

Semiannual Report

June 30, 2017



# TIAA Separate Account VA-1

The semiannual report contains the financial statements (unaudited).



Stock Index Account

BUILT TO PERFORM.

CREATED TO SERVE.

# Understanding this report

This semiannual report contains information about the TIAA Separate Account VA-1 and describes the account's results for the six months ended June 30, 2017. The report contains three main sections:

- The account performance section compares the account's investment returns with those of its benchmark index.
- The summary portfolio of investments lists the industries and types of securities in which the account had investments as of June 30, 2017.
- The financial statements provide detailed information about the operations and financial condition of the account.

The views and opinions expressed in this report are through the end of the period, as stated on the cover of this report. They are subject to change at any time based on a variety of factors. As such, they are not guarantees of future performance or investment results and should not be taken as investment advice. To see the risks of investing in the TIAA Separate Account VA-1, please refer to the latest prospectus.

*As always, you should carefully consider the investment objectives, risks, charges and expenses of any account before investing. For a prospectus that contains this and other important information, please visit our website at [TIAA.org](http://TIAA.org), or call 800-223-1200. We urge you to read the prospectus carefully before investing.*

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# Information for contractowners

## Portfolio holdings

The TIAA Separate Account VA-1's summary portfolio of investments begins on page 6 of this report.

You can obtain a complete list of the portfolio holdings of the TIAA Separate Account VA-1 (Schedule of Investments) as of the most recently completed fiscal quarter in the following ways:

- By visiting our website at [TIAA.org](http://TIAA.org); or
- By calling us at 800-842-2252 to request a copy free of charge.

You can also obtain a complete list of the portfolio holdings of the account as of the most recently completed fiscal quarter, and for prior quarter-ends, from our Securities and Exchange Commission (SEC) Form N-CSR and Form N-Q filings. Form N-CSR filings are as of December 31 or June 30; Form N-Q filings are as of March 31 or September 30. Copies of these forms are available:

- Through the Electronic Data Gathering and Retrieval System (EDGAR) on the SEC's website at [www.sec.gov](http://www.sec.gov); or
- From the SEC's Office of Investor Education and Advocacy.  
(Call 202-551-8090 for more information.)

## Proxy voting

The TIAA Separate Account VA-1's ownership of stock gives it the right to vote on proxy issues of companies in which it invests. A description of our proxy voting policies and procedures can be found on our website at [TIAA.org](http://TIAA.org) or on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also call us at 800-223-1200 to request a free copy. A report of how the account voted during the most recently completed twelve-month period ended June 30 can be found on our website or on Form N-PX at [www.sec.gov](http://www.sec.gov).

## Contacting TIAA

There are three easy ways to contact us: by email, using the Contact Us link at the top of our home page; by mail at TIAA, 730 Third Avenue, New York, NY 10017-3206; or by phone at 800-223-1200.

## Account management

The TIAA Separate Account VA-1 is managed by a portfolio management team of Teachers Advisors, LLC. The members of this team are responsible for the day-to-day investment management of the account.

## Important information about expenses

All contractowners in the TIAA Separate Account VA-1 incur ongoing costs, including management fees and other account expenses.

The TIAA Separate Account VA-1 is the underlying investment vehicle for Teachers Personal Annuity contracts issued by Teachers Insurance and Annuity Association of America. *Premium taxes may apply to certain contracts. Because of this additional charge, the cost to investors may be higher than the figures shown in the expense example. Information about this additional charge can be found in the prospectus.*

The expense example that appears in the table on page 3 is intended to help you understand your ongoing costs (in U.S. dollars) and does not reflect transactional costs incurred by the account for buying and selling securities. The example is designed to help you compare these ongoing costs with the ongoing costs of investing in other variable annuity accounts and mutual funds. Contractowners in the TIAA Separate Account VA-1 do not incur a sales charge for purchases or other distributions.

The example is based on an investment of \$1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2017–June 30, 2017).

### Actual expenses

The first line in the table uses the account's actual expenses and its actual rate of return. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the six-month period.

Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses paid during period" to estimate the expenses you paid during the six-month period.

### Hypothetical example for comparison purposes

The second line in the table shows hypothetical account values and expenses based on the account's actual expense ratio for the six-month period and an assumed 5% per year rate of return before expenses. This was not the account's actual return.

This hypothetical example cannot be used to estimate the actual expenses you paid for the period but rather allows you to compare the ongoing costs of investing in the account with the costs of other accounts. To do so, compare our 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other variable annuity accounts and mutual funds.

# Important information about expenses

## Expense example

Six months ended June 30, 2017

Stock Index Account	Beginning account value (1/1/17)	Ending account value (6/30/17)	Expenses paid during period* (1/1/17–6/30/17)
Actual return	\$1,000.00	\$1,085.27	\$3.88
5% annual hypothetical return	1,000.00	1,021.08	3.76

\* “Expenses paid during period” is based on the account’s actual expense ratio for the most recent fiscal half-year, multiplied by the average account value over the six-month period, multiplied by 181/365. There were 181 days in the six months ended June 30, 2017. The account’s annualized six-month expense ratio for that period was 0.75%. The total annual expense ratio reflects a voluntary agreement by the account’s investment adviser to waive a portion of its fee. Without such waiver, the account’s total annual expense ratio would have been 0.90%. Although TIAA reserves the right to increase the account’s mortality and expense risk charge to a maximum of 1.00% of average daily net assets per year, the total annual expense ratio will never exceed 1.50%.

## About the account’s benchmark

The account’s benchmark is the Russell 3000® Index, which measures the performance of the stocks of the 3,000 largest publicly traded U.S. companies, based on market capitalization. The index measures the performance of about 98% of the total market capitalization of the publicly traded U.S. equity market.

You cannot invest directly in any index. Index returns do not include a deduction for fees or expenses.

The Russell 3000 Index is a trademark/service mark of the Russell Investment Group. The Russell Investment Group is the owner of the copyrights relating to the Russell Indexes and is the source and owner of the data contained or reflected in the performance values relating to the Russell Indexes. The account is not promoted by, nor in any way affiliated with, the Russell Investment Group. The Russell Investment Group is not responsible for and has not reviewed the account nor any associated literature or publications and the Russell Investment Group makes no representation or warranty, express or implied, as to their accuracy, or completeness.

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# Stock Index Account

## Performance for the six months ended June 30, 2017

The Stock Index Account returned 8.53% for the period, compared with the 8.93% return of its benchmark, the Russell 3000® Index. For the twelve months ended June 30, 2017, the account returned 17.62%, versus 18.51% for the index.

For the six-month period, the account's return trailed that of its benchmark index, primarily because of the effect of expenses. The account's return includes a deduction for expenses, while the benchmark's return does not. The account had a risk profile similar to that of its benchmark.

During the six-month period, the domestic economy continued to grow, but at a slower pace, while unemployment remained low, ending the period at 4.4%. Inflation remained stable, with annual core inflation, which includes all items except food and energy, rising 1.7% for the twelve months ended June 30, 2017. The Federal Reserve raised the federal funds target rate twice during the period, first to 0.75%–1.00% and then to 1.00%–1.25%. Growth in consumer spending was modest, while consumer confidence remained upbeat. The broad U.S. stock market, as measured by the Russell 3000 Index, rose 8.93% for the period. Many major stock indexes were at or near all-time highs by the end of the period as investors responded to strong corporate profits and continued to hope for government policies that would further stimulate the economy. Growth stocks outperformed value equities by a wide margin, while large caps outperformed mid- and small-cap stocks for the period. (Returns by investment style and market capitalization are based on the Russell Indexes.)

### Most sectors post solid gains

Nine of the eleven industry sectors in the account's benchmark index delivered positive performance for the six months. Health care (up 16.9%), information technology (up 16.6%) and consumer discretionary (up 11.1%) contributed the most to the index's total return given their substantial weights. Together, these three sectors represented close to one-half of the total market capitalization of the index on June 30, 2017. Materials (up 9.1%) and utilities (up 8.5%) also produced solid gains, but they had less of an impact on the benchmark's performance given their low weight. Energy (down 14.0%) was the worst-performing sector as oil prices declined over the period. Telecommunication services (down 9.8%), which was the smallest sector in the index at period-end, also suffered losses.

All of the benchmark's five largest stocks outperformed the benchmark for the six months. Facebook performed best with sizable double-digit gains, followed closely by Amazon.com. Apple was next in line, rising on investor expectations for sales of its next iPhone. Johnson & Johnson and Microsoft also posted strong results.

# Stock Index Account

## Performance as of June 30, 2017

	Inception date	Total return		Average annual total return	
		6 months	1 year	5 years	10 years
<b>Stock Index Account</b>	11/1/1994	8.53%	17.62%	13.76%	6.55%
Russell 3000 Index	—	8.93	18.51	14.58	7.26

*The returns in this report show past performance, which is no guarantee of future results. Returns and the principal value of your investment will fluctuate. The account's performance reflects a fee waiver, which is currently in place. Without such waiver, the expenses of the account would have been higher and its performance lower. Current performance may be higher or lower than that shown, and you may have a gain or a loss when you redeem your accumulation units. For current performance information, including performance to the most recent month-end, please visit [TIAA.org](http://TIAA.org).*

You cannot invest directly in any index. Index returns do not include a deduction for fees or expenses.

## Portfolio composition

Sector	% of net assets as of 6/30/2017
Information technology	21.1
Financials	15.6
Health care	14.0
Consumer discretionary	12.6
Industrials	10.7
Consumer staples	8.0
Energy	5.6
Real estate	4.1
Materials	3.4
Utilities	3.2
Telecommunication services	2.0
Short-term investments, other assets & liabilities, net	-0.3
Total	100.0

## Holdings by company size

Market capitalization	% of equity investments as of 6/30/2017
More than \$50 billion	54.2
More than \$15 billion-\$50 billion	21.5
More than \$2 billion-\$15 billion	20.2
\$2 billion or less	4.1
Total	100.0

# Summary portfolio of investments (unaudited)

Stock Index Account ■ June 30, 2017

Shares	Company	Value (000)	% of net assets
<b>COMMON STOCKS</b>			
AUTOMOBILES & COMPONENTS		\$ 9,517	1.0%
BANKS			
390,297	Bank of America Corp	9,468	0.9
107,949	Citigroup, Inc	7,220	0.7
138,588	JPMorgan Chase & Co	12,667	1.3
176,145	Wells Fargo & Co	9,760	1.0
	Other	28,433	2.9
		67,548	6.8
CAPITAL GOODS			
22,720	3M Co	4,730	0.5
22,283	Boeing Co	4,406	0.5
340,645	General Electric Co	9,201	0.9
29,834	Honeywell International, Inc	3,977	0.4
	Other	53,649	5.4
		75,963	7.7
COMMERCIAL & PROFESSIONAL SERVICES		8,775	0.9
CONSUMER DURABLES & APPAREL		14,354	1.4
CONSUMER SERVICES			
31,976	McDonald's Corp	4,897	0.5
	Other	18,180	1.8
		23,077	2.3
DIVERSIFIED FINANCIALS			
15,406	SPDR Trust Series 1	3,725	0.4
	Other	40,438	4.1
		44,163	4.5
ENERGY			
74,079	Chevron Corp	7,729	0.8
166,133	Exxon Mobil Corp	13,412	1.3
54,478	Schlumberger Ltd	3,587	0.4
	Other	30,502	3.1
		55,230	5.6
FOOD & STAPLES RETAILING		4,322	0.4
57,104	Wal-Mart Stores, Inc	9,343	1.0
	Other	13,665	1.4
FOOD, BEVERAGE & TOBACCO		5,639	0.6
75,727	Altria Group, Inc	6,760	0.7
150,737	Coca-Cola Co	6,465	0.6
55,977	PepsiCo, Inc	7,143	0.7
60,814	Philip Morris International, Inc	22,752	2.3
	Other	48,759	4.9

# Summary portfolio of investments (unaudited)

continued

Stock Index Account ■ June 30, 2017

Shares	Company	Value (000)	% of net assets
<b>HEALTH CARE EQUIPMENT &amp; SERVICES</b>			
53,698	Medtronic plc	\$ 4,766	0.5%
37,569	UnitedHealth Group, Inc	6,966	0.7
	Other	44,153	4.4
		55,885	5.6
<b>HOUSEHOLD &amp; PERSONAL PRODUCTS</b>			
100,336	Procter & Gamble Co	8,744	0.9
	Other	7,695	0.8
		16,439	1.7
<b>INSURANCE</b>			
75,357	* Berkshire Hathaway, Inc (Class B)	12,763	1.3
	Other	29,192	2.9
		41,955	4.2
<b>MATERIALS</b>			
		33,137	3.4
<b>MEDIA</b>			
184,567	Comcast Corp (Class A)	7,183	0.7
61,334	Walt Disney Co	6,517	0.7
	Other	14,913	1.5
		28,613	2.9
<b>PHARMACEUTICALS, BIOTECHNOLOGY &amp; LIFE SCIENCES</b>			
62,414	AbbVie, Inc	4,526	0.4
28,824	Amgen, Inc	4,964	0.5
64,550	Bristol-Myers Squibb Co	3,597	0.4
30,353	* Celgene Corp	3,942	0.4
50,976	Gilead Sciences, Inc	3,608	0.4
105,682	Johnson & Johnson	13,981	1.4
107,295	Merck & Co, Inc	6,876	0.7
231,822	Pfizer, Inc	7,787	0.8
	Other	32,855	3.3
		82,136	8.3
<b>REAL ESTATE</b>			
		40,278	4.1
<b>RETAILING</b>			
15,570	* Amazon.com, Inc	15,072	1.5
47,086	Home Depot, Inc	7,223	0.7
1,923	* Priceline.com, Inc	3,597	0.4
	Other	22,809	2.3
		48,701	4.9
<b>SEMICONDUCTORS &amp; SEMICONDUCTOR EQUIPMENT</b>			
15,628	Broadcom Ltd	3,642	0.4
184,719	Intel Corp	6,233	0.6
	Other	23,372	2.4
		33,247	3.4

# Summary portfolio of investments (unaudited)

continued

Stock Index Account ■ June 30, 2017

Shares	Company	Value (000)	% of net assets
<b>SOFTWARE &amp; SERVICES</b>			
11,664	* Alphabet, Inc (Class A)	\$ 10,844	1.1%
11,849	* Alphabet, Inc (Class C)	10,768	1.1
91,465	* Facebook, Inc	13,809	1.4
33,673	International Business Machines Corp	5,180	0.5
36,949	MasterCard, Inc (Class A)	4,487	0.5
293,932	Microsoft Corp	20,261	2.0
112,712	Oracle Corp	5,651	0.6
72,456	Visa, Inc (Class A)	6,795	0.7
	Other	47,747	4.8
		125,542	12.7
<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>			
204,473	Apple, Inc	29,448	3.0
196,433	Cisco Systems, Inc	6,148	0.6
	Other	16,691	1.7
		52,287	5.3
<b>TELECOMMUNICATION SERVICES</b>			
241,085	AT&T, Inc	9,096	0.9
160,053	Verizon Communications, Inc	7,148	0.8
	Other	3,089	0.3
		19,333	2.0
<b>TRANSPORTATION</b>			
		21,344	2.1
<b>UTILITIES</b>			
		31,262	3.2
	<b>TOTAL COMMON STOCKS</b> (Cost \$445,048)	<b>991,210</b>	<b>100.3</b>
<b>RIGHTS / WARRANTS</b>			
<b>DIVERSIFIED FINANCIALS</b>			
		0	0.0
<b>PHARMACEUTICALS, BIOTECHNOLOGY &amp; LIFE SCIENCES</b>			
		0^	0.0
<b>SOFTWARE &amp; SERVICES</b>			
		0	0.0
	<b>TOTAL RIGHTS / WARRANTS</b> (Cost \$0)	<b>0^</b>	<b>0.0</b>
<b>SHORT-TERM INVESTMENTS</b>			
<b>INVESTMENTS IN REGISTERED INVESTMENT COMPANIES</b>			
9,377,581	c State Street Navigator Securities Lending		
	Government Money Market Portfolio	9,378	0.9
		9,378	0.9
	<b>TOTAL SHORT-TERM INVESTMENTS</b> (Cost \$9,378)	<b>9,378</b>	<b>0.9</b>
	<b>TOTAL PORTFOLIO</b> (Cost \$454,426)	<b>1,000,588</b>	<b>101.2</b>
	<b>OTHER ASSETS &amp; LIABILITIES, NET</b>	(12,105)	(1.2)
	<b>NET ASSETS</b>	<b>\$ 988,483</b>	<b>100.0%</b>

# Summary portfolio of investments (unaudited)

*concluded*

Stock Index Account ■ June 30, 2017

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Abbreviation(s):

SPDR Standard & Poor's Depository Receipts

- \* Non-income producing
- ^ Amount represents less than \$1,000.
- c Investments made with cash collateral received from securities on loan.

"Other" securities represent the aggregate value, by category, of securities that are not among the 50 largest holdings and, in total for any issuer, represent 1% or less of net assets.

At 6/30/17, the aggregate value of securities on loan is \$9,089,000.

Cost amounts are in thousands.

For ease of presentation, a number of classification categories have been grouped together in the Summary portfolio of investments. Note that the Account uses more specific categories in following its investment limitations on investment concentrations.

# Statement of assets and liabilities (unaudited)

TIAA Separate Account VA-1 ■ June 30, 2017

(amounts in thousands, except accumulation unit value)	Stock Index Account
<b>ASSETS</b>	
Portfolio investments, at value*†	\$1,000,588
Dividends and interest receivable	1,063
Receivable from securities transactions	9
Other	145
<b>Total assets</b>	<b>1,001,805</b>
<b>LIABILITIES</b>	
Investment management fees payable	4
Service agreement fees payable	5
Payable for collateral for securities loaned	9,378
Due to affiliates	3,758
Overdraft payable	22
Payable for manager compensation	144
Other	11
<b>Total liabilities</b>	<b>13,322</b>
<b>NET ASSETS</b>	
<b>Accumulation Fund</b>	<b>\$ 988,483</b>
<b>Accumulation units outstanding</b>	<b>5,365</b>
<b>Accumulation unit value</b>	<b>\$ 184.24</b>
* Portfolio investments, at cost	\$ 454,426
† Includes securities loaned of	\$ 9,089

# Statement of operations (unaudited)

TIAA Separate Account VA-1 ■ For the period ended June 30, 2017

(amounts in thousands)	Stock Index Account
<b>INVESTMENT INCOME</b>	
Dividends*	\$ 8,725
Income from securities lending	95
Interest	3
<b>Total income</b>	<b>8,823</b>
<b>EXPENSES</b>	
Administrative services	976
Investment advisory	1,464
Mortality and expense risk charges	1,952
Total expenses	4,392
Less: Expense waiver by investment adviser	(732)
<b>Net expenses</b>	<b>3,660</b>
<b>Net investment income (loss)</b>	<b>5,163</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON TOTAL INVESTMENTS</b>	
Realized gain (loss):	
Portfolio investments†	27,560
Futures transactions	36
Net realized gain (loss) on total investments	27,596
Change in unrealized appreciation (depreciation) on:	
Portfolio investments	47,397
Futures transactions	6
Net change in unrealized appreciation (depreciation) on total investments	47,403
Net realized and unrealized gain (loss) on total investments	74,999
<b>Net increase (decrease) in net assets from operations</b>	<b>\$80,162</b>
* Net of foreign withholding taxes	\$ 2
† Includes net realized gain (loss) from securities sold to affiliates of	\$ 864

# Statement of changes in net assets

TIAA Separate Account VA-1 ■ For the period or year ended

(amounts in thousands)	Stock Index Account	
	June 30, 2017	December 31, 2016
	(unaudited)	
<b>OPERATIONS</b>		
Net investment income (loss)	\$ 5,163	\$ 12,925
Net realized gain (loss) on total investments	27,596	44,565
Net change in unrealized appreciation (depreciation) on total investments	47,403	46,582
Net increase (decrease) in net assets from operations	80,162	104,072
<b>FROM CONTRACTOWNER TRANSACTIONS</b>		
Premiums	9,316	16,314
Withdrawals and death benefits	(52,914)	(93,529)
Net increase (decrease) from contractowner transactions	(43,598)	(77,215)
Net increase (decrease) in net assets	36,564	26,857
<b>NET ASSETS</b>		
Beginning of period	951,919	925,062
<b>End of period</b>	<b>\$988,483</b>	<b>\$951,919</b>
<b>ACCUMULATION UNITS</b>		
Units purchased	52	104
Units sold / transferred	(294)	(599)
<b>Outstanding</b>		
Beginning of period	5,607	6,102
End of period	5,365	5,607

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# Financial highlights

## TIAA Separate Account VA-1

### Selected per accumulation unit data

#### Gain (loss) from investment operations

For the period or year ended	Investment income <sup>a</sup>	Expenses <sup>a</sup>	Net investment income (loss) <sup>a</sup>	Net realized & unrealized gain (loss) on total investments	Net change in accumulation unit value	Accumulation unit value beginning of period
<b>STOCK INDEX ACCOUNT</b>						
6/30/17#	\$1.604	\$0.665	\$0.939	\$13.532	\$14.471	\$169.769
12/31/16	3.387	1.173	2.214	15.947	18.161	151.608
12/31/15	3.175	1.150	2.025	(2.347)	(0.322)	151.930
12/31/14	2.761	1.067	1.694	14.236	15.930	136.000
12/31/13	2.402	0.896	1.506	31.870	33.376	102.624
12/31/12	2.256	0.735	1.521	12.334	13.855	88.769

# Unaudited

a Based on average units outstanding.

b Based on per accumulation unit data.

c The percentages shown for this period are not annualized.

d The percentages shown for this period are annualized.

Ratios and supplemental data

Accumulation unit value end of period	Ratios to average net assets				Portfolio turnover rate	Accumulation units outstanding end of period (in millions)	Net assets at the end of period (in millions)
	Total return <sup>b</sup>	Gross expenses	Net expenses	Net investment income (loss)			
\$184.240	8.53% <sup>c</sup>	0.90% <sup>d</sup>	0.75% <sup>d</sup>	1.06% <sup>d</sup>	4% <sup>c</sup>	5	\$988
169.769	11.98	0.90	0.75	1.42	7	6	952
151.608	(0.21)	0.90	0.75	1.32	7	6	925
151.930	11.71	0.90	0.75	1.19	7	7	989
136.000	32.53	0.90	0.75	1.26	7	7	935
102.624	15.60	0.90	0.75	1.55	7	7	752

# Notes to financial statements (unaudited)

## TIAA Separate Account VA-1

### Note 1—organization and significant accounting policies

TIAA Separate Account VA-1 (“VA-1”) is a segregated investment account of Teachers Insurance and Annuity Association of America (“TIAA”) and is organized under the insurance laws of the State of New York for the purpose of issuing and funding individual variable annuity contracts. The variable annuity contracts were issued by TIAA. VA-1 is registered with the Securities and Exchange Commission as an open-end management investment company under the Investment Company Act of 1940, as amended (“1940 Act”). VA-1 consists of a single investment portfolio, the Stock Index Account (“Account”).

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The Account is an investment company and follows the accounting guidance in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 946, *Financial Services—Investment Companies*. The Accumulation Unit Value (“AUV”) for financial reporting purposes may differ from the AUV for processing transactions. The AUV for financial reporting purposes includes security and contractowner transactions through the date of the report. Total return is computed based on the AUV used for processing transactions. The following is a summary of the significant accounting policies consistently followed by the Account.

**Security valuation:** The Account’s investments in securities are recorded at their estimated fair value as described in the valuation of investments note to the financial statements.

**Investments and investment income:** Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned and includes accretion of discounts and amortization of premiums using the effective yield method. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as possible after the Account determines the existence of a dividend declaration after exercising reasonable due diligence. Realized gains and losses on securities transactions are based upon the specific identification method. Distributions received on securities that represent a return of capital or capital gains are recorded as a reduction of cost of investments and/or as a realized gain.

**Income taxes:** VA-1 is a separate account of TIAA, which is taxed as a life insurance company under Subchapter L of the Internal Revenue Code. VA-1 should incur no federal income tax liability. Under the rules of taxation applicable to life insurance companies, VA-1’s Accumulation Account for contractowners will generally be treated as life insurance reserves; therefore, any increase in such reserves will be

deductible. The Account files an income tax return in U.S. federal and applicable state and local jurisdictions. The Account's federal income tax returns are generally subject to examination for a period of three fiscal years after being filed. State and local tax returns may be subject to examination for an additional period of time depending on the jurisdiction. Management has analyzed the Account's tax positions taken for all open federal income tax years and has concluded that no provision for federal income tax is required in the Account's financial statements.

**Management committee compensation:** The members of the Management Committee ("Committee"), all of whom are independent, receive certain remuneration for their services, plus travel and other expenses. Managers may elect to participate in a deferred compensation plan and defer all or a portion of their compensation. In addition, managers participate in a long-term compensation plan. Amounts deferred are retained by the Account until paid. Amounts payable to the managers for compensation are included in the accompanying Statement of Assets and Liabilities. Managers' fees, including any deferred and long-term compensation incurred, are reflected in the Statement of Operations.

**New rule issuances:** In October 2016, the Commission issued Final Rule Release No. 33-10231, *Investment Company Reporting Modernization*. This final rule modernizes investment company reporting by requiring the filing of new Forms N-PORT and N-CEN, and amends Regulation S-X disclosures related to derivatives and other disclosures in the financial statements and other filings. The requirements of this final rule in relation to Forms N-PORT and N-CEN must be adopted by June 1, 2018, while the amended disclosures must be adopted by August 1, 2017. Management is currently assessing the impact of Forms N-PORT and N-CEN on the Account's various filings. The amended S-X disclosures required under this rule will not have an impact on net assets or results of operations but may result in changes to financial statement disclosures.

In October 2016, the Commission issued Final Rule Release No. 33-10233, *Investment Company Liquidity Risk Management Programs*. This final rule requires accounts to establish a liquidity risk management program and enhances disclosures regarding account's liquidity. The requirements of this final rule must be adopted by December 1, 2018. Management is currently assessing the impact of this rule to the Account's financial statements and other filings.

In March 2017, the Commission issued Final Rule Release No. 34-80295, *Amendment to Securities Transaction Settlement Cycle*. This final rule shortens the standard settlement cycle from T+3 to T+2. It is expected that this shortened settlement time will decrease certain risks due to the reduction of unsettled trades and risk exposure. The compliance date for this final rule is September 5, 2017. This rule is not expected to materially impact the Account's financial statements and other filings.

# Notes to financial statements (unaudited)

## Note 2—valuation of investments

Portfolio investments are valued at fair value utilizing various valuation methods approved by the Committee. U.S. GAAP establishes a hierarchy that prioritizes market inputs to valuation methods. The three levels of inputs are:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit spreads, etc.)
- Level 3 – significant unobservable inputs (including the Account's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In accordance with ASU 820, certain portfolio investments that are measured at fair value using the net asset value per share practical expedient are not categorized within the fair value hierarchy. These investments will be disclosed at their fair value to allow reconciliation back to the Statement of Assets and Liabilities. As of June 30, 2017, no investments were valued utilizing the practical expedient.

A description of the valuation techniques applied to the Account's major categories of assets and liabilities measured at fair value follows:

**Exchange-traded equity securities, common and preferred stock:** Equity securities listed or traded on a national market or exchange are valued based on their sale price at the official close of business of such market or exchange on the valuation date, or if there is no official close of business, the latest sale price, or at the mean of the latest available bid and asked prices if no sale is reported. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Foreign equity securities are valued at the last sale price or official closing price reported on the exchange where traded and converted to U.S. dollars at the prevailing rates of exchange on the date of valuation. For events affecting the value of foreign securities between the time when the exchange on which they are traded closes and the time when the Account's net assets are calculated, such securities will be valued at fair value in accordance with procedures adopted by the Committee. Foreign securities are generally categorized as Level 2 of the fair value hierarchy.

**Debt securities:** Debt securities will generally be valued using prices provided by a pricing service that may employ various indications of value including but not limited to broker-dealer quotations. Certain debt securities, other than money market instruments, are valued based on the most recent bid price or the equivalent quoted yield for such securities (or those of comparable maturity, quality and type). Debt securities are generally categorized as Level 2 of the fair value hierarchy; in instances where prices, yields or any other key inputs are unobservable, they are categorized as Level 3 of the hierarchy.

**Investments in registered investment companies:** These investments are valued at their net asset value on the valuation date. These investments are categorized as Level 1 of the fair value hierarchy.

**Futures contracts:** Stock and bond index futures contracts, which are traded on commodity exchanges, are valued at the last sale price as of the close of such commodity exchanges and are categorized as Level 1 of the fair value hierarchy.

Any portfolio security for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued at fair value, as determined in good faith using procedures approved by the Committee. To the extent the inputs are observable and timely, the values would be categorized as Level 2 of the fair value hierarchy; otherwise they would be categorized as Level 3.

Transfers between levels are recognized at the end of the reporting period. For the period ended June 30, 2017, there were no material transfers between levels by the Account.

The following table summarizes the market value of the Account's investments as of June 30, 2017, based on the inputs used to value them (dollar amounts are in thousands):

	Level 1	Level 2	Level 3	Total
<b>Equity investments:</b>				
Health care	\$ 138,016	\$—	\$ 6	\$ 138,022
Industrials	106,072	—	9	106,081
All other equity investments*	747,107	—	—	747,107
Short-term investments	9,378	—	—	9,378
<b>Total</b>	<b>\$1,000,573</b>	<b>\$—</b>	<b>\$15</b>	<b>\$1,000,588</b>

\* For detailed categories, see the accompanying Summary portfolio of investments.

### Note 3—derivative instruments

As defined by U.S. GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index

## Notes to financial statements (unaudited)

of prices or rates, or other variables. Derivatives require little or no initial investment and permit or require net settlement. The Account values derivatives at fair value.

For the period ended June 30, 2017, the effect of derivative contracts on the Account's Statement of Operations was as follows (dollar amounts are in thousands):

Derivative contracts	Location	Realized gain (loss)	Change in unrealized appreciation (depreciation)
Equity contracts	Futures transactions	\$36	\$6

**Futures contracts:** The Account is subject to equity price risk in the normal course of pursuing its investment objectives. The Account uses futures contracts to manage exposure to the equity markets and for cash management purposes to remain highly invested in these markets while minimizing transaction costs. Buying futures contracts tends to increase exposure to the underlying instrument/index, while selling futures contracts tends to decrease exposure to the underlying instrument/index or hedge other investments. Initial margin deposits are made upon entering into a futures contract, and variation margin receipts or payments are settled daily reflecting changes in the value of the futures contracts. Daily changes in the value of such contracts are reflected in net unrealized gains and losses. Gains or losses are realized upon the expiration or closing of the futures contracts or if the counterparties do not perform in accordance with contractual provisions. With futures contracts, there is minimal counterparty credit risk to the Account since futures contracts are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded funds, guarantees the futures contracts against default. During the period ended June 30, 2017, the Account had exposure to equity futures contracts, based on underlying notional values, generally between 0% and 1% of net assets.

There were no open futures contracts as of June 30, 2017.

### Note 4—investment adviser and affiliates

Teachers Advisors, LLC ("Advisors"), a wholly owned subsidiary of TIAA and a registered investment adviser, provides investment advisory services for VA-1 pursuant to an Investment Management Agreement among TIAA, Advisors and VA-1. TIAA provides all administrative services for VA-1 pursuant to an Administrative Services Agreement with VA-1. The contracts are distributed by TIAA-CREF Individual & Institutional Services, LLC ("Services"). Services is a wholly owned subsidiary of TIAA. The Investment Management Agreement sets the investment advisory charge at an annual rate of 0.30% of the average daily net assets of the Account. Advisors has agreed to voluntarily waive a portion of such fee, so that the daily deduction is equivalent to an annual charge of 0.15% of the average daily net assets of the Account.

The Administrative Services Agreement sets the administrative expense charge at an annual rate of 0.20% of the average daily net assets of the Account. TIAA also imposes a daily charge for bearing certain mortality and expense risks in connection with the contracts, equivalent to an annual rate of 0.40% of the average daily net assets of the Account. Although TIAA reserves the right to increase the Account's mortality and expense risk charge to a maximum of 1.00% per year, the total expense ratio will never exceed 1.50% per year. TIAA pays death benefits to beneficiaries when an annuitant dies during the accumulation period or during the annuity period while payments are still due for the remainder of a guaranteed period, if any.

The Account may purchase or sell investment securities in transactions with affiliated entities under procedures adopted by the Committee, pursuant to the 1940 Act. These transactions are effected at market rates without incurring broker commissions. For the period ended June 30, 2017, the Account engaged with affiliated entities in securities purchases of \$7,047,000 and sales of \$4,148,000, which resulted in net realized gains of \$864,000.

## Note 5—investments

**Securities lending:** The Account may lend its securities to qualified institutional borrowers to earn additional income. The Account receives collateral (in the form of cash, Treasury securities or other collateral permitted by applicable law) against the loaned securities and maintains collateral in an amount not less than 100% of the market value of loaned securities during the period of the loan; any additional collateral required due to changes in security values is delivered to the Account the next business day. Cash collateral received by the Account will generally be invested in high-quality short-term instruments or in one or more funds maintained by the securities lending agent ("Agent") for the purpose of investing cash collateral. The value of the loaned securities and the liability to return the cash collateral received are reflected in the Statement of Assets and Liabilities. As of June 30, 2017, securities lending transactions are for equity securities, and the resulting loans are continuous, can be recalled at any time, and have no set maturity. Securities lending income recognized by the Account consists of earnings on invested collateral and lending fees, net of any rebates to the borrower and compensation to the Agent. Such income is reflected separately in the Statement of Operations. In lending its securities, the Account bears the market risk with respect to the investment of collateral and the risk that the Agent may default on its contractual obligations to the Account. The Agent bears the risk that the borrower may default on its obligation to return the loaned securities as the Agent is contractually obligated to indemnify the Account if at the time of a default by a borrower some or all of the loan securities have not been returned.

**Restricted securities:** Restricted securities held by the Account, if any, may not be sold except in exempt transactions or in a public offering registered under the

Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in securities that are widely held and publicly traded.

**Net unrealized appreciation (depreciation):** At June 30, 2017, net unrealized appreciation (depreciation) based on the aggregate cost of portfolio investments was \$546,162,000, consisting of gross unrealized appreciation of \$573,451,000 and gross unrealized depreciation of \$(27,289,000).

**Purchases and sales:** Purchases and sales of portfolio securities (other than short-term instruments) for the period ended June 30, 2017 were \$40,666,000 and \$71,067,000, respectively.

### **Note 6—line of credit**

The Account participates in a \$1.5 billion unsecured revolving credit facility that can be used for temporary purposes, including, without limitation, the funding of contractowner withdrawals. The current facility was entered into on June 20, 2017 expiring on June 19, 2018, replacing the previous facility, which expired June 2017. Certain affiliated accounts and mutual funds, each of which is managed by Advisors, or an affiliate of Advisors, also participate in this facility. An annual commitment fee for the credit facility is borne by the participating accounts and mutual funds on a pro rata basis. Interest associated with any borrowing under the facility is charged to the borrowing accounts or mutual funds at a specified rate of interest. The Account is not liable for borrowings under the facility by other affiliated accounts or mutual funds. For the period ended June 30, 2017, there were no borrowings under this credit facility by the Account.

### **Note 7—indemnification**

In the normal course of business, the Account enters into contracts that contain a variety of representations and warranties and that provide general indemnities. The Account's maximum exposure under these arrangements is unknown, as this would involve future claims against the Account that have not yet occurred. Also, under the Account's organizational documents, the managers and officers of the Account are indemnified against certain liabilities that may arise out of their duties to the Account. However, based on experience, the Account expects the risk of loss due to these warranties and indemnities to be unlikely.

# Approval of investment management agreement (unaudited)

## Committee renewal of the investment management agreement for the TIAA Separate Account VA-1

Among its other duties, the Management Committee (the “Committee” or the “Manager”) of the TIAA Separate Account VA-1 (the “Separate Account”) is responsible for determining whether to initially approve and periodically renew the investment management agreement (the “Agreement”) between Teachers Advisors, LLC (“Advisors”) and the Separate Account. Under the Agreement, Advisors is responsible for providing investment advisory services and overseeing the everyday operations and other service providers of the Separate Account. Below is a summary of the process the Committee undertook related to its most recent renewal of the Agreement.

Section 15(c) of the Investment Company Act of 1940, as amended (the “1940 Act”), requires that, after an initial period of up to two years, the Agreement for the Separate Account will remain in effect only if the Committee, including a majority of those Managers who have no direct or indirect interest in the Agreement, and who are independent managers because they are not “interested persons” of the Separate Account, as that term is defined in the 1940 Act, annually renews that Agreement. None of the Managers are interested persons of the Separate Account under the 1940 Act. Rather, they are all deemed to be independent Managers.

### Overview of the renewal process

The Committee held meetings on March 9, 2017 and March 23, 2017, at which it considered the annual renewal of the Agreement using the process established by the Committee. As part of this process, the Committee delegated certain tasks to its Operations Committee. Among these tasks, the Operations Committee worked with Advisors, individual Managers and legal counsel to the Committee to develop guidance and specific requests relating to the types of information to be provided to the Committee in connection with the proposed contract renewal. The Operations Committee also worked with Advisors to schedule and report on various follow-up items throughout the prior year that were requested by the Committee and the Managers during the 2016 renewal process. During a series of meetings held prior to the March 9 and March 23, 2017 Manager meetings, the Operations Committee reviewed such guidance and follow-up requests in consultation with Advisors representatives and input from other Managers, legal counsel to the Managers and legal counsel to Advisors and the Separate Account, and then evaluated the information produced in accordance with the guidance and requests.

Among other matters, the Operations Committee, following its consultations with others as noted above, confirmed or established certain guidance regarding the preparation of reports to be provided to the Committee with respect to the Separate Account by the Board Reporting and Compliance unit of Broadridge Financial Solutions, Inc. (“Broadridge”), using data from Lipper, Inc., which is an independent provider of investment company data. Broadridge is widely recognized as a leading

## Approval of investment management agreement (unaudited)

provider of comparative analyses used by independent directors, trustees and managers of investment companies during their advisory contract review processes.

Based on guidance provided by the Operations Committee on behalf of the Committee, Broadridge produced, among other information, performance and expense comparison data regarding the Separate Account, including data relating to the Separate Account's management fee rate, total expense ratio, short-term and long-term investment performance, and portfolio turnover rate. Broadridge compared this data for the Separate Account against a universe of investment companies and against a more selective peer group of mutual funds (as applicable) with similar investment objectives and strategies that underlie variable insurance products, each of which was selected by Broadridge independent of any input from Advisors, and, in the case of the investment performance data, against one or more appropriate broad-based indices. In each case, Broadridge summarized, and the Committee reviewed, the methodologies it employed to provide the data contained in its reports. In addition, Broadridge represented to the Committee that its reports were designed specifically to provide the Committee with the fee, expense and performance information that is necessary to help the Committee satisfy its duties under Section 15(c) of the 1940 Act. Broadridge also represented that the purpose of its materials is to provide an unbiased view of the Separate Account's relative position regarding the level of fees, expenses and total return performance against a competitive peer group and universe (as applicable) identified by Broadridge (and not Advisors or the Committee).

Among other matters, the Committee also requested and reviewed various information provided by Advisors to facilitate the Managers' evaluation of the reasonableness of profits earned by Advisors with respect to its services to the Separate Account pursuant to the Agreement.

In advance of the Committee meetings held on March 9 and March 23, 2017, legal counsel for the Managers requested on behalf of the Committee, and Advisors provided, information that was designed to assist the Committee in its consideration of whether to renew the Agreement for the Separate Account. In addition to the data provided by Broadridge as described above, this information included, but was not limited to, the following: (1) further information relating to the Separate Account's investment performance, together with an explanation of any events that had a material impact on the Separate Account's performance during that period; (2) a description of any fee waiver or expense reimbursement arrangements that were proposed or were in place during the prior year and the extent to which such arrangements would be continued or modified in the coming year; (3) a comparison of the Separate Account's fee rate under the Agreement to the fee rates of other accounts with comparable strategies managed by Advisors or certain of its affiliates; (4) any "fall-out" benefits that accrued or were identified as reasonably likely to accrue to Advisors or its affiliates due to their relationship with the Separate Account in addition to Advisors' direct fee payments pursuant to the Agreement; (5) information regarding Advisors' financial resources, senior professional personnel, overall staffing levels, portfolio manager compensation arrangements, insurance coverage, portfolio trading and best execution

practices, and any actual and potential conflicts of interest identified by Advisors in connection with rendering services to the Separate Account; (6) information as to any profits earned by Advisors in connection with its services pursuant to the Agreement; (7) a copy of the Agreement and certain related agreements between the Separate Account and affiliates of Advisors; (8) a copy of Advisors' Form ADV as filed with the Securities and Exchange Commission (which was presented only to legal counsel for the Managers); and (9) proposed narrative explanations of reasons why the Committee should renew the Agreement. The Managers were also provided with performance ratings of Morningstar, Inc. ("Morningstar"), which is a widely recognized mutual fund ranking service. The Managers were given the opportunity to ask questions and request additional information, and they reviewed responses from Advisors to follow-up questions presented by the Committee after its initial review of the information described above.

In considering whether to renew the Agreement with respect to the Separate Account, the Committee reviewed various factors with respect to the Separate Account, including: (1) the nature, extent and quality of services provided or to be provided by Advisors to the Separate Account; (2) the Separate Account's investment performance; (3) the costs of the services provided to the Separate Account and the profits realized or potential profits to be realized by Advisors and its affiliates from their relationship with the Separate Account; (4) fees charged to comparable mutual funds by other advisers; (5) the extent to which economies of scale have been realized or are anticipated to be realized as the Separate Account grows; (6) whether the fee schedule set forth in the Agreement reflects any such economies of scale for the benefit of Separate Account investors; (7) comparisons of services and fee rates with any contracts entered into by Advisors with other clients to whom Advisors provides comparable services; and (8) any other benefits derived or anticipated to be derived by Advisors or its affiliates from their relationship with the Separate Account. As a general matter, the Committee viewed these factors, and any other factors deemed relevant by the Managers, in their totality, and no single factor was identified as being the principal factor in determining whether to renew the Agreement.

In reaching its decisions regarding the renewal of the Agreement, the Committee took into account the information described above and other information provided to the Committee in connection with this process. Additionally, the Committee took into account relevant information, including performance data, provided to the Committee and its Committees throughout the year as part of the Committee's ongoing duties to oversee and evaluate Advisors' services to the Separate Account. In addition to general session meetings that included Advisors personnel, the Managers met in private sessions, at which no Advisors representatives were present, to discuss the proposed renewal of the Agreement. The Committee also received and considered information from its legal counsel as to certain relevant guidance that relates to the renewal process under Section 15(c) of the 1940 Act and certain other legal authorities.

# Approval of investment management agreement (unaudited)

In deciding whether to renew the Agreement for the Separate Account, each Manager may have accorded different weight to different factors and, thus, each Manager may have had a different basis for his or her ultimate decision to vote to renew the Agreement for the Separate Account. At its meeting on March 23, 2017, the Committee voted unanimously to renew the Agreement for the Separate Account. Set forth below is a summary of the primary factors the Committee considered with respect to the Separate Account.

## **The nature, extent and quality of services**

The Committee considered the level and depth of knowledge of Advisors, including the professional experience and qualifications of its personnel. The Committee also considered that Advisors is an experienced investment adviser that has managed the Separate Account since its operations commenced. Investment professionals at Advisors also manage various accounts of the College Retirement Equities Separate Account, the TIAA-CREF Funds and the TIAA-CREF Life Funds, as well as sub-advise other investment companies and vehicles. Under the Agreement, Advisors is responsible for, among other duties: managing the assets of the Separate Account, including conducting research, recommending investments and placing orders to buy and sell securities for the Separate Account's investment portfolio; active daily monitoring of the investment portfolio by various personnel with specific responsibility for the particular types of investments in question; and reporting on the investment performance of the Separate Account to the Committee on a regular basis. The Committee considered that Advisors has carried out these responsibilities in a competent and professional manner. The Committee also considered that Advisors has committed significant resources to supporting the Separate Account. It also considered Advisors' compliance program and resources and its compliance record with respect to the Separate Account.

The Committee also considered, among other factors, the performance of the Separate Account, as discussed below. In addition, the Committee considered the nature and quality of non-portfolio management services provided by Advisors and its affiliates. In this regard, the Committee considered its ongoing review of the performance of certain affiliated and unaffiliated service providers, including the quality of services provided by those firms and Advisors' oversight of those service providers and the outsourcing of certain services to other firms.

During its review, the Committee noted its ongoing efforts to examine the level of personnel and other resources available to Advisors for its portfolio management and other functions, including the impact of recent and anticipated organizational changes on such resources, so as to assess whether sufficient resources are being devoted to these functions.

## **Investment performance**

The Committee considered the investment performance of the Separate Account over the one-, three-, five- and ten-year periods. The Committee considered the Separate Account's performance as compared to its peer universe of funds that underlie variable insurance products and its benchmark index. The Committee also reviewed the three-year performance of the Separate Account before any reductions for fees or expenses. In this analysis, the Committee considered the impact of net asset value rounding and the effects of fair valuation, foreign exchange rates, effective tax rates, securities lending and class action litigation on the Separate Account's performance as compared to the performance of its benchmark index. For details regarding the Separate Account's performance, see the synopsis below. The Committee concluded that, under the totality of circumstances considered, the investment performance of the Separate Account was reasonable.

## **Cost and profitability**

The Committee considered financial and profitability data relating to Advisors for the calendar year 2016. The Committee acknowledged the reasonableness of having management fee rates which permit Advisors to maintain and improve the quality of services provided to the Separate Account and recognized the entrepreneurial risk Advisors assumes. The Committee considered that Advisors had earned profits with respect to the Separate Account under the Agreement for the one-year period ended December 31, 2016. The Committee concluded that those profits were reasonable in light of various relevant factors.

## **Fees charged by other advisers**

The Committee considered information regarding fees paid to other advisers for managing similar mutual funds, as analyzed by Broadridge. The Committee determined that the management fee rate charged to the Separate Account under the Agreement was lower than the management fee rates charged to many or most other comparable mutual funds that underlie variable insurance products. In this connection, the Committee also considered the inherent limitations of such comparisons in light of uncertainty as to how the fees of such similar mutual funds are set and potentially material differences between the Separate Account and its comparable mutual funds that underlie variable insurance products. Another limitation noted by the Committee was Broadridge's treatment of all fund fee waivers, regardless of their type, as management fee waivers, which could materially impact how the Separate Account's actual management fee rate compares to those of peer mutual funds that underlie variable insurance products. Additionally, the Committee also considered the potential limitations of such comparisons due to, among other factors, the fact that, in many instances, Broadridge based its comparisons on financial data relating to fiscal periods that differed from the period for which the Separate Account's data were derived. Based

# Approval of investment management agreement (unaudited)

on all factors considered, the Committee concluded that the management fee rate under the Agreement with respect to the Separate Account was reasonable in relation to those charged by appropriate groups of comparable mutual funds that underlie variable insurance products.

## Economies of scale

The Committee considered whether Advisors has experienced or is anticipated to experience economies of scale in connection with the operation of the Separate Account. The Committee also considered that, because Advisors represented that its profit was small and the Separate Account was unlikely to grow because it was no longer actively sold, there was little opportunity to pass economies of scale on to Separate Account shareholders. Based on all factors considered, the Committee concluded that the Separate Account's fee schedule was reasonable in light of current economies of scale considerations and current asset levels.

## Fee comparison with other Advisors clients

The Committee considered that Advisors and its affiliate, TIAA-CREF Investment Management, LLC, provide similar investment management services to other investment companies that have similar investment strategies as the Separate Account. In the future, Advisors may manage client assets through additional funds and accounts with similar investment strategies and investment staff. The Committee considered the management fee rates actually charged to other investment companies that are managed using similar investment strategies. The Committee also considered Advisors' representation that, while the management fee rate charged to the Separate Account may differ from the management fee rates chargeable to these other funds, this is due in part to the fact that these other funds: (1) may be offered through products that charge additional fees to their investors; (2) may be offered in different types of markets; (3) may be provided with different types or levels of services by Advisors; (4) may have different regulatory burdens; (5) may target different types of investors; and/or (6) may be packaged with other products, and that these factors, among others, could reasonably explain different management fee rate schedules.

## Other benefits

The Committee also considered additional benefits to Advisors and its affiliates arising from the Agreement. For example, Advisors and its affiliates may benefit from the advisory relationship with the Funds to the extent that this relationship results in potential investors viewing TIAA, of which Advisors is an indirect, wholly-owned subsidiary, as a leading retirement plan provider in the academic and nonprofit markets and as a single source for all their financial service needs. Both Advisors and certain funds managed by Advisors or its affiliates may benefit from economies of scale to the extent they share resources and/or personnel.

## Synopsis of factors

The Committee considered the following specific factors (among others) in connection with its determination to renew the Agreement with respect to the Separate Account. If the Separate Account is described in the following discussion as being in the “1st” quintile, it is in the best of five groups (that is, the group has the best performance or the lowest expenses, as the case may be). References below to quintiles are based on data provided to the Committee in the reports prepared by Broadridge. All time periods referenced below are ended December 31, 2016. Under the Morningstar rating system, 5 stars is the highest (best) rating category and 1 star is the lowest (worst) rating category. The Morningstar data is as of December 31, 2016.

- The Separate Account’s annual contractual investment management fee rate is 0.30% of average daily net assets, but is waived by Advisors to an annual fee of 0.15% of average daily net assets.
- The Separate Account’s total expense ratio, actual investment management fee rate and contractual investment management fee rate were each in the 1st quintile of the group of comparable funds selected by Broadridge for expense comparison purposes and in the 4th, 1st and 1st quintiles, respectively, of the universe of comparable funds selected by Broadridge for expense comparison purposes.
- The Separate Account did not have a group of comparable funds selected by Broadridge for performance comparison purposes. The Separate Account was in the 2nd, 2nd, 2nd and 3rd quintiles of the universe of comparable funds selected by Broadridge for performance comparison purposes (“Performance Universe”) for the one-, three-, five- and ten-year periods, respectively. The Fund’s Performance Universe includes actively-managed funds, while the Fund utilizes a passive investment strategy.
- For the three-year period, the Separate Account’s relative gross performance (meaning the Separate Account’s performance without any reductions for fees or expenses, including the effect of net asset rounding and excluding the effects of fair valuation, foreign exchange, effective tax rates, securities lending and class action recoveries) was equal to the performance of its benchmark, the Russell 3000® Index.
- The Separate Account received an Overall Morningstar Rating of 5 stars.
- Advisors earned a net profit with respect to its services to the Separate Account for the one-year period.

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Based primarily on the foregoing factors and considerations, the Committee renewed the Agreement for the Separate Account.

# How to reach us

## **TIAA website**

Account performance, personal account information and transactions, product descriptions, and information about investment choices and income options

**TIAA.org**

**24 hours a day, 7 days a week**

## **Automated telephone service**

Check account performance and accumulation balances, change allocations, transfer funds and verify credited premiums

**800-842-2252**

**24 hours a day, 7 days a week**

## **National contact center**

Retirement saving and planning, income options and payments, beneficiary services and tax reporting

**800-842-2252**

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**9 a.m. to 6 p.m. (ET), Saturday**

## **Insurance planning center**

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**877-825-0411**

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**9 a.m. to 6 p.m. (ET), Saturday**

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