Frequently Asked Questions
TIAA Traditional Income Update for 2023

Overview

- We are excited to share that the TIAA Board of Trustees has approved a 3% increase to TIAA Traditional income payments effective January 2023. This increase is in addition to the annuitants guaranteed amount and continues our commitment to helping clients have a secure retirement with income payments for life.

- Our participants are at the center of all we do and this increase is evidence of the thoughtful financial stewardship clients have come to rely on from TIAA. TIAA Traditional is unlike other fixed annuities because of our unique way of sharing profits.

- Annuitants will receive our annual outreach update and a net change statement showing the change to their overall income in late December 2022.

- As determined in mid-December 2022, we are pleased to announce the specifics below:
  
  - **Standard payment annuitant benefits:** annual income will increase by 3% for 2023.*
    
    *Annuitants who began receiving income during 2022 will receive prorated increases.

  - **Graded payment annuitant benefits:** annuitants receive initial income benefits at retirement that are lower than Standard method annuitants in exchange for higher annual increases that take effect a year later. Therefore:
    
    - Graded annuitants will receive increases in 2023 greater than the 2022 5% Standard increase and increases in 2024 greater than the 2023 3% Standard increase.
    
    - Each Graded annuitant’s exact increase depends on when their contributions were made to TIAA Traditional and when they began to receive income benefits.
Q1. Why is TIAA raising income benefits this year?

We are continuing our commitment to helping participants have a secure retirement with guaranteed lifetime income no matter the market, along with the opportunity for more growth while saving and income in retirement.

TIAA is able to share this 3% payment increase which is driven by our nonprofit heritage and our disciplined approach to managing retirement money, including our unique way of sharing profits.

Q2. How can TIAA afford to increase TIAA Traditional income benefits?

Our mission is to put the secure retirements of our participants first and we serve a single purpose: their financial well-being. One way we do this is by managing money with a long-term perspective.

The TIAA General Account, which backs TIAA Traditional, invests in a broadly diversified portfolio that enables us to pursue long-term returns for the account. This provides the stability and liquidity needed to support our guarantees for TIAA Traditional customers. Additionally, the TIAA General Account is one of the largest institutional investors in the world. From 2000 to 2020, investments have been $25-30 billion annually.

Find out more about our financial strength commitment here.

With our above mission, the decision to increase income benefits to our annuitants reflects the strong capital position and demonstrates TIAA’s ability to endure periods of uncertainty while also supporting the payout guarantees associated with all TIAA Traditional Annuity contract types.

Q3. How often has TIAA increased Traditional Annuity income benefits for annuitants?

With its goal of generating guaranteed income for life, the TIAA Traditional Annuity has provided millions with financially secure retirements for 100+ years. We’ve always had a disciplined money management approach. In fact, in the last 25 years, TIAA has increased annuitant payments 15 times without a single decrease over that period, as shown in the chart below.

TIAA Traditional Annuity increases, 1998 - 2023

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Q4. This increase seems significant. Is that normal?

Although these increases are not guaranteed and are not specifically tied each year to any type of consumer price index or cost of living adjustment, TIAA Traditional lifetime income benefits have increased 15 times in the last 25 years, with the average being 1%. See Q3 for additional information regarding TIAA increases over the last 25 years.

Q5. How does TIAA share the profits?³

TIAA’s charter requires us to serve our core clients without profit to the corporation. This allows us to offer the opportunity for more growth and income above the guaranteed amounts to those who own TIAA Traditional. These benefits are not guaranteed.

More growth—As you save you can receive interest above the guaranteed rate. TIAA has credited additional amounts every year since 1948.²³

Higher payout rates—Long-term contributors who contribute to TIAA Traditional throughout their working years and then convert their balance into lifetime income when they retire, have seen initial income 22% higher on average than new contributors.²⁴ TIAA has paid more than the guaranteed minimum every year since 1949.

Raises in retirement—TIAA can increase your income payment amounts during your retirement.² We have increased benefits 15 times in the past 25 years.

For additional information, please reach out to your Relationship Manager or if serviced by the Administrator Telephone Center at, 888-842-7782, weekdays, 8 a.m. to 8 p.m. ET.
Past performance is no guarantee of future results.

1 The portfolio is positioned heavily toward high-quality and well-diversified fixed income assets. A broad array of public and private fixed income securities (offering higher yields than U.S. Treasuries) can offer attractive relative value and are a good fit for the portfolio. The long-term investment horizon and statutory accounting allows the portfolio to take advantage of illiquid investments and absorb mark-to-market volatility.

2 Rates vary by contract. All guarantees are based on TIAA’s claims-paying ability. TIAA Traditional is a guaranteed insurance contract and not an investment for federal securities law purposes. Past performance is no guarantee of future results. The rates TIAA credits are quoted as effective annual rates with interest compounded daily and, once declared, remain in effect during the current declaration year (March 1, 2022 – February 28, 2023). This means that funds applied to TIAA Traditional in the current month will be credited with the indicated effective annual rates until February 28, 2023, and that the rates are subject to change starting March 1, 2023.

2 All guarantees are based on TIAA’s claims-paying ability. TIAA Traditional is a guaranteed insurance contract and not an investment for federal securities law purposes.

3 TIAA may share profits with TIAA Traditional Annuity owners through declared additional amounts of interest during accumulation, higher initial annuity lifetime income, and through further increases in annuity income benefits during retirement. These additional amounts are not guaranteed beyond the period for which they were declared. TIAA Traditional Annuity interest and income benefits include guaranteed amounts 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. Additional amounts are not guaranteed beyond the period for which they are declared.

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TIAA Traditional is a fixed annuity issued by Teachers Insurance and Annuity Association of America (TIAA), New York, NY.

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