



July 11, 2007

Edward J. McElroy
President, American Federation of Teachers
555 New Jersey Ave. N.W.
Washington, DC 20001

Richard Iannuzzi
Vice President, American Federation of Teachers
555 New Jersey Ave. N.W.
Washington, DC 20001

Dear Mr. McElroy and Mr. Iannuzzi:

We are writing on behalf of Herb Allison in response to your letter of June 27 about labor practices at companies included in TIAA-CREF's socially screened funds. Amy and two of our other colleagues discussed these issues with Barbara Bowen, President of the Professional Staff Congress (PSC), the PSC's Steve London and several of their colleagues at a meeting on July 3.

TIAA-CREF offers a set of socially screened investment vehicles for participants who value such funds and accounts as part of their asset mix. The CREF Social Choice Account, a balanced variable annuity account with over 430,000 investors and nearly \$9 billion in assets, is the largest, most comprehensive socially screened investment vehicle available to individual investors in the United States. Our Social Choice Equity mutual fund invests in domestic stocks using the same social screening criteria as the CREF Social Choice Account. Both investment vehicles offer investors an opportunity to align their portfolios with their values.

Labor Screens in the Social Choice Account and the Social Choice Equity Mutual Fund

TIAA-CREF selects companies for inclusion in the Social Choice Account and the Social Choice Equity Mutual Fund through use of the Broad Market Social Index (BMSI), a group of companies screened by KLD Research & Analytics, Inc, a leading independent provider of social research.

The BMSI begins with the Russell 3000 index, which represents about 98% of the total U.S. equity market. KLD then applies exclusionary and qualitative screens. Exclusionary screens assess companies' level of involvement with alcohol, firearms, gambling, military weapons, nuclear power and tobacco. KLD screens companies which remain for community relations, corporate governance, workforce diversity, employee relations (including domestic labor relations), environmental stewardship, product safety and quality, and human rights, which includes international labor issues. The screening process is multifaceted and involves weighing a company's strengths and weaknesses across a wide range of issue areas.

KLD assesses companies' employee relations by reference to their union relations, health and safety, retirement benefits, and work/life benefits. The human rights evaluation screens global companies for sweatshop labor, child labor, forced labor, prison labor and right to association. KLD assembles the underlying data upon which it rates companies from a variety of corporate, governmental and non-governmental organizations, and news media sources.

With the foregoing considerations and the American Federation of Teachers' May 2007 resolution citing labor practices at several companies in mind, please note that the BMSI currently excludes shares of the Coca-Cola Company, which is disqualified for, among other things, failure to protect the rights of workers at its bottlers around the world, especially in Colombia; controversies regarding the negative impacts of its products and marketing on children's health; and a legacy of employee diversity problems. The BMSI also excludes Wal-Mart for, among other things, labor-related concerns. KLD added Nike to the BMSI in 2005 after determining that the company had shown both improvement and continued leadership within its sector in a number of areas, including supply chain management, the environment, transparency and willingness to engage in dialogue with stakeholders, and social responsibility reporting. KLD concluded that, in contrast to Nike's record on supply chain issues in the late 1990s, the company has established policies and provided disclosure that stands out among its sector peers.

Addressing Participants' Interest in Socially Responsible Investing

We hear frequently from TIAA-CREF participants on socially responsible investing topics, and we have taken proactive steps to engage our investors on these issues. For example, our research has shown that participants are interested in many aspects of corporate social responsibility, with environmental practices, human rights and community impact being the three leading issues of concern.¹ Consequently, we believe that TIAA-CREF can best serve participants through a comprehensive social screening process designed to identify the best corporate performers across a number of environmental, social and governance categories, as opposed to funds screened solely for the environment, human rights, community impact or any other single criterion.

¹ http://www.tiaa-cref.org/about/press/pdf/sri_memo.pdf

In 2006, we formed a Social and Community Investing Department to enhance our focus in the area of socially responsible investing and to oversee the screening methodology used by our social choice investment portfolios.

We have sought to meet our clients' interest in socially responsible investing through other vehicles available to individual and institutional investors. For example, in 2006 TIAA-CREF launched a Global Microfinance Investment Program, starting with a \$43 million private equity placement in ProCredit Holding AG, a world leader in microfinance, which enables our clients to seek competitive returns through investments that promote human rights and economic development. In January 2007, TIAA-CREF placed \$22 million through multiple Certificates of Deposit with two ShoreBank subsidiaries. ShoreBank is America's first and largest community development bank and one of the few offering socially responsible accounts in which funds are earmarked for community redevelopment.

Our clients have told us they value a range of both socially screened and non-screened funds and accounts. For example, most participants who invest in the CREF Social Choice Account also invest in the CREF Stock Account, which is not socially screened. This is in keeping with TIAA-CREF's responsibility to help secure our participants' financial future by offering investment strategies that encompass a variety of funds and accounts, asset classes and risk/reward parameters.

Encouraging Sound Governing Practices at Portfolio Companies

We also continue to take steps to update our view of the practices, policies and principles that comprise sound governance for portfolio companies. Last March we released a newly revised version of our Policy Statement on Corporate Governance. The revision strengthens our guidelines for corporate governance, social and environmental policy, technology, market structure, executive compensation, globalization, cross-border and emerging-market investing and proxy voting.

The Policy Statement sets forth a number of issues that we believe portfolio companies should pay careful attention to in their strategic planning. These include the environment, human rights (including labor relations), diversity, product responsibility, and society. We encourage your members to review the Policy Statement, which is available online at http://www.tiaa-cref.org/pubs/pdf/governance_policy.pdf.

Finally, our revised Policy Statement reflects TIAA-CREF's support for new federal disclosure rules for executive compensation and TIAA-CREF's own expectations for companies' disclosures. The American Federation of State, County and Municipal Employees recently ranked TIAA-CREF first among money managers for our actions to tie public company CEO pay to performance.² TIAA is one of the first U.S. companies to voluntarily adopt and implement a policyholder advisory vote on executive compensation policy.

² http://www.afscme.org/docs/252-07_Failed-Fiduciaries.pdf

* * *

We hope this tells you some more about our social screening process and socially responsible investment activities. We welcome input from participants on socially responsible investing, and take seriously the concerns expressed in your resolution. We also greatly value dialogue with our participants as we continue to enhance and develop initiatives and expand our actions in these areas. We hope you will share this reply with your members and look forward to meeting with you when convenient.

Sincerely,



Amy O'Brien
Director, Social & Community Investing



John Wilcox
Senior Vice President and Head of Corporate Governance

cc: John Abraham
Barbara Bowen