

Fund Objective and Investment Approach

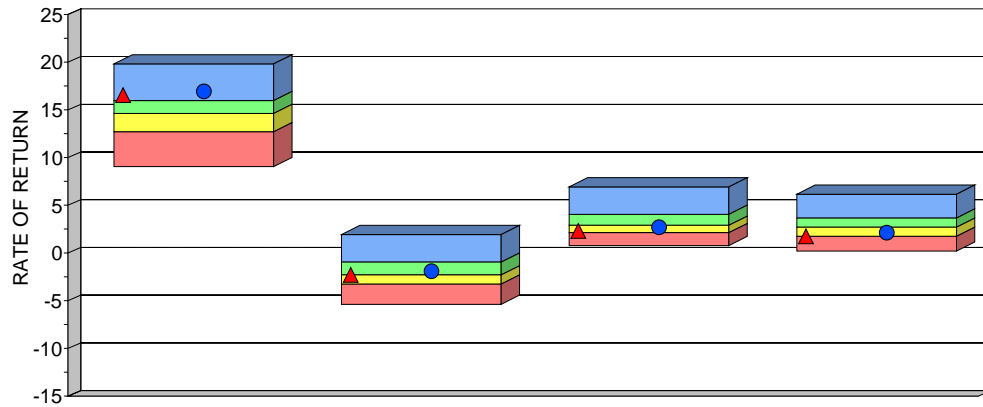
The CREF Equity Index Account strives for favorable long-term investment results utilizing a diversified portfolio constructed to track the overall market for common stocks publicly traded in the United States, as represented by a broad stock market index, the Russell 3000 Index. The Account's indexing approach is purely quantitative and therefore does not use research as the basis for security selection. The Account relies extensively on techniques to keep trading and investment costs to a minimum and tracking error to less than ten basis points annually.

Performance Commentary

The CREF Equity Index Account returned 16.45%, trailing the Russell 300 Index benchmark return of 16.93% by 48 basis points, for the one year ended December 31, 2010. The Account generally will lag its benchmark in the amount of fees and for the management of residual cash because of its indexed nature. The Account underperformed the benchmark by 36, 40 and 39 basis points for the three-, five- and ten-year periods, respectively.

Fund Characteristics	CREF Equity Index Account
Total Fund Assets	\$11.0 billion
Style Characteristics	Core
Capitalization Focus	Large
Level of Diversification	Diversified
Market Risk (Beta)	1.00 (3-year)
Number of Holdings	2,922
Turnover	6%
Fees	0.39% Annually
Portfolio Manager (tenure)	Jim Campagna (5 years) Anne Sapp (6 years)

**CREF EQUITY INDEX ACCOUNT
 QUARTILE RANKING BAR
 PSN LARGE CAP CORE
 PERIODS ENDING DECEMBER 31, 2010**



	1 Year	3 Years	5 Years	10 Years
HIGH (0.05)	19.78	1.91	7.00	6.07
FIRST QUARTILE	15.94	-0.87	4.03	3.61
MEDIAN	14.56	-2.25	2.96	2.63
THIRD QUARTILE	12.70	-3.23	2.19	1.75
LOW (0.95)	9.10	-5.34	0.78	0.10
MEAN	14.44	-2.02	3.16	2.74
VALID COUNT	349	341	315	216

	1 Year		3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK
▲ CREF Equity Index Account	16.45	19	-2.37	53	2.34	70	1.77	73
● Russell 3000	16.93	14	-2.01	46	2.74	55	2.16	62

Historical Returns

	CREF Equity Index		Russell 3000 Index		Return Difference
	Return	Rank	Return	Rank	
2001	-11.7	34	-11.5	31	-0.2
2002	-21.8	30	-21.5	28	-0.2
2003	30.3	14	31.1	11	-0.7
2004	11.6	24	12.0	20	-0.4
2005	5.7	45	6.1	38	-0.5
2006	15.2	42	15.7	23	-0.5
2007	4.7	73	5.1	70	-0.4
2008	-37.5	74	-37.3	72	-0.2
2009	27.8	33	28.3	30	-0.5
2010	16.4	19	16.9	14	-0.5
Trailing 3-Year	-2.4%	53	-2.0%	46	-0.4
Trailing 5-Year	2.3	70	2.7	55	-0.4
Trailing 10-Year	1.8	73	2.2	62	-0.4

Assessment

The CREF Equity Index Account is a strategy providing a broadly diversified portfolio of large, mid and small-cap U.S. stocks with no relative risk. Annual underperformance is the result of fees. We recommend retention of this option.