

RETIREMENT REPORT

Littleton Public Schools
403(b) and 457 Retirement Plans

Spring 2017



Back to the Future

What will work and life look like 30 years from now?

Thirty years ago, the sci-fi comedy *Back to the Future* sent its hero, Marty McFly, back in time to 1955 to meet his parents. We won't spoil the plot, but a good part of the movie's adventures involve helping Marty and his eccentric friend Doc find their way back to 1985.

In this issue of Reinventing Retirement, we look ahead 30 years to imagine how the future of work and life might differ from the past, and what impact this might have on your finances.

1. You'll likely work later in life, but fewer hours.

One in five of all Americans are working past age 65. That's the most older people with a job since the early 1960s. What's driving this trend? Some do it because they need the money, others because they like to stay active.¹ Sentiment also has been steadily shifting toward a shorter workweek.² A growing number of studies show that cutting back would actually improve productivity — and our quality of life.³

2. You'll probably enjoy greater work-life balance.

The percentage of women with young children who work is now 71.6%,⁴ up from 45% in 1965.⁵ With competing demands on time, both women and men are likely to gravitate to companies whose policies enable greater work-life balance. Plus, many of us are caring for aging parents, putting pressure on organizations to reshape their work structures.

3. You'll be able to explore multiple careers and learning opportunities.

With more free time, more of us will have the opportunity to switch careers, or create hybrid jobs based on our interests. You can see this trend reflected in the 33% increase in older students enrolling in distance learning courses between 2012 and 2014.⁶ Career mobility and leisure time are also likely to increase as smarter machines continue to replace



workers in certain job areas.

4. You'll have opportunities for gap years and sabbaticals between jobs.

According to Monster.com, 20% of employers now encourage their employees to take advantage of unpaid gap years and sabbaticals.⁷ Progressive companies know that encouraging you to travel and explore the world can spark renewed creativity and energy.

As the workplace becomes more fluid, financial planning takes on new importance. No matter how the future looks, your savings likely will need to support changing workstyles, education expenses and gap-year experiences. When going back to the future, the key is not to limit your thinking for what's possible!

¹ Bloomberg.com <http://www.bloomberg.com/news/articles/2016-05-13/i-ll-never-retire-americans-break-record-for-working-past-65>

² Dorothy Sue Cobble, "The Future of Work: Shorter Hours, Higher Pay," *Pacific Standard*, August 20, 2015. <https://psmag.com/the-future-of-work-shorter-hours-higher-pay-62643260b339#.gj10m9eiq>

³ Brookings Institution. "Time for a shorter work week?" <https://www.brookings.edu/opinions/time-for-a-shorter-work-week/>

⁴ "Women in the labor force: a databook," BLS Reports (U.S. Bureau of Labor Statistics Report 1059: December 2015), p. 20. <http://www.bls.gov/opub/reports/womens-databook/archive/women-in-the-labor-force-a-databook-2015.pdf>

⁵ Suzanne Bianchi, Vanessa Wight and Sara Raley, "Maternal Employment and Family Caregiving: Rethinking Time with Children in the ATUS," Paper prepared for the ATUS Early Results Conference, Bethesda, MD, December 9, 2005.

⁶ Babson Survey Research Group, 2015 Survey of Online Learning. http://onlinelearningconsortium.org/news_item/babson-study-distance-education-enrollment-growth-continues-2/

⁷ Source: Monster.com. <https://www.monster.com/career-advice/article/take-a-sabbatical-without-derailing>

⁸ "Cycle of Investor Emotions," Behavioural Finance, Barclays, 2006. https://wealth.barclays.com/en_gb/home/research/research-centre/white-papers/Behavioural-Finance/Cycle-of-investor-emotions.html

⁹ Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk," *Econometrica*, XLVII (1979), 263-291.

Putting Mind Over Matter

Do investors rely on emotion when investing? Many behavioral economists and psychologists believe they do.

As much as we recognize the need to save, many small obstacles tend to get in the way. It turns out the decisions we make about financial matters are deeply rooted in emotion. For example, one often cited study shows that investor sentiment is most positive leading up to a peak of exuberance, then moves more negative on the way down before the pattern repeats.⁸ Oddly enough, we feel the happiest when we are at the point of highest risk in the market (when markets approach or surpass previous highs) and most anxious when the upside is greatest (at or near market lows).

There's no single rule that neatly connects market volatility and investor behavior. But most psychologists agree that fear is stronger than greed. One theory developed by Daniel Kahneman, a Nobel-winning professor at Princeton University, suggests that our decision-making processes rely on intuition and relative-value judgment.

Professor Kahneman devised a series of experiments that illustrate that investor losses hurt more than gains feel good — the pain of losing \$100, for example, was shown to be twice as great as the pleasure of winning the same amount.⁹ This may help explain why we have a tendency to sell winning funds too early, and avoid losses altogether — even if it means choosing not to participate in potential gains.

That's why it's critical not only to have an investment plan that matches asset allocation to your objectives, time horizon and risk tolerance, but also to envision ahead of time how you might react to market ups and downs. Managing your emotions, and knowing how to remain flexible and resilient when times get tough, can help you weather inevitable financial storms that arise.



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

Innovest Portfolio Solutions

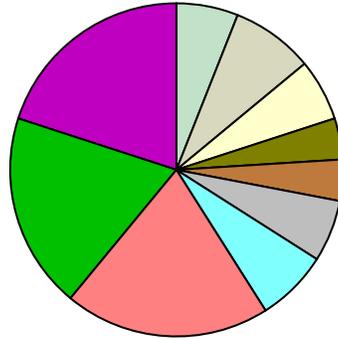
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Denver, CO 80237

303.694.1900 | www.innovestinc.com

Who typically uses this portfolio?

Current Age: over 60
Risk Level: Low
Expected Return: Low
Time Horizon:
Years to Age 65: under 5
Years to Age 85: under 25
Expense Ratio (%): 0.28

Portfolio Allocation (%)



| | |
|---------------------------------|------|
| Dodge & Cox Stock (DODGX) | 6.0 |
| Vanguard 500 Index;Adm (VFIAX) | 8.0 |
| Harbor:Cap Apprec;Inst (HACAX) | 6.0 |
| Vanguard Md-Cp Idx;Adm (VIMAX) | 4.0 |
| Vanguard Sm-Cp Idx;Adm (VSMAX) | 4.0 |
| Am Beacon:Intl Eq;Inst (AAIEX) | 6.0 |
| American Funds EuPc;R-6 (RERGX) | 7.0 |
| Met West:Total Return;I (MWTIX) | 20.0 |
| Vanguard Tot Bd;Adm (VBTLX) | 19.0 |
| TIAA Traditional | 20.0 |

Past Performance (%)*

| | Last Quarter | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|--------------------------------------|--------------|------|--------|---------|---------|----------|
| Littleton Public School Conservative | 3.44 | 3.44 | 8.05 | 4.64 | 6.56 | N/A |

Understanding Your Professionally-Managed Portfolios

Who typically uses this portfolio?

Current Age: The age (today) of an average investor with time horizon, risk level, and return expectations of the Conservative Portfolio.

Time Horizon: Indicates the number of years (time horizon) to the average retirement age of 65, when the investor will begin spending the money in their account, and the number of years to assumed life expectancy of age 85.

Risk Level: The amount of expected risk in the Conservative Portfolio. Risk is measured by the potential loss over a 12-month period that an investor might expect in the Conservative Portfolio, and is calculated via a statistical process consistent with 95% probability.

Low: -8% to -14%

Expected Return: The level of expected investment return from the Conservative Portfolio. The range of returns shown below indicates the potential gain that an investor might expect each year, on average, over a 5-year period. This is also referred to as the "mean" return, and is calculated using a statistical process to determine a range of probabilities.

Low: 4% to 6%

Past Performance

Investment performance results shown above represent past performance and are not indicative of future results. Please read the information contained in the applicable fund prospectuses carefully before investing money.

How is the portfolio diversified?

The pie chart and accompanying data shown for each portfolio illustrates the percentage allocated to each fund.

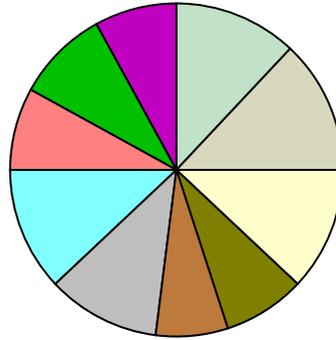
*Innovest relies on 3rd party data for these returns.

**Returns using TIAA Traditional Annuity - GRA contract

Who typically uses this portfolio?

Current Age: 40 - 60
Risk Level: Moderate
Expected Return: Moderate
Time Horizon:
Years to Age 65: 5 - 25
Years to Age 85: 25 - 45
Expense Ratio (%) 0.34

Portfolio Allocation (%)



| | |
|---------------------------------|------|
| Dodge & Cox Stock (DODGX) | 12.0 |
| Vanguard 500 Index;Adm (VFIAX) | 13.0 |
| Harbor:Cap Apprec;Inst (HACAX) | 12.0 |
| Vanguard Md-Cp Idx;Adm (VIMAX) | 8.0 |
| Vanguard Sm-Cp Idx;Adm (VSMAX) | 7.0 |
| Am Beacon:Intl Eq;Inst (AAIEX) | 11.0 |
| American Funds EuPc;R-6 (RERGX) | 12.0 |
| Met West:Total Return;I (MWTIX) | 8.0 |
| Vanguard Tot Bd;Adm (VBTLX) | 9.0 |
| TIAA Traditional | 8.0 |

Past Performance (%)*

| | Last Quarter | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------------|--------------|------|--------|---------|---------|----------|
| Littleton Public School Moderate | 5.54 | 5.54 | 13.50 | 5.95 | 9.30 | N/A |

Understanding Your Professionally-Managed Portfolios

Who typically uses this portfolio?

Current Age: : The age (today) of an average investor with time horizon, risk level, and return expectation of the Moderate Portfolio.

Time Horizon: Indicates the number of years (time horizon) to the average retirement age of 65, when the investor will begin spending the money in their account, and the number of years to assumed life expectancy of age 85.

Risk Level: The amount of expected risk in the Moderate Portfolio. Risk is measured by the potential loss over a 12-month period that an investor might expect in the Moderate Portfolio, and is calculated via a statistical process consistent with 95% probability.

Moderate: -13% to -19%

Expected Return: The level of expected investment return from the Moderate Portfolio. The range of returns shown below indicates the potential gain that an investor might expect each year, on average, over a 5-year period. This is also referred to as the "mean" return, and is calculated using a statistical process to determine a range of probabilities.

Moderate: 5% to 7%

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How is the portfolio diversified?

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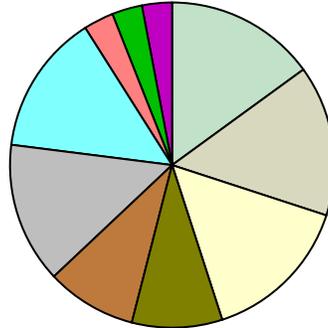
*Innovest relies on 3rd party data for these returns.

**Returns using TIAA Traditional Annuity - GRA contract

Who typically uses this portfolio?

Current Age: 30 - 50
Risk Level: High
Expected Return: High
Time Horizon:
Years to Age 65: 15 - 35
Years to Age 85: 35 - 55
Expense Ratio (%): 0.38

Portfolio Allocation (%)



| | |
|---------------------------------|------|
| Dodge & Cox Stock (DODGX) | 15.0 |
| Vanguard 500 Index;Adm (VFIAX) | 15.0 |
| Harbor:Cap Apprec;Inst (HACAX) | 15.0 |
| Vanguard Md-Cp Idx;Adm (VIMAX) | 9.0 |
| Vanguard Sm-Cp Idx;Adm (VSMAX) | 9.0 |
| Am Beacon:Intl Eq;Inst (AAIEX) | 14.0 |
| American Funds EuPc;R-6 (RERGX) | 14.0 |
| Met West:Total Return;I (MWTIX) | 3.0 |
| Vanguard Tot Bd;Adm (VBTLX) | 3.0 |
| TIAA Traditional | 3.0 |

Past Performance (%)*

| | Last Quarter | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|------------------------------------|--------------|------|--------|---------|---------|----------|
| Littleton Public School Aggressive | 6.51 | 6.51 | 16.17 | 6.49 | 10.56 | N/A |

Understanding Your Professionally-Managed Portfolios

Who typically uses this portfolio?

Current Age: : The age (today) of an average investor with time horizon, risk level, and return expectation of the Aggressive Portfolio.

Time Horizon: Indicates the number of years (time horizon) to the average retirement age of 65, when the investor will begin spending the money in their account, and the number of years to assumed life expectancy of age 85.

Risk Level: The amount of expected risk in the Aggressive Portfolio. Risk is measured by the potential loss over a 12-month period that an investor might expect in the Aggressive Portfolio, and is calculated via a statistical process consistent with 95% probability.

High: -17% to -23%

Expected Return: The level of expected investment return from the Aggressive Portfolio. The range of returns shown below indicates the potential gain that an investor might expect each year, on average, over a 5-year period. This is also referred to as the "mean" return, and is calculated using a statistical process to determine a range of probabilities.

High: 6% to 8%

Past Performance

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How is the portfolio diversified?

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 **Returns using TIAA Traditional Annuity - GRA contract