



Retirement Report

LITTLETON PUBLIC SCHOOLS
403(B), 457, AND 401(A) RETIREMENT PLANS

Professionally-Designed Custom Model Portfolios: Understand the Benefits

The concepts behind retirement investing can be overwhelming for many American workers, and retirement itself may seem so distant that workers forego professional guidance until it is too late. It's no secret that our nation is facing a retirement savings crisis, and while employers continually look for new ways to offer investment advice and increase participation within their retirement plans, employees have generally remained unresponsive.



Many Employees Are Not Utilizing Professionally-Managed Investment Options Offered Through Their Retirement Plan

Results of a 2012 study released by Charles Schwab:

- More than 54% of employers reported that participating employees do not take full advantage of the investment options, features, and services offered in connection with their retirement plans.
- An astounding 73% of participants surveyed spend less than eight hours per year managing their retirement accounts.
- The vast majority of participants surveyed (83%) say they are interested in receiving professional investment management from their employer. However, a mere 10% of participants actually take advantage of investment management advice when it is offered.

Your employer has taken steps to help you simplify the investment process. The Plan retains an independent investment consultant, Innovest Portfolio Solutions, which has created a series of model portfolios that you can use as a guide for your investments. The design of these models and the suggested investment funds are subject to ongoing

monitoring and evaluation by the Plan's independent investment professionals. By investing your retirement assets in the same manner as a model portfolio, you will enjoy benefits such as:

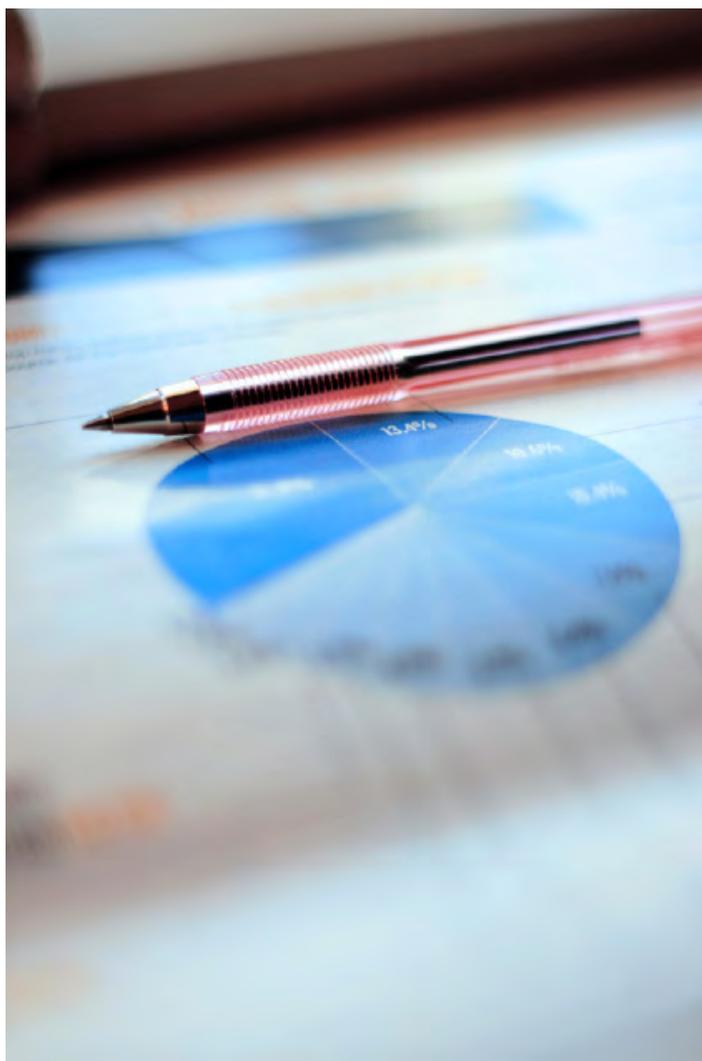
Asset Allocation

Asset allocation is the process of dividing your savings across major asset classes (i.e. stocks, bonds, and cash). Each of these asset classes performs differently over time; therefore appropriate asset allocation can help control volatility within your retirement portfolio by insulating your assets from extreme short-term market swings. Numerous studies have shown that more than 90% of your portfolio's variability is the direct result of asset allocation. Since a model portfolio provides a specific suggested asset allocation for your account, the risk of having an improper allocation is immediately reduced when you invest your assets according to the model.

Diversification

Your retirement plan's investment menu not only offers multiple asset classes (i.e. stocks, bonds, and cash), but also different investment styles within the major asset classes. Diversification looks to further smooth out risk and volatility by spreading your savings across the different investment styles. While a novice or hands-off investor might understand

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the need to spread their money across multiple funds, without a comprehensive understanding of the different styles they may end up choosing a handful of investments that are highly correlated. In other words, your investments could have similar objectives, causing all of them to have similar reactions to changing market conditions. The model portfolios provided for your plan have been designed using a wide array of funds that have a low correlation to one another in order to maximize your potential for return and minimize volatility.

Best-in-Class Funds

It would be impossible for an investment firm (mutual fund company) to offer the best fund on the market for each different asset class and strategy. In fact, it can be difficult for an investment firm to sustain peak performance with one specific fund for an extended period of time, let alone

an array of funds and strategies. Investment firms try to set themselves apart from one another by taking vastly different approaches to fund management, so while one fund may have short-term momentum, it will likely fall out of favor within the next few years. Unfortunately, it can be common for investors to gravitate toward individual funds with high short-term performance or fund families with familiar names that employ extensive advertising campaigns. Furthermore, it can be challenging for the average investor to access and understand qualitative details about an investment firm's management style or structure that may give them an edge in certain market conditions. However, the industry professionals who oversee the model portfolios provided for your retirement plan are dedicated to analyzing all of the data, facts, and philosophies behind thousands of mutual funds. As a result, each model is designed with a best-in-class approach. This means if you take advantage of a model, your assets will be diversified across numerous fund families that are deemed to be some of the most likely to succeed in the future. Furthermore, the model portfolios are monitored on an ongoing basis, and the Plan's investment consultant (Innovest Portfolio Solutions) will automatically replace a fund in the model if it fails to meet their performance and/or management standards.

Important Note About Rebalancing

Over the course of any given period (i.e. quarterly, annually, etc.) some of the investments in your portfolio will grow faster than others. In fact, some will experience losses while other investments produce gains. As a result, the weighting of each asset class will change over the period and you will end up with an allocation that may be inappropriate for your time horizon or tolerance for risk. Rebalancing is the process of realigning the weightings of the investments in your portfolio. Since the more aggressive investments in one's portfolio generally produce greater returns over the long term, your portfolio could become considerably more aggressive (risky) if rebalancing is not performed periodically. Hands-off investors typically approach their retirement accounts with a "set it and forget it" mentality, and may not restore their original allocations for many years, if at all, unnecessarily exposing their portfolio to market risk. Make sure you sign up for the automatic rebalancing feature if it is offered through your plan. This feature will restore your account's allocation on a periodic basis and ensure your investments remain consistent with the model portfolio's allocations over time.

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As you can see, a lot of time and thought needs to go into establishing and maintaining suitable investments within your retirement account. Plan participants must be honest with themselves about their investment knowledge and the amount of time they can dedicate to the management of their accounts. Fortunately, a lack of time and knowledge are no longer excuses for mismanagement of your retirement assets. Find the model portfolio that you are most comfortable with (see the following pages); follow the instructions below to transfer your funds accordingly today; and then sit back and enjoy the benefits of professional portfolio design.

Instructions: Implementing the Model Portfolios

The model portfolios presented in this newsletter are intended to provide participants with a guideline for creating an appropriate asset allocation. In order to invest your retirement savings according to one of these custom models, log into your account either through the microsite at www.tiaa-cref.org/lps or www.tiaa-cref.org (public site). Once logged in, select the Manage My Portfolio tab at the top of the page. Select the Change Investments link. Select the retirement plan. Select the effective date of the change. Enter the percentage, dollar amount or transfer all from each fund. Enter the percentage per fund (destination fund). Click on the Preview change button to review allocation requested. Finally, click on Submit.

For further assistance with this process, or if you need help resetting the login information for your online account, you may reach the TIAA-CREF call center by calling 1(800) 842-2009 Monday-Friday, 6:00am to 8:00pm (MST).

Whom do I call for help?

Contact TIAA-CREF for the following:

- > Balances
- > Investment changes
- > Change personal info

800.842.2009

www.tiaa-cref.org

The Plan's Investment Consultant

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