S&P Global
Ratings

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Teachers Insurance & Annuity Assn. of America

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Teachers Insurance & Annuity Assn. of America

SACP* Assessments					SACP*		Support		Ratings
Anchor	aa+	+	Modifiers	1	= aa+	+	0	=	Financial Strength Rating
Business Risk			ERM and Management	0	Liquidity	0	Group Support	0	AA+/Stable/--
Excellent									
Financial Risk			Holistic Analysis	1	Sovereign Risk	-1	Gov't Support	0	
Extremely Strong									

*Stand-alone credit profile.
See Ratings Detail for a complete list of rated entities and ratings covered by this report.

Rationale

Business Risk Profile: Excellent

- Dominant position in U.S. higher-education pension market
- Very strong and consistent operating performance
- Recent acquisitions increase TIAA's industry risk, but favorably add scale and broaden product offerings

Financial Risk Profile: Extremely Strong

- Extremely strong capital adequacy, with redundancy at 'AAA' level
- Strong earnings supported by high persistency rates, low expenses, and above-average investment returns
- Adequate financial flexibility, although private status limits access to capital

Other Factors

- Management and governance considered strong, with positive breadth and depth
- Non-profit status, strength and predictability of earnings, and overall successful business model
- Exceptional liquidity enhanced by barriers to early annuity withdrawal
- Rating limited to 'AA+' sovereign credit rating on the U.S. (group credit profile is indicatively 'aaa')

Outlook: Stable

The stable outlook reflects S&P Global Ratings' view that the credit characteristics of Teachers Insurance & Annuity Assn. of America (TIAA) remain excellent. We expect the company to maintain its excellent business risk profile, extremely strong capital and earnings, and exceptional liquidity during our prospective two-year rating horizon.

Downside scenario

We might lower our ratings on TIAA if, contrary to our expectations, its unique competitive position in the U.S. higher-education pension market erodes significantly or challenges within its asset management or banking business emerge, affecting the firm's brand or reputation; its capital adequacy deteriorates below our 'AA' risk-based capital target, or we lower the U.S. sovereign rating.

Upside scenario

A positive rating action is unlikely in the next two years given the company's profile and our current view of the credit quality of the U.S. sovereign, which constrains our ratings on insurers.

Base-Case Scenario

Macroeconomic Assumptions

- U.S. Real GDP growth of about 2.2% in 2017 and 2.3% in 2018
- Average 10-year U.S. Treasury yield of about 2.4% in 2017 and 2.7% in 2018
- Average 'AAA' corporate bond yields of about 3.3% in 2017 and 3.9% in 2018
- Average S&P 500 Index level of 2,379.1 in 2017 and 2,411.6 in 2018
- Average payroll employment of 146.4 million in 2017 and 148.1 million in 2018

Company-Specific Assumptions

- TIAA's predividend 2017 income is approximately $4.6 billion
- TIAA's financial leverage continues to support a positive assessment per our criteria when consistently less than 20%

Key Metrics

	--Year ended Dec. 31--				
(Mil. $)	**2018***	**2017***	**2016**	**2015**	**2014**
Financial leverage (%)	<14	14	12	12	12
Fixed charge coverage (x)	>6	>6	7.6	7.4	9.9
S&P Global capital adequacy/redundancy	AAA	AAA	AAA	AAA	AAA
Gross premiums and annuity considerations	Up 3%	Up 3%	16,010	12,804	12,001
EBIT adjusted	1,650-1,750	1,500-1,600	1,945	1,882	1,457
Total adjusted capital (TAC)	Up 2%	Up 2%	40,755	39,611	39,912
Return on revenue (%)	>5	>5	6.1	6.8	5.4
Return on assets (excluding realized gains/losses) (%)	>0.5	>0.5	0.7	0.7	0.5
Return on capital and surplus (%)	>3	>2.5	4.2	3.5	3.0
Net investment yield (%)	>4.5	>4.5	4.9	4.7	4.9
General expense ratio (%)	Flat	Flat	9.4	10.9	11.2

*Forecast data reflect S&P Global Ratings' base-case assumptions.

Company Description

TIAA is a legal reserve life insurance company under the insurance laws of the state of New York. By the terms of its charter, TIAA operates without profit to the corporation or its stockholder. TIAA may return excess capital to its participants from time to time.

Business Risk Profile: Excellent

TIAA's business risk profile reflects its relatively low-risk product portfolio, favorable competitive position compared to industry peers', strength and predictability of earnings, and overall success of its business model. Offerings include basic accumulation pension products (60% of reserves), supplemental accumulation products (19%), payout and other pension products (13%), IRAs (7%), and other nonpension products (1%).

TIAA, TIAA-CREF Life Insurance Co., and College Retirement Equities Fund (CREF; collectively referred to as TIAA-CREF) form one of the nation's largest private retirement systems, with combined assets under administration of approximately $981 billion as of Dec. 31, 2016.

TIAA has a very strong competitive position based on its reputation for providing quality products and service to its clients. The company continues its efforts to expand its client base within the not-for-profit space, and to broaden its products and services beyond its core retirement plan capabilities. Recent acquisitions support this strategic expansion of products and services in retail, wealth management, and banking for individuals.

TIAA's controlled distribution channel and salary-based sales force, coupled with its institutional and participant counseling staff, is also a competitive strength. Superior crediting rates and a very efficient, low-cost premium contribution system drive TIAA's extremely strong client retention rates, despite competition for participants from low-cost mutual fund firms that may have stronger brand awareness. TIAA continues to roll out a robust multiyear strategic plan with a goal of enhancing its competitive position and driving awareness.

TIAA has an excellent long-term investment performance record of above-average returns. Yields to policyholders benefit from the low liquidity demands of TIAA's nonsurrenderable products, which permit TIAA to invest in less-liquid, longer-term, and comparatively higher-yielding investments. As a result, dividends have increased the total credited yields to policyholders historically to more than the guaranteed annuity rates (of typically 1% to 3%).

TIAA garners a very high share of its primary U.S. higher-education pension market; but this market has limited growth. Although TIAA's acquisitions of Nuveen Inc. (a diversified investment-management company) and EverBank diversify, broaden, and add scale to TIAA, they also increase the company's industry risk. We will continue to monitor TIAA's aggregate industry risk, as material growth of those segments could ultimately pressure the rating.

TIAA benefits from the stable economic growth prospects, effective and stable political institutions, sophisticated financial system, and strong payment culture in the U.S.

Financial Risk Profile: Extremely Strong

Capital and earnings: Benefits from good earnings performance

We expect TIAA to maintain its extremely strong earnings and capital despite a prolonged low interest rate environment and volatile equity markets. TIAA's capital position benefits from the organic earnings capabilities in its operating entities. We expect TIAA's operations to maintain capital adequacy consistent with 'AAA' confidence levels.

TIAA's operating earnings depend on the performance of market-sensitive businesses such as annuities and asset management. TIAA's profitability benefits from a low-cost operating structure. We expect TIAA to manage the potential operational and reputational risks inherent in its expanded banking (EverBank, $2.5 billion acquisition) and asset-management businesses. We also expect these riskier businesses to remain moderate in size relative to the company's total general account investments and be well supported in terms of capital.

TIAA's risk position benefits from a well-diversified general account portfolio, with low sector and obligor concentrations. Measured by yield, TIAA's investment performance has been consistently superior to that of most other large mutual insurers, reflecting the company's high-quality investment management, historically low costs, and long-term focus. TIAA's largest sector holdings (not considering its 43.2% holdings in corporates) were in residential mortgage-backed securities, accounting for approximately 14.9% of total invested assets as of year-end 2016 (down from 24% as of year-end 2012). Commercial mortgages, commercial mortgage-backed securities, and real estate comprised 16.5% of year-end 2016 holdings, significantly down from a 30% allocation 10 years ago.

TIAA's mutual status limits its access to the capital markets; however, the company has successfully issued surplus notes ($5 billion outstanding), typically to fund acquisitions. Historically, internally generated capital has sufficiently supported TIAA's organic growth. The company has demonstrated through cycles that it is willing to adjust its dividend to retain additional income.

Other Assessments

Enterprise risk management: Appropriate and well managed

We consider TIAA's enterprise risk management (ERM) to be adequate, as risk controls continue to strengthen and season. Given TIAA's relatively basic products and its extremely well-capitalized position, we continue to view ERM as of low importance to the rating. We consider risk-management culture as positive, reflecting the company's culture of accountability, strong governance framework, and comprehensive risk-appetite statements that assess risk through multiple lenses.

Risk controls are neutral, reflecting positive scores for credit and insurance risks and neutral scores for all other subfactors. TIAA has a robust control framework in place that allows it to manage its exposures within stated tolerance limits. The company has a conservative philosophy and conducts extensive stress testing of extreme scenarios to ensure long-term viability in the face of such stresses, which we view favorably. The company has enhanced existing control systems in place such as enterprise limits and linking to risk appetite statements, although some further seasoning would be required to assess the effectiveness of these improvements, particularly following the company's recent expansion of its banking business.

We consider risk models, emerging risk management, and strategic risk management as neutral, reflecting the company's thorough utilization of risk models and standard approach to assessing emerging risks. The company is prudent when making key business decisions with a risk-focused approach, and its use of internal models to establish risk-adjusted metrics continues to evolve.

Management and governance: Effective and experienced leaders

We assess TIAA's management and governance as strong, reflecting management's depth and breadth of experience and expertise across its major lines of business. Management has also consistently exhibited strengths related to strategic planning, operational effectiveness, and consistency of strategy. TIAA clearly defines and adheres to strict financial and operational management goals, focused on achieving greater synergies throughout the firm while maintaining a very conservative capital structure. TIAA effectively integrated Nuveen, the company's single-largest acquisition to date, and we expect it to integrate the EverBank acquisition smoothly as well.

Liquidity: Well-managed exposures and favorable product designs

We view TIAA's liquidity as exceptional, having little to no exposure to confidence-sensitive liabilities or collateral-posting requirements. TIAA also has a positive liquidity ratio of 373% based on our liquidity analysis. This reflects the unique design of the company's products and their protective features, most of which are nonsurrenderable or only permit withdrawals during designated time periods, enhancing TIAA's liquidity-risk profile.

Support

Group support

Our ratings on Nuveen Finance LLC (formerly TIAA Asset Management Finance Co. LLC, a wholly owned subsidiary of Nuveen LLC, which is a wholly owned subsidiary of TIAA established to facilitate the purchase of Nuveen) reflect the implicit support it receives from TIAA under our group rating methodology. Our issuer credit rating on Nuveen Finance LLC is three notches above its 'bb' stand-alone credit profile, reflecting our standard three-notch uplift for a strategically important subsidiary of a consolidated group.

Accounting Considerations

TIAA reports its financial results only on a statutory accounting basis. We believe that the company's reserving standards are generally conservative. Most of TIAA's annuities provide no cash-withdrawal benefits, which has historically resulted in very high retention levels. We take this into account in our assessment of capital adequacy by including a reduction in the interest-rate risk factors assessed against liabilities, which results in a higher measure of capital redundancy.

TIAA has $5 billion of surplus notes outstanding. To the extent these notes meet our criteria for equity treatment (including a remaining tenor of more than 20 years), we consider the surplus note as equity up to 15% of capital.

TIAA benefits from its association with CREF, an open-end management investment company. Structurally, CREF does not appear on TIAA's balance sheet, yet we include CREF's assets ($215 billion) when we cite the group's aggregate assets under administration ($981 billion as of Dec. 31, 2016). CREF does not expose TIAA to any investment risk; in our view, it enhances TIAA's competitive position by expanding the investment options available to clients and increasing the breadth of investment expertise available to the organization.

Rating Score Snapshot	
Financial Strength Rating	AA+/Stable
Anchor	aa+
Business Risk Profile	Excellent
IICRA*	Low Risk
Competitive Position	Very Strong
Financial Risk Profile	Extremely Strong
Capital & Earnings	Extremely Strong
Risk Position	Intermediate Risk
Financial Flexibility	Adequate
Modifiers	+1
ERM and Management	0
Enterprise Risk Management	Adequate
Management & Governance	Strong
Holistic Analysis	+1
Liquidity	Exceptional
Support	0
Group Support	0
Government Support	0

*Insurance Industry And Country Risk Assessment.

Related Criteria

- Criteria - Insurance - General: Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies, Aug. 29, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Insurance - General: Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies, May 31, 2012
- Criteria - Insurance - General: Methodology For Calculating The Convexity Risk In U.S. Insurance Risk-Based Capital Model, April 27, 2011
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Criteria - Insurance - Life: Liquidity Model For U.S. And Canadian Life Insurers, April 22, 2004

Ratings Detail (As Of September 14, 2017)	
Operating Companies Covered By This Report	
Teachers Insurance & Annuity Association of America	
Financial Strength Rating	
Local Currency	AA+/Stable/--
Counterparty Credit Rating	
Local Currency	AA+/Stable/NR
Subordinated	AA-
TIAA-CREF Life Insurance Co.	
Financial Strength Rating	
Local Currency	AA+/Stable/--
Issuer Credit Rating	
Local Currency	AA+/Stable/--
Related Entities	
Nuveen Finance LLC	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB
Domicile	New York

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.