

University Retirement Plans

Professional management of your university retirement plan



StanCorp Investment Advisers
University Retirement Plans



Managing your university retirement plan

One of the most important financial assets you have is your university retirement plan. Over the course of your career, the university will potentially contribute hundreds of thousands of dollars to your account, and, of course, you will be contributing substantial sums tax-free too. Managing an investment of such significance is no small task. The university has made available nearly two hundred investment choices offered by different companies. Which combination is best for you? When should you make changes or rebalance your portfolio? How can you coordinate your personal investments with your retirement plan portfolio? How should you manage risk?

As a fee-only advisor, objectivity and trust are the hallmarks of our service. We do not accept compensation from any source other than our clients. We do not sell products or earn commissions and we have no incentive to recommend or select one investment over another.

These are not issues you should leave to chance, especially as you get closer to retirement when risk becomes a greater concern. The lessons of the recent past have taught most investors that relying only on diversification, indexing or substituting a buy-and-hold strategy for active management will not achieve a productive portfolio. Yet few people have the time, knowledge or inclination to follow the investment markets and manage their wealth as closely as they should. That is why many people have chosen StanCorp Investment Advisers, Inc. to manage their investments. We have a rigorous process, a team of highly skilled and experienced professionals to help you plan and manage your wealth and substantial back-office resources typically only found at much larger firms.

Our firm

StanCorp Investment Advisers is a Registered Investment Advisor with the Securities and Exchange Commission. We have been an active member of the Ann Arbor business community, as Tisch Investment Advisory, since 1983, and manage hundreds of millions of dollars of individual, corporate and trust assets. We provide investment management services to individuals and institutions with a variety of investment goals.

StanCorp Investment Advisers offers you the following advantages:

- A fee-only advisor compensated solely by client fees
- Advanced risk management strategies
- A repeatable investment methodology
- Professionally accredited, experienced investment team
- Excellent analytical and systems resources
- A commitment to outstanding personal service
- Transparent and reasonable fees

A repeatable investment methodology

We measure our performance so that we can assess the effectiveness of our methods and calculate attribution to each component of our decision-making process. By knowing these important facts, we are able to continuously improve. Below is a description of our investment process and how we tailor it to meet your risk and return requirements.

How we create your portfolio

Since your portfolio may be composed of both university retirement plan investments and other assets, a natural question is how you should best organize the components of your wealth. That requires defining your portfolio and to do that, it's critical that you:

- **Understand your investment objectives:** The first steps in creating your portfolio are clearly defining your investment objectives and understanding your resources. For some, this may involve a comprehensive wealth management plan. For others it might result in a financial model that charts the path to achieving a specific goal, such as the desired level of retirement income.
- **Establish your portfolio's Minimum Acceptable Return:** Once your goal is defined, we determine the Minimum Acceptable Return (MAR) of your portfolio—the performance needed to achieve your objectives in light of many variables, including your tolerance for investment risk. We start by estimating the lowest risk/return relationship among asset classes that is most likely to attain your goals. We call the return component of this model your MAR.

To determine your MAR, we use an analytical, statistical model to estimate the effect of investment risk. The model helps us create a database of the possible financial outcomes of key variables such as inflation, risk, investment return, Social Security, pension, and continuing contributions to your portfolio. Once we find the appropriate risk/return relationship, we develop a portfolio using mean-variance optimization, an algorithm for combining types of investments to build a portfolio with the greatest probability of success at the lowest risk.

- **Establish your portfolio's Minimum Required Capital:** Your Minimum Required Capital (MRC) is the sum of money necessary to fund your lifetime income needs. It is a basic piece of information needed to develop a risk profile and knowing it will help guide all subsequent spending, gifting, estate planning and investment decisions. Your MRC changes as you age and is dependent upon the performance of your investments. It is something we periodically recalculate.

Selecting and managing investments

Once the models are run and your unique numbers calculated, we create your portfolio, then select and manage your investments. First, we create a strategic portfolio as a baseline and then we implement a tactical portfolio.

- **Strategic portfolio:** The strategic, or basic, portfolio is intended to set the fixed income and equity weighting, as well as the allocation of money to each major sector, investment style, market capitalization segment, and international allocation.
- **Tactical or implementation portfolio:** Our next step is to substitute actual investments for the generic asset classes in the strategic portfolio. We invest in stocks, bonds, Exchange Traded Funds (ETFs), real estate-related securities and mutual funds. Each requires a different evaluation methodology, but in all cases our process follows these steps:
 - Top-Down Economic Analysis
 - Modified Sector-Neutral Allocation Strategy
 - Bottom-Up Security Selection
 - Mutual Fund Selection

Advanced risk management strategies

Effective risk management is an integral part of our portfolio management. Risk management should not only focus on what has happened in the past, but also what could happen in the future. Diversification alone will not prevent losses during a substantial market decline since in the past, most asset classes have moved downward together. For this reason, we employ six strategies to help protect your portfolio while building it.

1. **Active portfolio management**
2. **Active stop-loss limit** (optional on all of our portfolios)
3. **Screening for corporate malfeasance**
4. **Minimum Required Capital (MRC)**
5. **Mean-Variance Optimization (MVO)**
6. **Minimum Acceptable Return (MAR)**

Representative portfolios illustrated

Here are representative portfolios illustrating investment strategies for your University Retirement Plan — each matched to client objectives and risk tolerance.

A conservative fund portfolio is focused on producing income and preserving capital. It holds variable annuity and mutual funds that invest in domestic and foreign stocks with an emphasis on dividend-paying issues, with the remaining assets invested in fixed-income mutual funds. Equities are allocated similarly to the Standard & Poor’s ten-sector model and rebalanced based on expected earnings.

A growth at moderate risk fund portfolio is focused on a balance between capital appreciation and income. It holds variable annuity and mutual funds that invest in domestic and foreign stocks with the balance allocated to fixed-income mutual funds. Equities are allocated similarly to the Standard & Poor’s ten-sector model and rebalanced based on expected earnings.

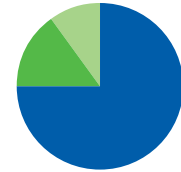
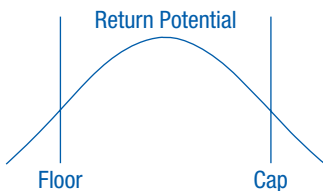
An aggressive growth fund portfolio is focused on capital appreciation. It holds variable annuity and mutual funds that invest in domestic and foreign stocks with the balance allocated to fixed-income mutual funds. Equities are allocated similarly to The Standard & Poor’s ten-sector model and rebalanced based on expected earnings.

Our services to private clients include these additional representative portfolios

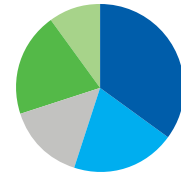
A core equity stock portfolio is focused on capital appreciation and income. The portfolio normally invests in approximately 35 stocks or ETFs based on our proprietary value strategy. The allocation is based on expected earnings and proportioned similarly to the S&P 500 Index. The portfolio is internationally diversified. Holdings are typically large and well-known companies. For taxable portfolios, we offer a tax-efficient strategy. (For personal use. Not available in the university retirement plan.)

An opportunity stock portfolio is focused on capital appreciation. The portfolio normally invests in approximately 30 small, mid, and large cap stocks based on our proprietary value strategy. The portfolio will contain U.S. and foreign stocks, as well as ETFs. For taxable portfolios, we offer a tax-efficient strategy. (For personal use. Not available in the university retirement plan.)

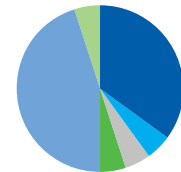
A collared stock portfolio is intended to provide equity market exposure with limited downside risk. The portfolio utilizes a collar strategy (buy puts and sell calls) to insure the portfolio against unacceptable losses. (For personal use. Not available in the university retirement plan.)



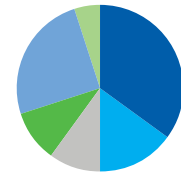
Core Equity Stock Portfolio



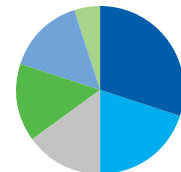
Opportunity Stock Portfolio



Conservative Mutual Fund Portfolio



Growth at Moderate Risk Mutual Fund Portfolio

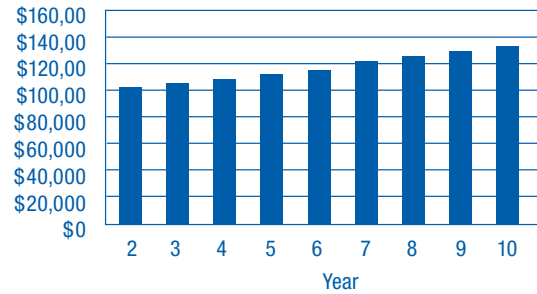


Aggressive Growth Mutual Fund Portfolio

Key

- U.S. Large
- U.S. Mid
- U.S. Small
- Foreign
- Fixed Income
- Cash

A laddered bond portfolio is intended to provide stable income. A laddered bond portfolio matches bond maturities and risk characteristics with client liquidity needs. For example, in the context of a retirement portfolio, ten bonds are selected with one bond maturing in each of the next ten years. All ten bonds are earning income, which is used to purchase a bond maturing in the eleventh year, so as to perpetually assure ten years of future income without concern of equity market volatility. (For personal use. Not available in the university retirement plan.)



Post-retirement planning

University retirement plans have unique post-retirement planning issues. When does the annuity option make sense? What effect does your pre-1987 balance have on your required minimum distribution planning? What planning strategies allow you to preserve for your beneficiaries the tax qualified assets of your retirement plan? How does the Michigan income tax exemption affect your planning options? Our team of experts can help you answer these questions and more, giving you the confidence to pursue your dreams.

Why choose StanCorp Investment Advisers?

Objectivity

Our team relies on a broad, interdisciplinary perspective that combines economics, securities analysis, tax expertise, investment management and financial planning. We do not sell products or earn commissions and we have no incentive to recommend or select one investment over another.

Experience

Each of our advisors has earned post-graduate degrees and/or professional certifications in investment management and financial planning. The result is excellence in wealth management. A full array of analysts support the advisors. In addition to our individual investment management services, we are the advisor for retirement plan clients of The Standard, managing about \$10.5 billion. We also manage \$5.1 billion of The Standard's fixed income portfolio. As a result, we have extensive experience in fixed income investment options as well as mutual fund investments and our equities portfolios.

Personal service

We put extensive, behind-the-scenes resources to work for you and as a result, our advisors are free to focus solely on you. In addition to personal reviews, each quarter you will receive a performance report and our appraisal of the markets. We also periodically hold seminars about the economy and our investment strategy and we regularly provide informative market commentary and important financial updates.

Repeatable Investment Methodology

As fiduciaries managing millions of dollars in assets, it is our responsibility and privilege to always act in the best interest of our clients.

Transparent, Reasonable Fees

We are paid a fee by you based on the percentage of assets under management. We do not accept compensation from any source other than our clients. We make every effort to keep your transaction and other costs low. Our fee-only approach is fundamental to our objectivity. This kind of transparency builds trust.

Implementation

Discretionary Management Agreement: If you retain our services, our agreement with you provides us limited discretionary authority to manage your assets within the context of your Investment Policy Statement, without requiring your authorization for each trade.

Investment Policy Statement: The Investment Policy Statement (IPS) sets the investment policy we will follow to manage your investments. The IPS describes the strategic portfolio in generic terms, and authorizes us to alter this portfolio within approved variances to meet changing economic conditions. It also establishes the performance benchmark.

Portfolio Rebalancing: Personal circumstances and economic climates change. As a result, all portfolios tend to drift. We monitor and rebalance portfolios as required to keep your portfolio on course. We constantly review and evaluate fund performance and the performance of fund managers.

Minimum Account Size: While we do not mandate a minimum account size, we do impose a minimum fee. Consequently, most clients prefer to engage our services with a portfolio of at least \$250,000.

Custody of Assets: We do not act as a custodian. Instead, we establish accounts with low-cost brokerage firms and are given limited power of attorney by you to trade your account. We have no ability to access your account or to remove money from it beyond the collection of our fee. Once the custodial account is established, existing assets are transferred to it and we manage those assets in accordance with your Investment Policy Statement.

Performance Reporting: A summary of your account holdings and performance will be sent to you quarterly. Every investment dollar is accounted for, including money market holdings, and assets that you may have selected but asked us to hold. Our performance is time- and dollar-weighted and reflects all costs.

Initial Consultation: There is no charge for an initial consultation. The introductory meeting includes a discussion of your objectives and our service, data gathering, and a portfolio review.



Thank You for Considering Our Services

StanCorp Investment Advisers provides financial and wealth planning and discretionary investment management services to individuals. We are a Registered Investment Advisor with the U.S. Securities and Exchange Commission, authorized to do business in 50 states. We do not accept compensation from any source other than our clients.

Please call us at 734.994.1188 to arrange a complimentary consultation.

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