

TIAA-CREF Tuition Financing, Inc.

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This Brochure provides information about the qualifications and business practices of TIAA-CREF Tuition Financing, Inc. If you have any questions about the contents of this Brochure, please contact us at 212-490-9000. The information in this Brochure has not been approved or verified by the United States

Securities and Exchange Commission (“SEC”) or by any state securities authority. TFI is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about TIAA-CREF Tuition Financing, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes 4

There have been no material changes to advisor’s policies or practices.

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Item 4 – Advisory Business

About TFI

TIAA-CREF Tuition Financing, Inc. (“TFI”) is the legal entity within the TIAA-CREF group of companies that provides program management services to qualified tuition programs formed under Section 529 of the Internal Revenue Code (“529 Plans”). TFI has provided such services to 529 Plans since its incorporation in 1998. TFI’s investment advisory services are limited to providing investment recommendations to the state entities that establish and maintain 529 Plans. As such, TFI has no investment advisory clients other than the state entities that establish and maintain 529 Plans. TFI is a wholly owned subsidiary of Teachers Insurance and Annuity Association of America. TFI is registered with the SEC as a municipal advisor.

Advisory Services

TFI provides various program management services, including investment recommendations to the state entities that establish 529 Plans. In particular, TFI recommends investment options, underlying investment vehicles, and how each investment option should be allocated among the underlying investment vehicles for a state’s 529 Plan. TFI’s recommendations are specific to and consistent with each state’s investment policy and/or guidelines for its 529 Plan. A state, which retains investment authority over investments for its 529 Plan, may impose various restrictions, as well as approve, reject, or revise TFI’s recommendations. Except in connection with periodic rebalancing transactions, TFI generally does not exercise discretion in connection with these assets. TFI’s specialty is in structuring age-based investment options for 529 Plans that (i) provide efficient, auto-rebalancing of portfolios, and (ii) seek to provide appropriate levels of risk and return according to the ages of beneficiaries.

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TFI recommends both age-based and enrollment year options. The age-based option has been designed with the intention of minimizing the adverse impact of severe market downturns on the age-based portfolios as beneficiaries migrate through the glide path. At younger ages, equity allocations are maintained for a longer duration, thus allowing the investments to ride through a full market cycle and avoid missing market rebounds when the portfolios are more heavily weighted in equities. In the second half of the glide path, the portfolios are reallocated more frequently. The impact of volatile market conditions is potentially reduced by avoiding a large portion of the portfolio being rebalanced during

equity roll downs, while allowing participants to gradually reach an equity allocation level that is appropriate for the oldest age band as a way to hedge against the erosion of higher education purchasing power during the last few years of college savings. The enrollment year investment portfolios are intended for account owners who prefer an investment portfolio with a risk level that becomes increasingly conservative over time as the Beneficiary approaches expected enrollment in an Eligible Educational Institution and/or expected year in which funds will be withdrawn to pay for Qualified Higher Education Expenses.

As of December 31, 2019, assets in 529 plans to which TFI provides services totaled \$28,915,346,795

Item 5 – Fees and Compensation

For all of the program management services TFI provides to a 529 Plan, it receives from the plan an annualized fee, paid monthly in arrears, based on the average daily net assets in the plan. The program management fee differs from state to state and, in some cases, the fee varies for each investment option within a plan. As such, TFI has no set fee schedule. For new relationships, program management fees are negotiated with each state prior to entering into a management agreement with that state and in some cases may be renegotiated during the term of the agreement. The agreed-upon program management fees are included in the management agreement with each state. In certain instances, TFI may offer investment only services (those in which it does not act as program manager to the plan). In those instances, a fee will be negotiated with the state or program manager and can vary and/or be waived in TFI's discretion.

Prior to receiving payment from a 529 Plan's assets, TFI submits to the state a detailed invoice for the preceding calendar month. If the state does not object to the amount(s) shown on the invoice within the period of time specified in the program management agreement, TFI is authorized to then send an instruction to the 529 Plan's qualified custodian to have TFI's program management fees paid from plan assets. If, however, the state objects to the amount in the invoice, TFI is only authorized to instruct the custodian to pay the portion of the fee amount that is not in dispute. The program management fee is the only fee that TFI receives for the various services it provides to a 529 Plan.

Item 6 – Performance Based Fees and Side-by-Side Management

Not applicable.

Item 7 – Types of Clients

TFI provides investment advice to the state sponsor and/or program managers of 529 plans. It has no other investment advisory clients.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

TFI primarily uses "Monte Carlo" simulation for risk analysis and to estimate the likelihood of a wide spectrum of future financial markets. This simulation is used to help design an asset allocation strategy designed to achieve a total return equal to or greater than inflation adjusted college tuition costs.

Additionally, TFI uses Efficient Frontier Analysis to develop the optimal asset allocation percentages across and within asset classes.

TFI's recommended 529 Plan investment menu is designed to include options that are clear and transparent and to offer enough choices for a wide range of investors (*e.g.*, investors who prefer an age-based "one-stop shopping approach" and investors who wish to build their own portfolios) with various investment risk tolerances and time horizons. If a state prefers a low cost approach, an indexing strategy is usually recommended for underlying investments; otherwise, the investment options TFI recommends usually include options that invest in passively managed mutual funds, as well as actively managed mutual funds.

Age-Based Asset Allocation Strategy

The asset allocation strategy for the core age-based options reflects TFI's philosophy of balancing the risk of not meeting college savings goals with the reward of achieving the highest possible investment returns. The objective for recommendations for the age-based investment options is to achieve optimal returns over the expected investment horizon while both maximizing the likelihood of outpacing tuition inflation and minimizing the potential shortfall if returns fail to keep pace with tuition inflation.

To achieve this objective, TFI utilizes a simulation model that looks at probable outcomes of achieving tuition savings goals over many possible economic scenarios. This model is developed by TFI's investment team. The team uses historical financial data, the consensus forecasts on certain economic variables as well as the capital market assumptions generated by Ibbotson Associates to develop these model inputs. The data inputs for the simulation study calculate thousands of different "what if" cases. Analysis of these scenarios reveals the range of possible outcomes, their probability of occurring, and other statistical attributes of the outcomes.

Through the simulation process, the model generates returns and volatility of various asset classes and portfolio mixes. This model is updated, reviewed, and re-estimated every year by TFI's investment team to reflect changes in the financial markets as part of our annual asset allocation study. The simulation will run through the investment horizon of each age band.

To select the allocation percentages for each broad asset class (equities, fixed income, and short-term cash equivalents), different combinations of asset classes are tested. By comparing the outcomes of these asset class combinations, we select the asset allocation scenario that seeks to maximize the likelihood of outpacing tuition inflation among those scenarios with highest returns, while satisfying several overriding constraints such as the high probability of preserving principal at the end of the expected investment horizon and achieving high probabilities of having set percentages of future tuition funded. These asset allocations also seek to satisfy the requirement that, if simulated investment returns fail to keep pace with college tuition price inflation, the average amount by which they miss is not more than a particular amount per year depending on the risk tolerance specified by the state. We also examine whether certain other requirements related to downside risk are satisfied.

The goal of the age-based options is to promote a gradual shift from equities to fixed income investments or cash equivalent investments as the beneficiary ages. In the earlier part of the glide path, it seeks to maintain a higher equity exposure over time to increase the likelihood of achieving college savings goals, and to take advantage of longer investment horizons available to younger beneficiaries. For beneficiaries close to or during matriculation, it seeks to preserve capital, while maintaining growth in a conservative manner to keep pace with inflation.

We usually propose a balanced solution, based on our best judgment and the feedback from the states with respect to their risk tolerances, priorities and restrictions.

After asset allocation percentages to the broad asset classes have been determined, the next step is to determine the allocations to each sub-asset class within the broad equity, fixed income and short-term cash equivalent asset classes. We usually divide the equity asset class allocation among mutual funds that primarily invest in U.S. equities, international equities and real estate. In the fixed income asset class, we usually include a diverse set of fixed income funds including core bond and inflation-linked bond mutual funds. Various asset classes are combined in such a way to try to maximize returns while mitigating risks through the use of diversification among asset classes. We use the mean (expected return), variance (risk or volatility) and correlations among the asset classes and their components to determine the portfolio mix within each broad asset class (international vs. domestic equities or core bonds vs. inflation-linked bonds).

Sensitivity analysis is also performed to test how the risk and return profile under particular asset allocations react to changes in forecasts of expected return, standard deviation and correlation under various economic scenarios. We target the asset allocations that appear optimal in the largest number of scenarios. Out of a set of the most optimal portfolios, a portfolio mix (allocation to each sub-asset class) is recommended.

Static Investment Options

The investment strategy employed for the static investment options is to construct an underlying fund line-up that meets the investment objectives of a specific investment option and is well diversified within the option's stated investment universe. These options are designed for investors who want to customize their investment approach to save for college. Typically, we recommend a mix of equity, fixed income and capital preservation options to satisfy investors' preferences for return, tolerance for risk, and investment time horizon.

Selection of Underlying Mutual Funds

TFI is a strong believer in recommending low cost index funds for age-based options and actively managed mutual funds for some of the static options. For the most part, TFI recommends utilizing TIAA-CREF's mutual funds as the underlying investments for a 529 Plan's investment options. However, in certain situations (*e.g.*, where the specific fund category is not available from TIAA-CREF, the TIAA-CREF funds have cost or performance issues or the TIAA-CREF fund does not meet the states' eligibility criteria), TFI will recommend mutual funds from other fund complexes to the states.

For index funds, we prefer to recommend low cost funds managed by large, stable firms with strong portfolio management teams that are detail oriented. We pay special attention to the teams' index replication methodology and their trading system's effectiveness and efficiency. Consistent results and low tracking error to benchmarks are our first priority when it comes to selecting index funds. We use index funds to capture asset class returns mainly in asset categories where we believe many active managers cannot add value consistently over benchmark returns over a long period of time.

We use active managers in asset classes where at least half of the active managers who meet our criteria have been able to outperform their benchmarks most of the time. In addition, we prefer to recommend funds from established companies with good reputations, ample research resources as well as high stewardship ratings, and which maintain at least a 3-star rating (4 or 5 stars are preferable) from Morningstar. We look for funds invested by managers with many years of investment and industry experience who weathered different types of markets.

Risks

The material risks associated with these strategies are (1) the model is derived from historical data, as well as other forward looking assumptions, but may not completely or accurately capture all the possible scenarios of future financial markets, and (2) asset allocations may not be optimal as market environments continue to evolve.

The projections and simulations are based on a variety of assumptions that may prove, in the future, to be erroneous. While substantial effort has been made to use valid assumptions in all calculations, no parts of the projections are guaranteed. The results obtained may vary significantly from our projections. The Monte Carlo simulation assumes that historical correlations between certain economic parameters will continue in the future. However, market variables in the future may not perform as they have in the past. If relationships among economic variables vary from what was assumed, then results may vary from projections. Accordingly, if actual market relationships in the future are different from those that we have assumed based on historical market conditions, then the value of the simulations we projected may be significantly impacted. In addition, the results of the simulation may under-compensate or over-compensate for the impact, if any, of certain market factors and may underestimate the impact of market extremes and the related risk of loss.

The underlying vehicles typically recommended by TFI are open-end mutual funds (primarily index funds) and funding agreements. The material risks for investment options that invest in mutual funds are loss of principal and that the performance of the option does not keep pace with the rate of college tuition inflation, as well as the specific risks related to each mutual fund in which the option invests as described in the mutual fund's prospectus. The material risk for an option that allocates its assets to a funding agreement is that the insurance company that issues the funding agreement could fail to perform its obligations under the agreement for financial or other reasons.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

TFI typically recommends to states that a state's 529 Plan invest in TIAA-CREF open-end mutual funds advised by Teachers Advisors, Inc. ("Teachers Advisors"), an affiliate of TFI. This creates a conflict of interest for TFI. If a 529 Plan invests in these funds, then Teachers Advisors receives additional revenue. Accordingly, if a 529 Plan invests in these funds, then the TIAA-CREF family of companies receives more compensation than if the 529 Plan invested in funds not managed by an affiliate of TFI. TFI addresses this conflict by factoring the compensation going to affiliates into its pricing of services for the 529 Plan.

TFI also typically recommends that an investment option in a state's plan allocate its assets to a funding agreement issued by TIAA-CREF Life Insurance Company ("TC Life"), an affiliate of TFI, which creates a conflict of interest since TC Life receives revenue from these transactions and shares some of this revenue with TFI. In addition, if a 529 Plan allocates assets to a funding agreement issued by TC Life, then TC Life receives additional revenue. Accordingly, if a 529 Plan allocates assets to a funding agreement issued by TC Life, then the TIAA-CREF family of companies receives more compensation than if the 529 Plan allocated assets to a funding agreement not issued by an affiliate of TFI. To address this conflict, no program management fee is charged to a 529 Plan investment option that allocates 100% of its assets to a funding agreement issued by TC Life.

The following management persons of TFI are registered representatives of a broker-dealer affiliated with TFI: Michael Noone, Christopher Lynch, and Timothy Lane.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

TFI has adopted a Code of Ethics (the "Code") in accordance with rule 204A-1 under the Investment Advisers Act of 1940 that governs, among other things, the personal securities trading activities of investment personnel and other access persons to ensure such individuals act in the best interests of customers.

Among other items, the Code provides that "access persons" and members of their households (i) must report their personal holdings of, and transactions in, covered securities, including in mutual funds managed by an investment adviser affiliate of TFI, (ii) are subject to certain restrictions and prohibitions in trading for their own accounts, and (iii) are subject to pre-clearance of certain securities transactions. In addition, "access persons" are required to maintain any brokerage accounts with approved brokerage firms and must generally send duplicates of all trade confirmations, account statements and other brokerage account reports to a compliance unit for review. These procedures are designed to mitigate conflicts of interest that can be created by the personal securities transactions of TFI's access persons.

The Code requires all supervised persons to place the interests of clients above their own. TFI personnel are also prohibited from profiting from their knowledge of recent or contemplated client transactions. All "access persons" must acknowledge the terms of the Code of Ethics annually, or when the Code is amended. TFI will provide a copy of the Code to any client or prospective client upon request. In addition, TFI personnel must adhere to the restrictions contained in the TIAA-CREF Code of Business Conduct (which includes general standards of ethical conduct for employees), the TIAA-CREF Policy on

Participation on Outside Boards of Directors, the TIAA-CREF Gifts and Entertainment Policy and the TIAA-CREF Political and Campaign Policy.

TFI recommends open-end mutual funds to its clients, including open-end mutual funds managed by an affiliate of TFI in which TFI's officers, directors, employees and affiliates may also invest. The Code restricts "access persons" from trading in a security when they have actual knowledge that a client will be trading in that security. Nonetheless, because the Code in some circumstances would permit "access persons" to invest in the same securities as clients, there is a possibility that "access persons" might benefit from market activity by a client in a security held by an "access person." The Code is designed to assure that the personal securities transactions, activities and interests of the "access persons" will not interfere with TFI personnel (i) making decisions in the best interest of advisory clients, and (ii) implementing such decisions while, at the same time, allowing "access persons" to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of TFI's clients. "Access persons" trading is continually monitored under the Code to reasonably manage conflicts of interest between TFI and its clients.

Item 12 – Brokerage Practices

TFI places trade orders on behalf of its state 529 Plan clients with the custodian for the 529 Plan assets. The trade orders relate primarily to mutual funds, and none of the trade orders relate to exchange-traded securities. TFI recommends the custodian to its state 529 Plan clients, who approve the appointment of the custodian. TFI operates under a service agreement with TIAA-CREF Individual & Institutional Services, LLC. Member FINRA and SIPC ("Services"). Under this agreement TFI has engaged "Services" for limited broker-dealer and underwriting services for the 529 plans. "Services" will perform the Plans continuing disclosure and filing obligations under the SEC and MSRB, consistent with current practices in the industry.

Item 13 – Review of Accounts

The annual asset allocation study and supporting documents are presented to the states with our report on the 529 Plan's performance with recommended asset allocation changes (if any) for consideration. We discuss and recommend changes to our age-based options as well as additions or changes to the states' stand-alone and blended investment options. This report provides the basis for discussions regarding investment policy and potential changes in strategy. TFI will perform more frequent investment reviews, if desired by a state. Each year, TFI conducts an asset allocation study to analyze the asset allocations among the underlying investments of each state plan's various investment options. TFI utilizes an extensive modeling process in developing the recommended asset allocation strategy for the age-based options. The specific asset allocation strategy employed within the age-based options is based on the analysis of investment return data and college tuition inflation data, as well as the views of professional forecasters regarding trend lines around which future financial market conditions are modeled. This model is updated, reviewed and re-estimated every year. It takes a forward-looking view to reflect changes in financial markets as part of TFI's annual asset allocation study.

In addition to the annual asset allocation study, TFI performs annual reviews of each state plan's investment options and underlying investment vehicles. The annual reviews are conducted by the education savings investment services team of TFI. Based on those reviews, TFI makes annual investment recommendations to each state with respect to changes a state may want to make to its existing line-up. TFI may make mid-year recommendations for changes if there are significant market events or material changes to an underlying investment vehicle.

TFI provides a written quarterly investment performance report to each state client. The report includes a written investment commentary on the financial markets, the specific 529 investment options offered by the state and the underlying funds in which the investment options invest. The report also details the asset allocation by listing the underlying investments of the investment options and the percentages allocated to those underlying investments for each investment option in the plan. In addition, written investment performance charts (QTD, YTD, 1-year, 3-year, 5-year, 10-year and since inception returns) for the investment options and their underlying investments are provided.

Item 14 – Client Referrals and Other Compensation

Item 10 discusses an arrangement between TFI and its affiliate TC Life, under which TC Life makes payments to TFI. TFI receives payments from some of the third party mutual fund companies that advise or distribute mutual funds in which a 529 plan's investment options invest.

Item 15 – Custody

Pursuant to its investment advisory contracts, TFI is required to provide its clients with the calculations of its investment advisory fees. Unless a client objects, TFI may direct the withdrawal of state 529 plan assets to pay its investment advisory fees. This authority to direct the payment of its investment advisory fees means that TFI is deemed to have legal custody of its client funds (and is the only reason why it has legal custody of client funds).

Item 16 – Investment Discretion

As noted above, except in connection with periodic rebalancing transactions, TFI generally does not exercise discretion in connection with assets in 529 Plans to which it provides services.

Item 17 – Voting Client Securities

TFI does not have authority to, and it does not, provide proxy voting services for its clients. Clients will receive proxies or other solicitations from the investment vehicles (for example, mutual funds) in which the 529 Plans invest. Clients should contact the entity listed as the contact on a proxy or solicitation with any questions about a particular proxy or solicitation.

Item 18 – Financial Information

Not applicable.