STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

CONDITION:	DECEMBER 31, 2008
DATE OF REPORT:	DECEMBER 31, 2009

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AS OF

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EXAMINER:	MARC A. TSE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

David Paterson
Governor

James J. Wrynn
Superintendent

May 17, 2010

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30317, dated April 2, 2009 and annexed hereto, an examination has been made into the condition and affairs of Teachers Insurance and Annuity Association of America, hereinafter referred to as "TIAA" or "the Association" at its home office located at 730 Third Avenue, New York, NY 10017.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material findings, comments, violations and recommendations contained in this report are summarized below.

- The Association violated Section 4233(a) of the New York Insurance Law by failing to classify its bonds on Schedule D, Part 1, in accordance with the annual statement instructions as published by the National Association of Insurance Commissioners. (See item 5 of this report)

- With respect to conflicts of interest, the examiner again recommends that the Association ensure that all officers and directors complete the conflict of interest questionnaires and code of ethics acknowledgement forms on an annual basis. The examiner further recommends that the Association compile and update annually a list of related employees, including information as to names, job titles and relationship, and make such list available for review by Department examiners. (See item 3E of this report)

2. SCOPE OF EXAMINATION

The examination of Teachers Insurance and Annuity Association of America is a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2008 Edition* (the "Handbook"). This examination covers the four-year period from January 1, 2005 through December 31, 2008. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2008, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and the extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

Information about the Association's organizational structure, business approach and control environment were utilized to develop the examination approach. The Association's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity

- Legal
- Reputational

The Association was audited annually, for the years 2005 through 2008, by the accounting firm of PricewaterhouseCoopers ("PwC"). The Association received an unqualified opinion in each of the years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Association has an internal audit department and a separate internal control department which has been given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Association with respect to the financial condition violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

In 1917, the Carnegie Foundation for the Advancement of Teaching ("the Foundation") initiated the formation of an organization to provide pensions and insurance for teachers and employees of private educational institutions. The Foundation organized the Teacher Insurance and Annuity Association of America as a legal reserve stock life insurance company under Section 70 of the New York Insurance Law (now Section 1113). The Association was incorporated on March 4, 1918 and commenced business on May 17, 1918. A plan was initiated to make the Association independent of the Foundation with respect to its finances in 1935. An act of the New York State Legislature creating the "Trustees of T.I.A.A. Stock" ("the Trustees") became law on June 3, 1937, and the Foundation transferred the Association stock to the Trustees in 1938. Part of the plan also included a proposal by the Association that the Foundation make an endowment grant to it of $6,700,000 which would obviate any further support for its overhead expenses. The Foundation voted to accept the Association's proposal and transferred $2,700,000 to the Association by December 31, 1937. The balance of the endowment was transferred to the Association by the end of 1938. Effective November 17, 1989, the name of the Trustees of T.I.A.A. Stock was changed to "TIAA Board of Overseers."

As a companion nonprofit organization to TIAA, College Retirement Equities Fund ("CREF") was founded in 1952 to provide retirement annuities based on investment in common stock. It was created through an act of the New York State legislature, under which it was organized as a nonprofit company controlled by specified members who generally have a legal function similar to that of shareholders. In the 1980s, CREF registered with the Securities and Exchange Commission (SEC) as an investment company under the Investment Company Act of 1940.

On November 20, 1996, TIAA-CREF Life Insurance Company ("TIAA-CREF Life") was established for the purpose of retaining the Association's taxable life insurance and other non-pension business.

Although the Association had been formed as a New York domestic stock life insurance company, the Association was exempt from federal taxation since its founding in 1918.

Effective January 1, 1998, the Association lost its exemption from federal income taxation pursuant to Section 1042 of the Taxpayers Relief Act of 1997.

On May 1, 2004, the Association entered into a series of agreements with Metropolitan Life Insurance Company ("MetLife") for: MetLife to service the Association's long-term care business; cession of 100% of the Association's group and individual long-term care liability to MetLife; and MetLife to begin the process of offering the Association's policyholders the option of transferring their policy to MetLife. (See item 4C – Reinsurance section of this report)

On July 28, 2004, the Association transferred title to land and buildings located at 485 Lexington Avenue and 750 Third Avenue, New York, New York in an agreement under which it continued to lease and operate the properties.

B. Holding Company

All of the outstanding stock of the Association is held by the TIAA Board of Overseers, a nonprofit corporation created solely for the purpose of holding the stock of the Association. The Association has direct ownership of 47 operating and investment subsidiaries.

TIAA-CREF Life Insurance Company

TIAA-CREF Life Insurance Company, a wholly owned subsidiary of the Association, was incorporated on November 20, 1996 as a New York-domiciled stock life insurance company and commenced operations in that year by assuming a small block of life insurance business from the Association. TIAA-CREF Life was originally established for the purpose of retaining the Association's taxable life insurance and other non-pension business. Currently, TIAA-CREF Life markets life, annuity and health insurance products to the general public. Under an at-cost service agreement, the Association performs the majority of services for the operation of TIAA-CREF Life. TIAA-CREF Life is licensed in 50 states and the District of Columbia.

The Association has a financial support agreement with TIAA-CREF Life. Under this agreement, the Association is to provide support so that TIAA-CREF Life will have the greater of (a) capital and surplus of $250 million, (b) the amount of capital and surplus necessary to maintain TIAA-CREF Life's capital and surplus at a level not less than 150% of the NAIC Risk Based Capital Model or (c) such other amount as necessary to maintain TIAA-CREF Life's financial strength rating at least the same as the Association's rating at all times. On March 17, 2009 the Association made a $70 million capital contribution to TIAA-CREF Life under the financial support agreement.

Additionally, the Association provides a $100 million unsecured 364-day revolving line of credit to TIAA-CREF Life. As of December 31, 2008, there was no outstanding principal amount under this line of credit.

TIAA-CREF Enterprises, Inc.

The Association has 100% ownership of TIAA-CREF Enterprises, Inc. (“Enterprises”), a holding company that controls the following operating subsidiaries: Teachers Advisors, Inc. (“Advisors”), Teachers Personal Investors Services, Inc. (“TPIS”), TCAM Core Property Fund GP LLC, and TIAA-CREF Tuition Financing, Inc.

On January 13, 1997, the Association organized and registered mutual funds with the U.S. Securities and Exchange Commission. TPIS distributes shares of the Association’s mutual funds, and Advisors provides investment advisory services. The initial launch of six investment funds was subsequently expanded to include a total of 11 bond and equity funds.

TIAA-CREF Tuition Financing, Inc.

During 1998, the Association and its wholly-owned indirect subsidiary, TIAA-CREF Tuition Financing, Inc. (“TFI”), established a tuition financing business to provide investment management, marketing, administration and customer service for state tuition financing programs around the country. This business is based on federal legislation which enabled states to set up tuition financing arrangements that provide federal tax deferral of earnings and on which withdrawals used for higher education will be federal income tax-free. Twelve states have selected TFI as the exclusive provider of marketing and promotion, customer service, administration and investment management services for their tuition financing programs.

TIAA-CREF Trust Company, FSB

On July 16, 1998, the TIAA-CREF Trust Company, FSB (“TIAA-CREF Trust”), commenced business. TIAA-CREF Trust Company, FSB is a wholly-owned subsidiary of TCT Holdings, Inc, which in turn, is a wholly owned subsidiary of the Association. TIAA-CREF

Trust offers trust and investment management services primarily to the Association and CREF participants and their families, to institutions in education and research, and to others.

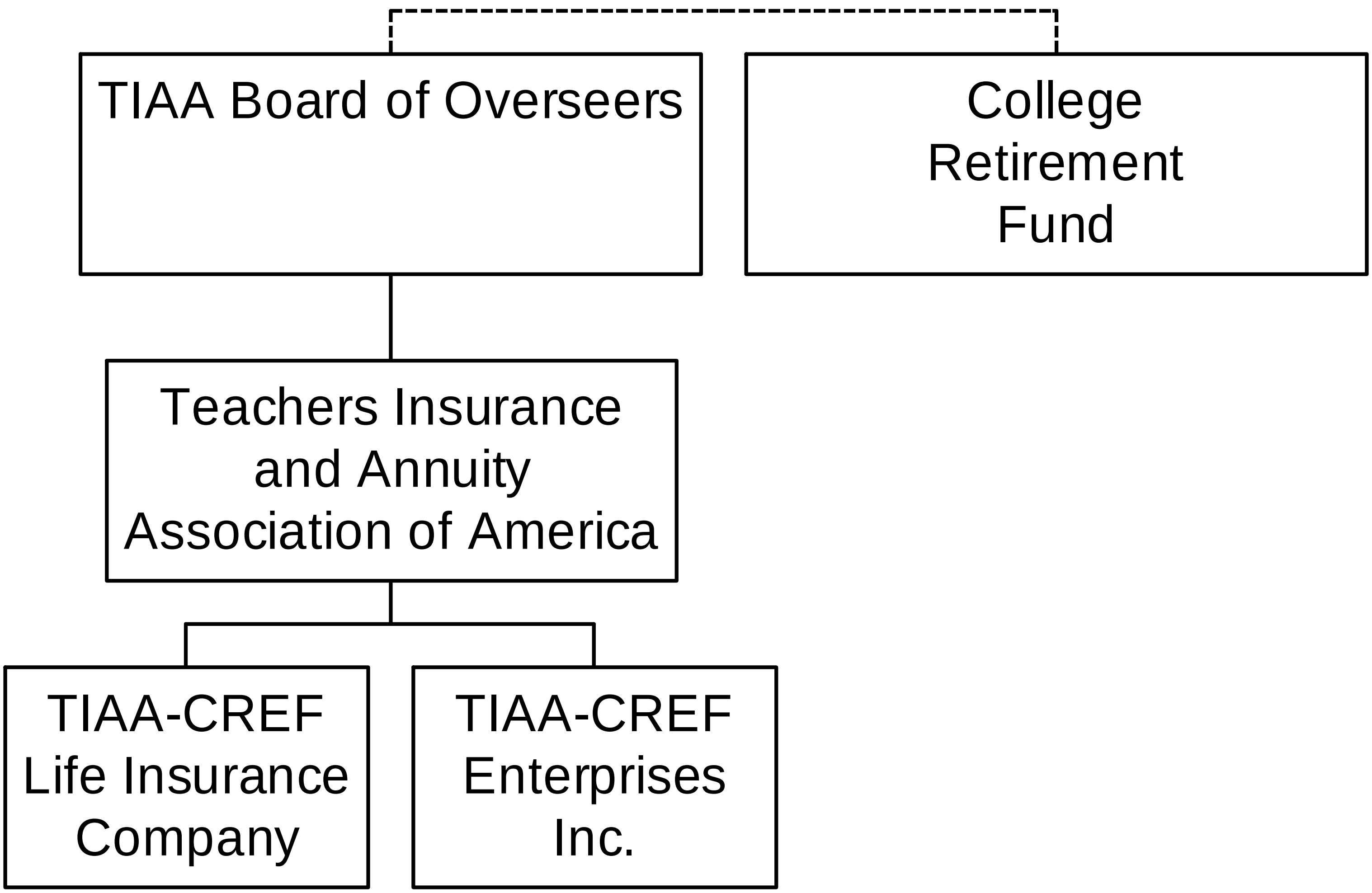
<u>TIAA Global Markets, Inc.</u>

On January 30, 2002, TIAA Global Markets, Inc. (“TGM”) which was formed as an indirect wholly owned subsidiary of the Association to issue debt and invest the proceeds in compliance with investment guidelines approved by the TGM Board. TGM is authorized to issue up to $5 billion in debt with the Association authorized to guarantee up to $5 billion of such debt. On March 1, 2006, TGM became a directly-owned subsidiary of the Association. As of December 31, 2008, TGM had $3.295 billion of outstanding debt and accrued interest.

The Association provides a $750 million uncommitted and unsecured 364-day revolving line of credit to TGM. As of December 31, 2008, there was no outstanding principal amount under this line of credit.

C. Organizational chart

An organization chart reflecting the relationship between the Association and significant entities in its holding company system as of December 31, 2008 follows:



D. Service agreements

The Association had 38 service agreements in effect as of December 31, 2008. The Association reported the following information relating to inter-company transactions and services within the holding company system for the four year period under review:

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
1. Cash Disbursement and Reimbursement Agreement	12/17/91 Addenda/ Amendments: a. 12/17/91 b. 1992 update	TIAA	TIAA-CREF Investment Management, LLC	Cash disbursement and reimbursement services and provision of personnel.	2008 $233,990,048 2007 $250,878,012 2006 $224,267,961 2005 $189,728,102
2. Amended & Restated Cash Disbursement & Reimbursement Agreement	11/13/96	TIAA	TIAA-CREF Individual & Institutional Services, LLC	Cash disbursement and reimbursement services and provision of personnel.	2008 $ 818,217,489 2007 $ 855,694,781 2006 $ 664,530,687 2005 $ 539,386,605
3. Immediate Annuity Purchase Rate Guarantee Agreement	5/1/98 Amendment: a. 6/16/04	TIAA	CREF	Guarantee to guaranteed rate available to participants.	2008 $ 8,997,948 2007 $ 10,431,282 2006 $ 9,213,581 2005 $ 8,302,624
4. Cash Disbursement & Reimbursement Agreement	7/1/97	TIAA	Teachers Advisors, Inc.	Cash disbursement and related services and provision of personnel related to TIAA-CREF Mutual Funds (Merged into TIAA-CREF Institutional Mutual Funds on 4/20/07).	2008 $ 44,173,741 2007 $ 38,695,966 2006 $ 40,496,111 2005 $ 33,334,587
5. Cash Disbursement & Reimbursement Agreement	7/1/97	TIAA	Teachers Personal Investors Services, Inc.	Cash disbursement and related services and provision of personnel related to TIAA-CREF Mutual Funds (Merged into TIAA-CREF Institutional Mutual Funds on 4/20/07).	2008 $ 12,982,783 2007 $ 13,070,463 2006 $ 9,851,415 2005 $ 7,368,650

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
6. Distribution & Administrative Services Agreement	9/29/95 Addendum/ Amendments: a. 4/16/96 b. 11/13/96 c. 4/20/99 d. 4/17/00 e. 4/20/01 f. 5/01/03 g. 5/01/04 h. 5/01/05 i. 4/28/06 j. 5/01/07	TIAA-CREF Individual & Institutional Services, LLC	TIAA, TIAA Real Estate Account	Distribution services.	2007 $(68,262,749) 2006 $(46,823,955) 2005 $(27,842,556)
7. Distribution Agreement	1/1/2008	TIAA	TIAA, TIAA Real Estate Account	A distribution only relationship to replace and supersede the Distribution and Administrative Services Agreement of September 29, 1995.	N/A
8. Distribution Agreement (Replaces 9/29/95 agreement)	1/1/2008	TIAA-CREF Individual & Institutional Services, LLC	TIAA, TIAA Real Estate Account	TC Services distributes the Contracts during the term of the Agreement, advise, existing Contract owners in connection with their accumulation, and provide assistance in designing, installing and providing administrative services.	2008 $(14,873,139)
9. Investment Management Agreement	12/10/96	TIAA	TIAA-CREF Life Insurance Company	Investment advisory services.	2008 $2,956,596 2007 $2,747,431 2006 $2,994,262 2005 $2,929,620
10. Amended & Restated Service Agreement	1/1/99	TIAA	TIAA-CREF Life Insurance Company	Administrative and special services.	2008 $38,457,075 2007 $40,759,611 2006 $46,434,812 2005 $47,722,192
11. Financial Support Agreement	11/2/98	TIAA	TIAA-CREF Life Insurance Company	TIAA will cause TIAA-CREF Life Insurance Company to be sufficiently funded.	2008 $0 2007 $0 2006 $0 2005 $0

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
12. Cash Disbursement & Reimbursement Agreement	11/30/98	TIAA	Teachers Advisors, Inc.	Cash disbursement and related services and provision of personnel.	2008 $1,631,354 2007 $5,165,815 2006 $1,950,983 2005 $1,270,450
13. Cash Disbursement & Reimbursement	11/30/98	TIAA	Teachers Personal Investors Services, Inc.	Cash disbursement and related services and provision of personnel.	2008 $ 599,296 2007 $ 1,158,039 2006 $ 1,326,681 2005 $ 697,635
14. Cash Disbursement & Reimbursement Agreement	2/20/02	TIAA	Teachers Personal Investors Services, Inc.	Cash disbursement and related services and provision of personnel.	2008 $2,828,731 2007 $3,762,792 2006 $2,019,763 2005 $1,323,721
15. Cash Disbursement & Reimbursement Agreement	9/15/94	TIAA	Teachers Advisors, Inc.	Cash disbursement and related services and provision of personnel.	2008 $1,238,796 2007 $1,288,863 2006 $1,018,917 2005 $ 670,817
16. Investment Management Agreement	9/15/94 Waiver: a. 3/21/96 b. 6/01/05 38a-1 Letter	Teachers Advisors, Inc.	TIAA, TIAA Separate Account VA-1	Investment management services.	2008 $(559,664) 2007 $(714,234) 2006 $(654,598) 2005 $(631,503)
17. Distribution Agreement for Contracts funded by VA-1	9/15/94 Addenda/ Amendments: a. 8/01/95 b. 11/03/97 c. 6/01/05 38a-1Amendment	Teachers Personal Investors Services, Inc.	TIAA, TIAA Separate Account VA-1	Distribution services.	2008 $(62,006) 2007 $(77,474) 2006 $(77,289) 2005 $(106,287)
18. Cash Disbursement & Reimbursement Agreement	9/15/94	TIAA	Teachers Personal Investors Services, Inc.	Cash disbursement and related services and provision of personnel.	2008 $ 257,735 2007 $ 349,337 2006 $ 435,806 2005 $ 231,458 2005 $ 270,473
19. Distribution Agreement	12/15/06	TIAA-CREF Individual & Institutional Services, LLC	TIAA/TIAA Separate Account VA-3	TIAA and Separate Account VA-3 appoint TC Services as the principal underwriter to distribute the Contracts.	2008 $(61,711) 2007 $0

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
20. Cash Disbursement and Reimbursement Agreement	12/15/06	TIAA	TIAA-CREF Individual & Institutional Services, LLC	To make all cash disbursement, incur all expenses and provide personnel as may be necessary for TC Services to fulfill its obligations under the Distribution Agreement for VA-3. TC Services reimburses TIAA for actual disbursements in providing such services.	2008 $187,612 2007 $121,312
21. Participation Agreement	12/21/2006 Amendment: a. 7/31/2007 b. 3/31/2008	TIAA-CREF Institutional Mutual Funds, Teachers Personal Investors Services, Inc. and Teachers Advisors, Inc.	TIAA, TIAA Separate Account VA-3	Agreement under which TIAA Separate Account VA-3 purchases/redeems shares to fund its variable annuity contracts.	2008 $54,850 2007 $46,597 2006 $0 2005 $0
22. Service Agreement	7/7/98	TIAA	TIAA-CREF Trust Company, FSB	Perform services and provide facilities and personnel.	2008 $24,188,870 2007 $22,193,336 2006 $19,330,448 2005 $17,259,237
23. Sublease Agreement	5/1/98	TIAA	TIAA-CREF Trust Company, FSB	TIAA subleases space to the Trust Company at One Metropolitan Plaza, St. Louis, Missouri	2005 $788,976 2006 $802,991 2007 $820,610 2008 $237,570
24. Certificate of Deposit Account Agreement	7/31/98	TIAA-CREF Trust Company, FSB	TIAA	Trust Company issues a Certificate of deposit to TIAA after receipt of deposit under described circumstances.	2005 $13,358 2006 $20,458 2007 $24,725 2008 $20,828
25. Investment Management Agreement	6/4/99	TIAA-CREF Trust Company, FSB	TIAA	Investment advisory, custody and income services.	2005 $25,707 2006 $27,845 2007 $31,108 2008 $27,660

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
26. Cash Disbursement & Reimbursement Agreement relating to Services provided by TFI, TPIS and Services to State Tuition Savings Programs	10/14/04	TIAA	TIAA-CREF Tuition Financing Inc., Teachers Personal Investors Services, Inc. & TIAA-CREF Individual & Institutional Services, LLC	Cash disbursement and related services and provision of personnel.	2008 $ 40,496,337 2007 $ 41,907,949 2006 $ 55,786,261 2005 $ 54,101,758
27. Service Agreement	11/2/05	TIAA	TIAA-CREF Individual & Institutional Services, LLC	TIAA agrees to perform certain services including cash disbursement and non-broker-dealer services in connection with IRA business.	2008 $ 254,211 2007 $ 9,021 2006 $ 17,702 2005 $ 41,316
28. Cash Disbursements and Reimbursement Agreement	8/12/08	TIAA	TIAA-CREF Individual & Institutional Services, LLC	Make all cash disbursements, incur all expenses and provide personnel as may be necessary for TC Services to fulfill its obligation to distribute the MVA contracts under the Distribution Agreement.	2008 $0
29. Cash Disbursement & Reimbursement Agreement	6/30/04	TIAA	Teachers Advisors, Inc.	Cash disbursement and related services and provision of personnel.	2008 $22,871,265 2007 $28,186,370 2006 $10,977,882 2005 $ 9,367,264
30. Cash Disbursement & Reimbursement Agreement	1/31/02	TIAA	TIAA Advisory Services, LLC	Cash disbursement and related services and provision of personnel related to Teachers Advisory Services, LLC.	2008 $2,478,694 2007 $2,248,767 2006 $1,220,396 2005 $1,392,397
31. Cash Disbursement & Reimbursement Agreement	11/4/2008	TIAA	TIAA Global Public Investments, LLC	Make all cash disbursements, incur all expenses and to provide personnel as may be necessary for TGPI to fulfill its obligations.	2008 $30,342

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
32. Uncommitted Note Purchase Agreement	5/31/02	TIAA	TIAA Global Markets, Inc.	TIAA loans to TIAA Global Markets, Inc. for liquidity and cash management purposes.	2005 $0 2006 $0 2007 $0 2008 $0
33. Fidelity Bond, Joint Insured Agreement	2005	TIAA	CREF, TIAA Separate Account VA-1, TIAA-CREF Mutual Funds, TIAA-CREF Life Funds and TIAA-CREF Institutional Mutual Funds	Agreement to pay allocated portion of premium for Fidelity Bond. The funds have acquired a joint insured blanket bond in accordance with Rule 17g-1 under the investment Company Act 1940. TIAA is the appointed agent to handle claims under the policy.	2005 $38,880
34. Fidelity Bond, Joint Insured Agreement	2006	TIAA	CREF, TIAA Separate Account VA-1, TIAA-CREF Mutual Funds, TIAA-CREF Life Funds and TIAA-CREF Institutional Mutual Funds	Agreement to pay allocated portion of premium for Fidelity Bond. The funds have acquired a joint insured blanket bond in accordance with Rule 17g-1 under the Investment Company Act 1940. TIAA is the appointed agent to handle claims under the policy.	2006 $38,880
35. Fidelity Bond, Joint Insured Agreement	2007	TIAA	CREF, TIAA Separate Account VA-1, TIAA-CREF Mutual Funds, TIAA-CREF Life Funds and TIAA-CREF Institutional Mutual Funds	Agreement to pay allocated portion of premium for Fidelity Bond. The funds have acquired a joint insured blanket bond in accordance with Rule 17g-1 under the Investment Company Act 1940. TIAA is the appointed agent to handle claims under the policy.	2007 $40,823

Type of Agreement	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses) For Each Year of the Examination
36. Fidelity Bond, Joint Insured Agreement	2008	TIAA	CREF, TIAA Separate Account VA-1, TIAA-CREF Mutual Funds, TIAA-CREF Life Funds and TIAA-CREF Institutional Mutual Funds	Agreement to pay allocated portion of premium for Fidelity Bond. The funds have acquired a joint insured blanket bond in accordance with Rule 17g-1 under the Investment Company Act 1940. TIAA is the appointed agent to handle claims under the policy.	2008 $40,823
37. Asset Management Agreement	3/16/98	TIAA	TIAA Realty, Inc.	TIAA manages the assets of TIAA Realty, Inc., either directly or indirectly.	2008 $3,547,225 2007 $3,511,038 2006 $3,861,148 2005 $3,729,580
38. Cash Disbursement & Reimbursement Agreement	11/18/2008	TIAA	Kaspick & Company, LLC	Make all cash disbursements, incur certain expenses and provide such personnel as may be necessary for Kaspick to fulfill its obligations.	2008 $13,639,912

The Association participates in a federal income tax allocation agreement with its subsidiaries and affiliates.

E. Management

The constitution of the TIAA Board of Overseers specifies that the Board of Overseers shall consist of seven members. The term of membership shall be seven years with one member elected each year. The constitution also states that the affairs of the Association shall be managed by a Board of Trustees and that no more than two members of the TIAA Board of Overseers shall be eligible to serve at any one time as trustees of TIAA. The Board of Overseers owns all the outstanding stock of TIAA.

As of December 31, 2008, the members of the TIAA Board of Overseers were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
William G. Bowen* Princeton, NJ	President Emeritus, The Andrew W. Mellon Foundation Founding Chairman, Ithaka Harbors, Inc.	1995
Roger W. Ferguson Washington, DC	President and Chief Executive Officer Teachers Insurance and Annuity Association	2008
Stanley O. Ikenberry* Urbana, IL	President, Board of Overseers Regent Professor and President Emeritus, University of Illinois	1998
Cleve I. Killingsworth* Chestnut Hill, MA	Chairman and Chief Executive Officer Blue Cross Blue Shield of Massachusetts	2007
Michael S. McPherson* Chicago, IL	President The Spencer Foundation	2005
Samuel O. Thier * Chestnut Hill, MA	Professor of Medicine and Health Care Policy, Emeritus (as of 1/1/08) Harvard Medical School Massachusetts General Hospital	2003
Alair A. Townsend* New York, NY	Columnist Crain's New York Business	2000

* Not affiliated with CREF or TIAA.

The bylaws state that the general management of the property, business and affairs of the Association shall be vested in the Board of Trustees. The Board of Trustees shall consist of no less than 13 or the minimum required by law, whichever is less, and no more than 24 trustees. All trustees are elected for a one-year term. The bylaws also specify that the board shall hold an annual meeting on the third Wednesday in June of each year for the election of trustees and for the transactions of any other business that may come before the meeting. The annual meeting may be held at a different date if determined by the Chief Executive Officer or by the TIAA Nominating and Governance Committee and the board may hold other meetings as it may fix by standing resolution. As of December 31, 2008, the board of trustees consisted of 13 members. The board met on a regular basis during the examination period.

The following were the members of the TIAA Board of Trustees as of December 31, 2008:

* Not affiliated with the Association or any other entity in the holding company system

The examiner's review of the minutes of the meetings of the board of trustees and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Association as of December 31, 2008:

Name	Title
Roger Walton Ferguson, Jr.	President and Chief Executive Officer
Georganne Craig Proctor	Executive Vice President & Chief Financial Officer
Mary Elizabeth Beams	Executive Vice President, Client Services
Scott Crane Evans	Executive Vice President, Asset Management
Irwin Steven Goldstein	Executive Vice President, Public Affairs
Erwin Wayne Martens	Executive Vice President, Risk Management
Dermot Joseph O'Brien	Executive Vice President, Human Resources & Corporate Services
Cara Lee Schnaper	Executive Vice President, Technology & Operations
Bertram Lee Scott	Executive Vice President, Chief Institutional Development & Sales
Edward Dinnage Van Dolsen	Executive Vice President, Product Development & Management
Stephen Gruppo	Senior Managing Director, Acting Head Risk Management
Jonathan Ellenbogen Feigelson	Senior Vice President, Acting General Counsel
Henry Isaac Klaristenfeld	Senior Vice President & Actuary
Jorge Gutierrez	Vice President & Treasurer
William Joseph Mostyn III	Vice President & Corporate Secretary

Thomas Linton is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64. In March 2009, Becky Buckingham replaced Thomas Linton as the consumer services officer.

Conflicts of Interest

(1) Conflict of Interest Statements

Prior to 2005, an annual code of ethics acknowledgement by the Association's officers was not part of the Association's procedures. The code of ethics acknowledgement was signed by employees, including officers, only at the time of commencement of employment with the Association. Further, the Association's trustees were exempted from such requirements.

The Association asserted that, beginning in 2005, it implemented an automated process for maintaining, monitoring and reporting code of ethics acknowledgements on an annual basis. The examiner requested that the Association provide the conflict of interest statements completed during the examination period. The Association was unable to produce the documentation for the year 2006.

The examiner recommends that the Association ensure that all officers and directors complete the conflict of interest questionnaires and code of ethics acknowledgement forms on an annual basis. A similar finding was contained in the prior report on examination.

(2) Related Employees

As part of the review of the Association's controls over potential conflicts of interest, the examiner requested that the Association provide information pertaining to related persons employed within the organization, including such information as names, job titles and relationship. Despite the examiner's request, the Association did not comply in providing such information. The Association's response stated, "TIAA-CREF does not have a systematic process to track related employees. Job applicants are asked if they have relatives at TIAA-CREF to ensure that there is no conflict of interest during the interview process." The Association stated further that:

> "TIAA managers are responsible for identifying potential nepotism issues and ensuring that employees with relatives in the company do not compromise the daily operation of his or her unit. The policy also places an affirmative duty on all employees to report potential nepotism concerns to the company's Human Resources area. The company's policy-based approach, as opposed to conducting recurring surveys of employees about family relations, has been applied consistently and satisfactorily as needed for addressing nepotism issues. We are confident that this approach is sufficient."

Although the Association asserts that its policy has been applied consistently and satisfactorily, the Association was unable to provide any evidence evincing the operation of the policy, including communications or reports relating to a manager's oversight of this area or internal audit reports reviewing the functioning of the Association's controls in this area, or that it could even compile a listing of related persons for the purpose of reviewing policy compliance. The Association's procedures do not instruct its managers as to the frequency of surveys or reports on such matters; there is no assurance of frequency of surveys or reports nor that any existing relations involving conflict of interest are being detected. Such relationships may by nature be subject to ongoing change. Without adequately functioning controls over potential conflicts of interest, the Association becomes more susceptible to situations involving fraudulent activity.

The examiner recommends that the Association compile and update annually a list of related employees, including information as to names, job titles and relationship, and make such list available for review by Department examiners. Where the examiner is unable to verify the functioning of Association controls and procedure pertaining to this area, the listing is necessary to the examiner's review of conflicts of interest involving related persons.

4. TERRITORY AND PLAN OF OPERATION

The Association is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Association is licensed to transact business in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Northern Mariana Islands and Canada. In 2008, 39.4% of life premiums were received from New York (13.9%), California (7.4%), Pennsylvania (6.8%), Massachusetts (5.7%) and New Jersey (5.6%). For annuity considerations, 41.2% of premiums were received from New York (17.2%), Pennsylvania (6.7%), Massachusetts (6.2%), California (5.9%) and New Jersey (4.9%).

Policies are written on a non-participating basis; however, since the Association's charter states that the corporation's operations shall be conducted "without profit to the corporation or its stockholders," surplus is distributed to its policyholders as excess interest.

A. Statutory and Special Deposits

As of December 31, 2008, the Association had $5,000,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Association.

B. Direct Operations

The Association's sales operations are conducted on a branch office and direct response basis. The Association does not have a commissioned sales force and pension annuity premiums are remitted directly by participating institutions. Individual life insurance and non-pension annuities are generally sold by direct mail.

The Association's product portfolio consists of pension and other retirement annuities, individual and group life insurance, group disability insurance and long-term care insurance. The Association's activities are predominantly focused on the sale of individual pension and retirement annuities. The Association focuses on a very specialized portion of this business, primarily retirement savings of educators and non-profit research professionals.

The Association's primary products include individual and group qualified retirement annuities, supplemental retirement annuities, IRA and Keogh plans, as well as non-qualified personal annuities. The Association also sells individual insurance policies, but this business is a minor part of the Association's overall operations. The Association exited their group life and disability and long-term care business on October 1, 2002 and May 1, 2004, respectively.

The Association primarily targets individuals in the academic, cultural, medical and research institutions, small business owners and individuals who wish to manage risk and preserve their wealth. Individual annuities and life insurance products are marketed directly to individuals while funding agreements are issued directly to states.

Policyholders are able to allocate their retirement annuity contributions between the Associations' fixed account and various CREF variable accounts which cover a range of investment objectives and styles, including stock, money market, social choice, bond and inflation-linked bond funds. A real estate separate account option is also available for retirement annuity contributions.

The demand for wealth transfer services has prompted the Association to enter the trust services market through its federally chartered savings bank, TIAA-CREF Trust, an SEC registered investment advisor. TIAA-CREF Trust offers financial planning, discretionary and non-discretionary asset management, trust administration and estate planning services. In addition, TIAA-CREF Trust offers institutional trust services to higher education institutions through endowment management and planned giving programs.

C. Reinsurance

For 2008, the Association reported the following distribution of net premiums written:

Direct business	$13,378,525,297
Reinsurance assumed (from affiliates)	0
Reinsurance assumed (from non-affiliates)	22,116,074
Total direct and assumed	$13,400,641,371
Reinsurance ceded (to affiliates)	0
Reinsurance ceded (to non-affiliates)	23,258,778
Total ceded	23,258,778
Net Premiums Written	$13,377,382,593

Ceded Reinsurance

The Association cedes business to various reinsurers under a number of automatic, yearly renewable term (YRT) and coinsurance agreements. The majority of business reinsured involved ordinary life products with the remaining portion consisting of long-term care insurance products.

As of December 31, 2008, the Association had three reinsurance treaties in effect with three companies, all of which were authorized or accredited. The Association's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The Association cedes reinsurance for its individual life, group life, group disability and long-term care insurance products. The purpose, structure and amount of reinsurance vary by product.

For individual life insurance, the Association cedes reinsurance primarily to insulate itself from adverse mortality claim experience. The Association has one individual life treaty with Swiss Re Life Company America ("Swiss Re") in the form of excess yearly renewable term insurance. Under this treaty, the Association retains the entire risk up to its retention limits, and Swiss Re assumes any risk above those limits.

For group life insurance, group disability insurance and long-term care insurance, the Association uses reinsurance to effectively transfer these blocks of business to the assuming reinsurer. The treaties take the form of 100% coinsurance in which the reinsurers receive all the premiums, pay all the claims, and establish all reserves.

The Association entered into an indemnity reinsurance agreement dated October 1, 2002 with Standard Insurance Company ("Standard") to reinsure on a 100% coinsurance basis all the liabilities associated with the Association's group life and group disability blocks of business. On September 30, 2002, the Department approved the agreement. At closing, Standard paid the Association $75 million as a ceding commission and the Association transferred cash equal to the liabilities of $723.1 million to Standard. The ceding commission was recorded as an increase in surplus, net of direct expenses of $8.1 million associated with the transaction. The net ceding commission of $66.9 million was to be amortized into income in subsequent periods.

On May 1, 2004, the Association and a subsidiary, TIAA-CREF Life, entered into a series of agreements with Metropolitan Life Insurance Company ("MetLife"), including: an administrative agreement for MetLife to service the long-term care business of the Association and TIAA-CREF Life; an indemnity reinsurance agreement where the Association and TIAA-CREF Life ceded to MetLife 100% of the group and individual long-term care liability; and an assumption reinsurance agreement where, after appropriate filings in each jurisdiction, MetLife has begun the process of offering the Association's and TIAA-CREF Life's policyholders the option of transferring their policy from the Association's and TIAA-CREF Life to MetLife. As of December 31, 2008, there were still premiums in force of $26,640,391.

In 2005, the Association entered into reinsurance agreements with RGA Reinsurance Company. In accordance with these agreements, the Association assumed credit life, credit accident and health, term life and whole life liabilities through coinsurance funds withheld and modified coinsurance arrangements on a proportional basis. During 2007, the credit life and credit accident and health agreement was recaptured, as well as one of the term life and whole life agreements. The statutory coinsurance reserves on these agreements at the end of the statutory reporting period, immediately before recapture, were approximately $18.4 million and $41.2 million, respectively.

Assumed Reinsurance

The Association is primarily a direct writer and does not assume significant amounts of business. Premiums assumed during 2008 amounted to $22,116,074. There is currently only one active treaty for reinsurance assumed by the Association, which is for business ceded by RGA Reinsurance Company. The block of business is ceded under a 100% quota share arrangement where the Association reinsures all otherwise retained business on a block of term life and whole life business ceded to RGA by American General Life Insurance Company.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Association during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Association's financial growth during the period under review:

	December 31, 2004	December 31, 2008	Increase (Decrease)
Admitted assets	$163,564,354,330	$195,236,800,035	$ 31,672,445,705
Liabilities	$152,386,954,339	$177,482,632,692	$ 25,095,678,353
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	550,000	550,000	0
Contingent reserve for investment losses, annuity and insurance mortality and other risks	11,174,349,991	17,751,117,343	6,576,767,352
Total capital and surplus	$ 11,177,399,991	$ 17,754,167,343	$ 6,576,767,352
Total liabilities, capital and surplus	$163,564,354,330	$195,236,800,035	$31,672,445,705

Admitted assets of $195.24 billion increased by $31.7 billion or 19.4% during the period under examination. Invested assets were comprised primarily of bonds (74.2%) and mortgage loans (10.8%). The long-term bond portfolio as of December 31, 2008 is comprised of 74.2% in publicly traded securities, 24.4% in non-publicly traded securities and 1.4% in Real Estate Investment Trust debt. The portfolio was impacted by net realized capital losses of $2.9 billion driven by other-than-temporary valuation impairments of $2.5 billion and net realized capital losses on sales and maturities of $0.4 billion. $0.5 billion in net unrealized foreign exchange losses was also recognized on the portfolio for the year-ended December 31, 2008. The percentage of the long-term bond portfolio defined as below investment grade (NAIC classes 3 through 6) decreased from 5.1% at the end of 2007 to 4.7% at the end of 2008. Loan backed securities (asset-backed securities, commercial mortgage-backed securities and residential mortgage backed securities) represented the largest sector of the long-term bond portfolio at 50.1%. Approximately 97.8% of the loan-backed sector was categorized as investment grade, with approximately 43.8% backed by the full faith and credit of the U.S. Government.

Section 4233(a) of the New York State Insurance law states in part:

> (a) "In addition to any other matter which may be required to be stated therein, either by law or by the superintendent pursuant to law, every annual statement of every life insurance company doing business in this state shall conform substantially to the form of statement adopted from time to time for such purpose by, or by the authority of, the National Association of Insurance Commissioners, together with such additions, omissions or modifications, similarly adopted from time to time, as may be approved by the superintendent."

The instructions for Schedule D, Part 1, Long-Term Bonds Owned December 31 of Current Year, on page 355, of the NAIC Annual Statement Instructions, Life, Accident & Health, for the 2008 reporting year states in part:

> "Bonds are to be grouped as listed below and each category arranged alphabetically (securities included in States, Territories and Possessions, Political Subdivisions of States, Territories and Possessions, and Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions should be listed with a state abbreviation in the column provided for electronic data capture)…
>
> If an insurer has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Bonds:	
U.S. Governments	
Issuer Obligations	199999
Single Class Mortgage-Backed/Asset-Backed Securities	299999
Subtotals – U.S. Governments	399999
All Other Governments	
Issuer Obligations	499999
Single Class Mortgage-Backed/Asset-Backed Securities	599999
Defined Multi-Class Residential Mortgage-Backed Securities	699999
Other Multi-Class Residential Mortgage-Backed Securities	799999

Defined Multi-Class Commercial Mortgage-Backed Securities	899999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	999999
Subtotals – All Other Governments	1099999
States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	1199999
Single Class Mortgage-Backed/Asset-Backed Securities	1299999
Defined Multi-Class Residential Mortgage-Backed Securities	1399999
Other Multi-Class Residential Mortgage-Backed Securities	1499999
Defined Multi-Class Commercial Mortgage-Backed Securities	1599999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	1699999
Subtotals – States, Territories and Possessions (Direct and Guaranteed)	1799999
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	
Issuer Obligations	1899999
Single Class Mortgage-Backed/Asset-Backed Securities	1999999
Defined Multi-Class Residential Mortgage-Backed Securities	2099999
Other Multi-Class Residential Mortgage-Backed Securities	2199999
Defined Multi-Class Commercial Mortgage-Backed Securities	2299999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	2399999
Subtotals – Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	2499999
Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	
Issuer Obligations	2599999
Single Class Mortgage-Backed/Asset-Backed Securities	2699999
Defined Multi-Class Residential Mortgage-Backed Securities	2799999
Other Multi-Class Residential Mortgage-Backed Securities	2899999
Defined Multi-Class Commercial Mortgage-Backed Securities	2999999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	3099999
Subtotals – Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	3199999
Public Utilities (Unaffiliated)	
Issuer Obligations	3299999
Single Class Mortgage-Backed /Asset-Backed Securities	3399999
Defined Multi-Class Residential Mortgage-Backed Securities	3499999
Other Multi-Class Residential Mortgage-Backed Securities	3599999
Defined Multi-Class Commercial Mortgage-Backed Securities	3699999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	3799999
Subtotals – Public Utilities (Unaffiliated)	3899999
Industrial and Miscellaneous (Unaffiliated)	
Issuer Obligations	3999999

Single Class Mortgage-Backed/Asset-Backed Securities	4099999
Defined Multi-Class Residential Mortgage-Backed Securities	4199999
Other Multi-Class Residential Mortgage-Backed Securities	4299999
Defined Multi-Class Commercial Mortgage-Backed Securities	4399999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	4499999
Subtotals – Industrial and Miscellaneous (Unaffiliated)	4599999
Credit Tenant Loans	
Issuer Obligations	4699999
Parent, Subsidiaries and Affiliates	
Issuer Obligations	4799999
Single Class Mortgage-Backed/Asset-Backed Securities	4899999
Defined Multi-Class Residential Mortgage-Backed Securities	4999999
Other Multi-Class Residential Mortgage-Backed Securities	5099999
Defined Multi-Class Commercial Mortgage-Backed Securities	5199999
Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	5299999
Subtotals – Parent, Subsidiaries and Affiliates	5399999
Total Bonds	
Subtotals – Issuer Obligations	5499999
Subtotals – Single Class Mortgage-Backed/Asset-Backed Securities	5599999
Subtotals – Defined Multi-Class Residential Mortgage-Backed Securities	5699999
Subtotals – Other Multi-Class Residential Mortgage-Backed Securities	5799999
Subtotals – Defined Multi-Class Commercial Mortgage-Backed Securities	5899999
Subtotals – Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities	5999999
Subtotals – Total Bonds	6099999

A review of Schedule D, Part 1 for 2008 revealed that the Association misfiled 4,300 bonds, worth approximately $60 Billion. The Association reported as government bonds, securities that do not qualify such as FNMA pool and industrial bonds. Industrial and miscellaneous bonds were reported as All Other Government Bonds. Special revenue and foreign government bonds were reported, as States, Territories and Possessions (Direct and Guaranteed). The Association reported as Special Revenue and Special Assessments Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions, bonds that do not qualify as such, e.g. numerous industrial & miscellaneous bonds, private label RMBS, GNMA pools, and Agency CMOs. The Association reported as industrial & miscellaneous single class Single Class/Mortgage Backed securities, numerous multiclass securities. Multi-class asset backed securities were misclassified by putting

AAA and AA securities in the classifications for those of lower credit quality and vice-versa. Such misclassifications of securities make it difficult for analysts to assess what investments the Association holds and may have an effect on the calculated Risk Based Capital.

The Association violated Section 4233(a) of the New York Insurance Law by failing to classify its bonds on schedule D, Part 1, in accordance with the annual statement instructions published by the National Association of Insurance Commissioners.

The examiner recommends that the Association exercise due care in grouping its bonds on Schedule D.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Association's filed annual statements:

	2005	2006	2007	2008
Ordinary:				
Life insurance	$(14,729,366)	$25,861,855	$78,004,453	$30,573,222
Individual annuities	753,359,722	840,015,463	541,235,288	46,605,725
Supplementary contracts	(7,046,519)	(6,346,147)	(8,181,004)	(9,436,583)
Total ordinary	$731,583,837	$859,531,171	$611,058,737	$67,742,364
Credit life	$4,627,640	$1,537,750	$1,037,980	$ 0
Group:				
Life	$1,927,267	$864,350	$(84,261)	$(80,141)
Annuities	113,618,924	95,796,363	7,232,759	6,182,791
Total group	$115,546,191	$96,660,713	$7,148,498	$6,102,650
Accident and health:				
Group	$15,073,655	$8,810,327	$(255,555)	$(295,026)
Credit	(4,890,164)	(1,974,337)	5,503,802	0
Other	14,461,877	(4,155)	773,317	2,358,624
Total accident and health	$24,645,368	$6,831,835	$6,021,564	$2,063,598
All other lines	$807,630,027	$761,809,091	$940,338,950	$1,091,569,982
Total	$1,684,033,063	$1,726,370,560	$1,565,605,729	$1,167,478,594

The individual annuity net income decline in 2008 was driven by a decline in net investment income as a result of a lower interest rate environment, an increase in operating expenses, offset by lower dividends and lower federal income tax expenses. Management lowered the dividend rates in 2009 and overall Association expenses in order to maintain TIAA's financial strength and continued creation of participant value.

TIAA no longer markets group life insurance effective 2002. TIAA reinsured this business through a 100% indemnity reinsurance agreement with Standard Life Insurance

Company. Ceding commissions were amortized into income in the amounts of $1,907,911 and $1,430,933 in 2005 and 2006, respectively. Net losses in 2007 and 2008 are attributable to higher general insurance expenses and taxes allocated to this line of business.

The group annuity year over year decrease in net gain from operations is driven by an increase in operating expenses and higher dividends paid to policyholders. Management lowered dividend rates in 2009 and overall Association expenses in order to maintain TIAA’s financial strength and continued creation of participant value.

During each year of the examination period, the Association reported significant amounts of net investment income not otherwise allocated to a line of business. Those amounts comprise the bulk of the amounts reported for “All Other Lines.”

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2008, as contained in the Association's 2008 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Association's financial condition as presented in its financial statements contained in the December 31, 2008 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers was retained by the Company to audit the combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

PricewaterhouseCoopers concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$135,679,697,811
Stocks:	
Preferred stocks	3,215,817,505
Common stocks	3,017,101,165
Mortgage loans on real estate:	
First liens	19,668,281,119
Real Estate	
Properties occupied by the company	221,030,455
Properties held for the production of income (less encumbrances)	1,424,341,407
Cash, cash equivalents and short term investments	5,553,139,121
Contract loans	907,647,098
Other investment assets, receivables, aggregate write-ins	9,767,215,330
Investment income due and accrued	1,521,940,525
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	5,801,870
Deferred premiums, agents' balances and installments booked but deferred and not yet due	71,159,650
Reinsurance:	
Other amounts receivable under reinsurance contracts	11,090
Net deferred tax asset	1,381,244,000
Guaranty funds receivable or on deposit	1,029,597
Electronic data processing equipment and software	47,960,182
Receivables from parent, subsidiaries and affiliates	22,570,627
Aggregate write-ins for other than invested assets	257,543,306
From separate accounts segregated accounts and protected cell accounts	12,473,268,177
Total admitted assets	$195,236,800,035

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$158,715,831,638
Aggregate reserve for accident and health contracts	92,193
Liability for deposit-type contracts	500,216,894
Contract claims:	
Life	433,013,121
Policyholders' dividends	8,331,109
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	2,332,598,451
Premiums and annuity considerations for life and accident and health contracts received in advance	827,557
Contract liabilities not included elsewhere:	
Interest maintenance reserve	501,660,667
General expenses due or accrued	586,895,375
Transfers to separate accounts due or accrued	(8,027,420)
Taxes, licenses and fees due or accrued, excluding federal income taxes	26,523,900
Current federal and foreign income taxes	9,833,949
Unearned investment income	722,080
Amounts withheld or retained by company as agent or trustee	116,982,499
Remittances and items not allocated	48,792,033
Liability for benefits for employees and agents if not included above	177,817,146
Asset valuation reserve	332,149,776
Payable to parent, subsidiaries and affiliates	68,715,648
Payable for securities	24,168,721
Miscellaneous liabilities	618,072,209
Deferred gain on asset transfer with affiliate	361,259,684
Counterparty payables for open derivative contracts	306,015,252
Deferred income	1,121,918
Total liabilities excluding separate accounts business	$165,163,614,400
From separate account statement	12,319,018,292
Total liabilities	$177,482,632,692
Common capital stock	$2,500,000
Gross paid in and contributed surplus	550,000
Aggregate write-ins for special surplus funds	17,751,117,343
Total surplus	$17,751,667,343
Total capital and surplus	$17,754,167,343
Total liabilities, capital and surplus	$195,236,800,035

D. Condensed Summary of Operations

	2005	2006	2007	2008
Premiums and considerations	$10,306,870,593	$10,300,201,677	$9,464,567,397	$13,383,899,074
Investment income	9,865,773,195	10,178,498,692	$10,705,119,582	$10,498,387,825
Commissions and reserve adjustments on reinsurance ceded	150,788,061	147,287,828	123,414,899	60,242,668
Income from fees associated with investment management, administration and contract guarantees from separate accounts	14,778,795	95,414,657	146,586,325	150,464,156
Additional amounts credited or applied to annuities	2,064,870,654	2,089,071,561	2,495,447,364	2,724,709,469
Consideration on annuity product rollovers	54,441,158	410,513,495	498,628,776	1,121,374,689
Policyholder reinvestment of annuity benefits	641,702,767	443,995,858	457,048,413	322,282,335
Miscellaneous income	0	0	12,453,587	11,116,107
Sundry receipts	2,475,687	10,803,974	0	0
Total income	$23,101,700,910	$23,675,787,742	$23,903,266,343	$28,272,476,323
Benefit payments	$7,976,824,651	$9,832,991,064	$10,151,833,674	$13,642,177,405
Increase in reserves	6,240,236,733	4,951,782,311	4,823,891,180	11,902,021,980
Commissions	12,898,393	19,052,375	(1,714,928)	5,362,723
General insurance expenses and taxes	457,628,107	580,768,508	730,362,575	831,210,514
Increase in loading on deferred and uncollected premiums	380,362	423,866	793,643	634,417
Net transfers to or (from) separate accounts net of reinsurance	2,071,968,464	1,903,051,093	1,510,938,775	(4,229,142,377)
Miscellaneous deductions	267,002,776	147,566,201	176,854,417	423,709,862
Total deductions	$17,026,939,486	$17,435,635,418	$17,392,959,336	$22,575,974,524
Net gain	$6,074,761,424	$6,240,152,324	$6,510,307,007	$5,696,501,799
Dividends	3,860,285,771	3,985,986,082	4,578,060,843	4,573,806,061
Federal and foreign income taxes incurred	530,442,590	527,795,682	366,640,435	(44,782,856)
Net gain from operations before net realized capital gains	$1,684,033,063	$1,726,370,560	$1,565,605,729	$1,167,478,594
Net realized capital gains (losses)	316,763,744	607,421,828	(136,859,977)	(4,450,869,379)
Net income (loss)	$2,000,796,807	$2,333,792,388	$1,428,745,752	$(3,283,390,785)

Premiums and Considerations – Premium income in 2008, was $13,384 million, or 41.4% greater than the $9,464 million recorded in 2007. The increase was primarily driven by Individual Annuity sales which increased by $2,882 million, or 46.1%, Group Annuities which increased by $1,007 million, or 35.2%, and Life Insurance and Accident & Health business which increased by $28 million, or 7.8%.

Benefit Payments and Increase in Reserves - Policyholders' Benefits and Payments, which include death benefits, annuity benefits, disability benefits, supplemental contract payments, interest and adjustments on deposit-type contract funds, and surrenders increased by $3,490 million, or 36.3%, in 2008. The majority of the increase was driven by a $3,178 million increase in surrenders. The increase in surrender activity was primarily driven by $2,985 million in internal transfers to CREF, from the Association's general account. In 2008, reserves increased $7,078 million primarily driven by premium and annuity considerations of $17,714 million and transfers from separate accounts of $4,229 million, offset by policyholders' benefits and payments of $14,072 million and reserves released on deaths and policy terminations due to lapses of $793 million.

Net Gain (Loss) - In 2008, the Association experienced a net loss of $3,283 million primarily impacted by valuation impairments on its general account investment portfolio of $4,143 million as compared to $530 million in 2007.

E. Capital and Surplus Account

	2005	2006	2007	2008
Capital and surplus, December 31, prior year	$11,177,399,991	$13,222,641,092	$15,282,164,990	$17,827,119,872
Net income	$2,000,796,807	$2,333,792,388	$1,428,745,752	$(3,283,390,785)
Change in net unrealized capital gains (losses)	519,137,801	308,744,127	831,925,450	(2,318,656,648)
Change in net unrealized foreign exchange capital gain (loss)	(49,689,102)	89,355,185	32,834,133	(131,414,305)
Change in net deferred income tax	102,699,000	(37,460,000)	57,126,000	13,129,528,000
Change in non-admitted assets and related items	(216,232,593)	86,824,395	(179,889,804)	(12,827,543,054)
Change in asset valuation reserve	(305,770,281)	(688,494,584)	(697,920,111)	4,103,583,794
Surplus (contributed to) withdrawn from separate accounts	0	0	(136,000)	(155,537,060)
Other changes in surplus in separate account statement	0	0	141,395	154,108,490
Surplus adjustments:				
Change in surplus as a result of reinsurance	(17,228,432)	(12,925,896)	0	0
Prior year income (surplus) adjustment	11,527,901	(20,311,717)	3,822,397	12,813,841
Prior year federal income tax settlement	0	0	1,068,305,670	1,243,555,198
Net change in capital and surplus for the year	$2,045,241,101	$2,059,523,898	$2,544,954,882	$(72,952,529)
Capital and surplus, December 31, current year	$13,222,641,092	$15,282,164,990	$17,827,119,872	$17,754,167,343

Change in non-admitted assets and related items – The recorded change in non-admitted assets and related items was due primarily to an increase in the net deferred tax asset of $12.8 billion.

Change in asset valuation reserve - During 2008, the asset valuation reserve decreased $4.1 billion from $4.4 billion in 2007 to $0.3 billion in 2008. This decrease was driven by current year net realized and unrealized capital losses of $6.8 billion, offset by $2.7 billion in formula contributions.

7. SUBSEQUENT EVENTS

Capital Contribution

On March 17, 2009, the Association made a $70 million capital contribution to TC Life in accordance with the financial support agreement.

Investment Losses

The Association incurred $3.8 billion of investment-related losses and write-downs during 2009. The losses were in a variety of investment classes, including financial institution and other corporate bonds, structured securities, and mortgage loans.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the financial violations and recommendations contained in the prior report on examination and the subsequent actions taken by the Association in response to each citation:

Item	Description
A	The examiner recommends that the Association ensure that all officers and directors complete the conflict of interest questionnaires and code of ethics acknowledgement form on an annual basis. The examiner's review revealed that the Association did not fully comply. The Association was unable to produce records for 2006. (See item 3E of this report)
B	The IRS completed its audit and presented the Association with a Revenue Agent Report asserting certain adjustments to the Association's taxable income that would result in additional tax due of $1.1 million for the 1998 and 1999 tax years On September 12, 2008, the Association executed a settlement with the IRS Appeals Division resolving all remaining issues for the tax years 1998-2002. As a result, the IRS conceded that $4.8 billion was deductible for losses related to the termination of pension contracts in force on January 1, 1998, the date the Association lost its federal tax exemption. The IRS also allowed losses of $9.4 million claimed for the abandonment of developed software and disallowed additional losses claimed of $1.9 billion as part of the settlement. As a result of the favorable settlement, the Association reduced its contingent tax reserve of $1.1 billion to zero.
C	The examiner recommends that the Association identify all hybrid and similar securities and file them with the SVO. The examiner's review revealed that the Association complied with this recommendation.
D	The examiner recommends that the Association verify the fair value on at least a sample of securities where fair value appears to be outside the normal range, and take appropriate action to determine fair value where necessary. The examiner's review revealed that the Association complied with this recommendation.

E The examiner recommends that when it is necessary for a trader to request price quotes, the counterparty be instructed to send the quote directly to the Valuation Unit.

The examiner's review revealed that the Association complied with this recommendation.

F The examiner recommends that when vendors are used for pricing, the Association maintain documentation of such quotes, instead of simply inserting those values in a spreadsheet.

The examiner's review revealed that the Association complied with this recommendation.

G The examiner recommends that even if the financial statements are not available at the time of the annual statement filing, the Association should, when possible, use its best estimate for fair value, even if internally determined, instead of par value.

The examiner's review revealed that the Association complied with this recommendation.

9. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comment contained in this report:

Item	Description	Page No.
A	The examiner recommends that the Association ensure that all officers and directors complete the conflict of interest questionnaires and code of ethics acknowledgement forms on an annual basis. A similar finding was contained in the prior report on examination.	20
B	The examiner recommends that the Association compile and update annually a list of related employees, including information as to names, job titles and relationship, and make such list available for review by Department examiners.	21
C	The Association violated Section 4233(a) of the New York Insurance Law by failing to classify its bonds on schedule D, Part 1, in accordance with the annual statement instructions published by the National Association of Insurance Commissioners.	30
D	The examiner recommends that the Association exercise due care in grouping its bonds on Schedule D.	30
E	On March 17, 2009, the Association made a $70 million capital contribution to TC Life in accordance with the financial support agreement.	39
F	The Association incurred $3.8 billion of investment-related losses and write-downs during 2009. The losses were in a variety of investment classes, including financial institution and other corporate bonds, structured securities, and mortgage loans.	39

Respectfully submitted,

/s/
Marc A. Tse
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Marc A. Tse, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Marc A. Tse

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. *30317*

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **ERIC R. DINALLO**, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

MARC TSE

as a proper person to examine into the affairs of the

TEACHERS INSURANCE & ANNUITY ASSOCIATION OF AMERICA

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 2nd day of April, 2009

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★

EXCELSIOR

ERIC R. DINALLO
Superintendent of Insurance

Superintendent