteed savings and income benefits. However, unlike most insurance companies, we seek to provide unneeded profits back to you in support of your retirement. For example, consider the following:

[10] Amount paid as of 12/31/20.

[11] Under accounts that are not guaranteed, such as variable investment options, account values will fluctuate based on performance of the accounts, and it is possible to lose money in non-guaranteed accounts.

Historically, profits have been shared with TIAA Traditional participants in three ways*:

1. Higher interest rates as you save for retirement: Potential to earn more interest than the "guaranteed minimum interest rate" and "total credited rate."
2. Higher initial lifetime income for long-term contributors: A sort of "loyalty bonus."[14] Those contributing to TIAA Traditional consistently over a working career saw lifetime income 22% higher on average for retirement dates within the last decade versus those transferring in shortly before and selecting lifetime income.[12, 13]
3. Potential to receive increasing income payouts in retirement: TIAA has increased payments 16 times since 1995, average payout increase of 1.6% for career contributor (1.3% for new contributor).[12]

Although past performance or lifetime income increases are not indicative of future performance or lifetime income increases, you may want to consider taking advantage of these valuable potential benefits by contributing to TIAA Traditional early and often. Be aware that these additional potential benefits are only available if you elect lifetime income from TIAA Traditional.

21. Can I save outside of TIAA Traditional and then transfer in shortly before selecting lifetime income payments in retirement?

Yes. However, contributing to TIAA Traditional consistently over a working career can drive lifetime income higher in retirement as described in more detail in the previous question.

22. Does the amount of total lifetime income that I get paid differ by the type of contract that I hold TIAA Traditional under?

No. Under our current policy, the amount is the same with one exception as noted at the end of the answer to this question. Although the minimum guaranteed lifetime income annuity payment amount can differ depending upon the contract, the TIAA Traditional payout calculations are the same for RA, GRA, RC, SRA, GSRA, RCP, IRA, and Keogh contracts, assuming, of course, that the same amount was converted to the same form of lifetime income payment and that the amount originated from the same bucket across the contracts.

For example, if you have $25,000 in the December 2011 bucket in an RA contract and converted it to begin lifetime income, the total amount of lifetime income we currently pay you is the same as if you had that same $25,000 in the December 2011 bucket in an SRA contract, an RC contract or any of the other contracts referenced above.

Note that our policy on these matters can change at TIAA's discretion, and it is possible in the future that the amount of lifetime income in excess of the minimum amount may differ between contracts.

*Any additional amounts are only guaranteed for the declaration year and are not guaranteed for future years.

[12] Source: TIAA Actuarial Department, based on actual historical data of the TIAA standard payout annuity. As of December 2020.

[13] Source: TIAA Actuarial Department, based on a study that compared the amount of initial lifetime income that would have been received by two hypothetical participants beginning lifetime income, for each of the 301 months from January 1, 1995, through January 1, 2020. The two hypothetical participants are the same age 67 and they select a single-life annuity with a 10-year guarantee period using TIAA's standard payout annuity. The career contributor made level monthly contributions to TIAA Traditional under the Retirement Annuity contract over a 30-year career prior to their retirement date. The new contributor transferred the same final accumulation as the career contributor to TIAA Traditional shortly before selecting lifetime income. Over the study period, the career contributor's initial lifetime income exceeded that of the new contributor in 291 of the 301 retirement months, with an average lifetime income advantage of 14.1%. Their biggest advantage was 29.8% and their smallest advantage was -2.9% (i.e., a disadvantage). Over the study's most recent decade, the career contributor's initial lifetime income exceeded that of the new contributor in all 120 retirement months, with an average lifetime income advantage of 21.5%. Their biggest advantage was 29.8% and their smallest advantage was 7.2%. In the study's most recent month, the career contributor's initial lifetime income exceeded that of the new contributor by 20%. Past performance is no guarantee of future results. Individual results will vary and may be different than the hypothetical example shown.

[14] TIAA may provide a "loyalty bonus" based upon the length of time the funds are invested in Traditional. The "loyalty bonus" is a portion of the difference between the minimum guarantee and the actual return on the investments of Traditional funds. The board of directors determines this amount on an annual basis. Past performance is not a guarantee of future performance.

Section 5—Non-lifetime income options

23. Are there any other income options in retirement?

Yes. Certain contracts that TIAA Traditional is made available under may allow for some of the following other income options. However, these income options (other than interest-only payments) do not guarantee to provide income for life.

- Income for a fixed period of time
- Interest-only payments
- IRS required minimum distribution payments
- Lump-sum withdrawal
- Non-guaranteed recurring withdrawals

Section 6—Fees and expenses

24. What is the expense ratio for TIAA Traditional?

TIAA Traditional is not an investment for purposes of federal securities laws; it is a guaranteed insurance contract. Therefore, unlike a variable annuity or mutual fund, TIAA Traditional does not include an identifiable "expense ratio" or "fee" like you might see published for a mutual fund or a variable annuity.

25. How is TIAA getting compensated if there isn't an expense ratio?

TIAA Traditional total interest crediting rates (minimum guaranteed rate plus additional amounts, when declared) are determined based on a number of factors, including market conditions, expenses, the level of risk assumed, and the need to maintain adequate reserves to protect against adverse experience ("contingency reserves").

TIAA Traditional's interest rates are determined after accounting for estimates or "targets" that are intended to cover risk and capital amounts associated with providing guarantees and liquidity, including amounts associated with managing and maintaining the portfolio of assets supporting the guarantees and expenses associated with product support and infrastructure, as well as expenses related to plan and participant servicing. Thus, TIAA Traditional interest rates are always stated after all expense and risk targets. For additional information regarding the factors considered in determining interest crediting rates, refer to **Question 16** in ***Section 2—Interest crediting rates***.

TIAA receives income from the investments in its general account and pays guaranteed interest and any additional interest to participants.[2] The difference is referred to as "spread," and this is what TIAA has available to cover the expenses and risks described above. Although TIAA accounts for estimates related to these items as an input into the overall advance determination of interest rates, this exercise is based on a number of assumptions and forward-looking projections. As a result, TIAA's ability to achieve results consistent with the assumptions is not guaranteed and is only known on a retrospective basis at the aggregate product level. TIAA sets target assumptions and interest crediting rates in its discretion.

26. If there isn't any identifiable expense ratio, how can I compare the competitiveness of TIAA Traditional to other guaranteed annuities?

Payout amounts

The focus on fixed annuity products such as TIAA Traditional should be the payout rate offered by the product, which are reflective of any operating expenses borne by the general account that backs the guarantee. This characteristic makes it easier to compare similar products as it allows for an easy comparison by focusing on the payout rate. Put another way, because TIAA is designed to provide a contractually specified minimum interest rate and because TIAA declares its rates prospectively, it's required to meet those stated rate obligations regardless of any expenses subsequently incurred by the general account.

Financial strength

In addition to comparing the payout rates, it's also important to be mindful of the creditworthiness of the insurance company. While a higher payout rate might look appealing, if it's offered by an insurance company whose financial strength may not be very strong, it might not be worth the risk of choosing the product with the highest payout. A common way of researching financial strength is by checking out third-party credit ratings issued by insurance company rating agencies.

For its stability, claims-paying ability and overall financial strength, Teachers Insurance and Annuity Association of America (TIAA) is a member of one of only three insurance groups in the United States to currently hold the highest rating available to U.S. insurers from three of the four leading insurance company rating agencies: A.M. Best (A++ as of 7/20), Fitch (AAA as of 11/20) and Standard & Poor's (AA+ as of 8/20), and the second highest possible rating from Moody's Investors Service (Aa1 as of 9/20). There is no guarantee that current ratings will be maintained. The financial strength ratings represent a company's ability to meet policyholders' obligations and do not apply to variable annuities or any other product or service not fully backed by TIAA's claims-paying ability. The ratings also do not apply to the safety or the performance of the variable accounts, which will fluctuate in value.

Need help? Contact us a TIAA advisor at 800-842-2252 or visit TIAA.org/traditional

TIAA

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.

This material is for informational or educational purposes only and does not constitute fiduciary investment advice under ERISA, a securities recommendation under all securities laws, or an insurance product recommendation under state insurance laws or regulations. 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.

TIAA Traditional may not be available under all employer-sponsored retirement plans recordkept by TIAA but is available to eligible individuals through a TIAA IRA. The terms of TIAA Traditional differ among contract forms. Some contracts allow for full withdrawals and transfers. Other contracts only permit withdrawals and/or transfers to be paid in multiyear installments and certain withdrawals may be subject to a surrender charge. Review your contract, certificate, or other product literature, or contact TIAA for complete details. When TIAA Traditional Annuity is made available within an employer-sponsored retirement plan, income and withdrawal options are subject to the terms of the employer plan. Withdrawals prior to age 59½ may be subject to a 10% federal tax penalty, in addition to ordinary income tax.

Annuity contracts contain terms for keeping them in force. Exclusions, restrictions, limitations and reductions in benefits will, in certain situations, apply to annuity contracts. Your financial consultant or advisor can provide you with costs and complete details.

TIAA Traditional is a fixed annuity product issued through these contracts by Teachers Insurance and Annuity Association of America (TIAA), 730 Third Avenue, New York, NY, 10017: Form series 1000.24; G-1000.4 or G-1000.5/G1000.6 or G1000.7; 1200.8; G1250.1; IGRS-01-84-ACC and IGRS-02-ACC; IGRS-CERT2-84-ACC and IGRS-CERT3-ACC; IGRSP-01-84-ACC and IGRSP-02-ACC; IGRSP-CERT2-84-ACC and IGRSP-CERT3-ACC; 6008.8 and 6008.9-ACC; 1000.24-ATRA; 1280.2, 1280.4, or 1280.3 or 1280.5, or G1350. Not all contracts are available in all states or currently issued.

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

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