



**Advice & Planning Services**

**Portfolio Manager Program Disclosure Brochure**

**Form ADV Part 2A**

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[www.tiaa.org](http://www.tiaa.org)  
March 31, 2017

This brochure provides information about the qualifications and business practices of Advice & Planning Services, a division of TIAA-CREF Individual & Institutional Services, LLC relating to the Portfolio Manager Wrap Fee Program. 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 or by any state securities authority. Registration with the Securities and Exchange Commission as an investment adviser does not imply a certain level of skill or training.

Additional information about Advice & Planning Services is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

As of March 31, 2017

This document contains a summary of the material changes made to the Advice & Planning Services (“APS”) Portfolio Manager Program Disclosure Brochure (the “Disclosure Brochure”) since its last annual update on March 30, 2016. This document discusses only the material changes. You can obtain a full copy of the updated Disclosure Brochure free of charge by calling (800) 927-3059. All capitalized terms used (but not defined) below have the same meaning as stated in the Disclosure Brochure.

### Item 4 (Advisory Business):

- Item 4 was updated to reflect that APS also provides managed account advisory services to clients in return for a fee through its Personal Portfolio program. These services are described in greater detail in the Advice & Planning Services TIAA Personal Portfolio Wrap Fee Program Disclosure Brochure.
- *Assets Under Management:* Item 4 was updated to reflect that as of February 21, 2017, APS managed \$21,190,431,609 on a discretionary basis, and \$0 on a non-discretionary basis.

### Item 9 (Disciplinary Information):

- Item 9 was updated to reflect that on November 22, 2016, TC Services entered into a settlement, known as a letter of acceptance, waiver and consent (“AWC”) with FINRA, a self-regulatory organization for broker-dealers. The settlement related to how it confirmed transactions it effected between 2004 and 2015 for employer retirement plans record-kept by TIAA. TC Services accepted and consented to the entry of findings (without admitting or denying the findings) that it failed to deliver confirmations for certain transactions and delayed delivery of confirmations due to technological issues and ambiguities in a vendor contract, and did not denote the firm’s capacity as agent on certain confirmations, resulting in violations of Securities Exchange Act Rule 10b-10, NASD Rule 2230 and FINRA Rule 2232 related to customer confirmations, and NASD Rule 2110 and FINRA Rule 2010 related to standards of commercial honor and principles of trade. TC Services further consented to a censure and fine of \$275,000. The activity subject to the settlement was not related to APS’ investment advisory programs. In resolving the matter, FINRA recognized that TC Services: (1) timely self-reported the foregoing confirmation issues to FINRA; (2) prior to detection or intervention by a regulator, engaged outside counsel and an independent consultant to conduct an internal forensic investigation of the relevant issues; (3) promptly took corrective action and revised its policies and procedures regarding confirmation production and delivery; (4) hired additional staff dedicated to ensuring proper confirmation production and delivery; and (5) provided substantial assistance to FINRA by sharing the results of its

internal investigation and voluntarily and promptly providing updates regarding additional confirmation delivery issues discovered during its internal investigation.

**Item 14 (Client Referrals and Other Compensation):**

- *Compensation of Advisors and Other TC Services Personnel.* Item 14 was reformatted and updated to reflect that Advisors can receive compensation for referring clients to the new TIAA Personal Portfolio program.

**Item 16 (Investment Discretion):**

- Item 16 was updated to reflect that APS will not accept any restrictions that are inconsistent with the Program's stated investment strategy or philosophy or that are inconsistent with then nature or operation of the Program.

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## **Item 4 – Advisory Business**

### ***About Us***

Advice & Planning Services (“APS”) provides discretionary mutual fund advisory services to you in return for a fee under the Portfolio Manager program (“Portfolio Manager” or the “Program”). These services are described in greater detail in this brochure. Portfolio Manager is no longer accepting new clients, but remains available to clients that enrolled in the Program prior to November 30, 2009.

APS is a division of TIAA-CREF Individual & Institutional Services, LLC (“TC Services”). TC Services is a registered investment adviser and a registered broker-dealer with the Securities and Exchange Commission (“SEC”) and is also a member of the Financial Industry Regulatory Authority (“FINRA”). The individuals that provide advisory services to you on behalf of APS are registered with TC Services as both investment adviser representatives and broker-dealer registered representatives. This allows the individuals to both provide advisory services and brokerage services to clients. While these individuals may hold varying job titles depending on their position within the organization, they are referred to throughout this brochure simply as “Advisors.”

TIAA is the marketing name under which Teachers Insurance and Annuity Association of America, and its subsidiaries, provide services. Teachers Insurance and Annuity Association of America (“Parent”), a life insurance company is the parent company which owns TC Services and its APS division.

TIAA is one of the world’s largest retirement plan systems and since its founding in 1918 has helped people in the academic, research, medical and cultural fields plan for and live through retirement. Many clients of APS have a pre-existing relationship with TIAA, often by participating in a TIAA administered employer sponsored retirement plan. APS has been providing advice to clients since 2004. APS does not provide legal or tax advice.

APS also provides managed account advisory services to clients in return for a fee through its Portfolio Advisor and Personal Portfolio programs. These services are described in greater detail in the Advice & Planning Services Portfolio Advisor Wrap Fee Program Disclosure Brochure and the TIAA Personal Portfolio Wrap Fee Program Disclosure Brochure. In addition, APS offers financial planning services with an emphasis on retirement planning needs. The retirement planning advice helps clients invest for retirement and address income needs. The retirement planning advice is generally limited to providing advice across fixed annuities, variable annuities, mutual funds and exchange traded funds. These services are described in greater detail in the Advice & Planning Services Investment Advisory Planning Services Disclosure Brochure.

### ***Portfolio Manager***

The Program requires that you sign an advisory agreement authorizing APS and its designee (identified below) to manage the portfolio on a discretionary basis. Based upon responses to an investment questionnaire, Portfolio Manager invests your assets in a model portfolio composed of a target asset allocation and corresponding mutual funds, and thereafter manages your assets on a discretionary basis in line with your investment objectives, market conditions and reasonable restrictions. The funds may include affiliated TIAA-CREF investment products as well as unaffiliated investment products. TIAA-CREF investment products are manufactured by TIAA affiliates, such as the TIAA-CREF family of mutual funds and the various registered funds of

Nuveen Investments, Inc., including the Nuveen Funds (we call these affiliated products “Affiliated Funds” in this brochure).

APS retains an independent financial expert, Envestnet Asset Management (“Envestnet”), to serve as the source of the Program’s advice. The retention of Envestnet provides you with objective, third party advice that does not favor one fund family over another. Envestnet’s compensation is unaffected by the type or fund brand that it recommends, and APS does not control Envestnet’s advice methodology.

Envestnet applies its own methodologies, based upon generally accepted investment principles, to construct, monitor and update its advice. Envestnet selects mutual funds from a list of funds available through TC Services’ clearing firm, Pershing, LLC (“Pershing”), on a no-transaction fee basis that meets Envestnet’s minimum eligibility requirements. Envestnet’s methodologies also consider information provided by you, including goals, risk tolerance, investment constraints and time horizon.

You are responsible for the accuracy of all information it provides in connection with the Program. Portfolio Manager does not offer advice, and does not consider or monitor assets held outside of the Program. The Program generally provides clients that have a similar risk profile, investment objectives, and time horizons with a similar model portfolio.

The Program reviews your asset allocation and fund holdings on a periodic basis and makes changes to either, if appropriate. Market conditions may cause your account(s) to deviate over time from the model portfolio, and the Program rebalances your account in line with the model portfolio, at its discretion. The number of re-balancing and fund replacements that may occur is dependent upon various factors, including market conditions, and is difficult to predict. A change in the portfolio’s fund holdings or a rebalancing may trigger a taxable event.

You may impose reasonable restrictions on the management of their account by requesting, in writing, that the Program provide an alternative mutual fund in lieu of a recommended fund. The selection of an alternate fund may cause the performance of the account to differ from that of the model portfolio, possibly producing lower overall results.

APS contacts you annually to inquire whether there have been any changes in your financial situation or investment objectives, and whether you wish to impose or modify any reasonable restrictions on the management of their account. In the interim, you should contact an Advisor whenever a material change occurs in your financial situation or investment objective, as either may affect the continued appropriateness of your current allocation. Advisors are available during normal business hours to discuss any aspect of the Program.

You must open a brokerage account with TC Services’ retail broker-dealer division, TIAA Brokerage Services (“TBS”) in order to hold Program assets. Pershing, a subsidiary of BNY Mellon, acts as TBS’ clearing firm and holds your Program account assets in its custody in brokerage accounts on the Pershing platform. With respect to individual retirement account assets (“IRA Assets”), other than SIMPLE IRA client assets, TIAA-CREF Trust Company, FSB (“TIAA, FSB”) acts as trustee for the IRA Assets and is deemed to have constructive custody of IRA Assets through this role. TIAA, FSB is a TIAA entity and affiliate of APS. Pershing acts as service agent for the IRA Assets, performing certain administrative, record-keeping, and reporting duties and responsibilities of TIAA, FSB, including but not limited to maintaining physical custody of IRA assets and the sending of brokerage account communications to clients such as periodic account statements. You should compare the account statements received from

Pershing with the quarterly reports received from APS. The Program uses TBS to effect all transactions because any transaction fees incurred through other broker-dealers are not included within the Program's advisory fee.

TBS and Pershing share distribution (Rule 12b-1) and similar service fee payments from certain mutual funds and bank sweep options, including the Liquid Insured Deposits program described below, as compensation for distribution and administrative services. Please consult the prospectus and statement of additional information for a particular fund for more information concerning these fees.

Cash balances held in your account that are pending investment as well as any strategic balances allocated to cash within your portfolio are invested in the sweep vehicle option selected by you for the account. Sweep vehicle options may include money market mutual fund sweep options and bank sweep options. TBS may change the terms and conditions of the sweep program it makes available to brokerage accounts, including adding, changing or deleting available sweep vehicle options. In the event you do not select a sweep vehicle option for the account, a default sweep vehicle is used. For most account types, the default sweep vehicle is a bank sweep.

Where the TIAA Bank Brokerage Sweep product ("Affiliate Bank Sweep") is an available bank sweep option and used for your account, cash balances in your account, up to a maximum deposit amount (currently, \$248,500) will be swept into deposit accounts with TIAA, FSB. TIAA, FSB is a federal savings bank and an affiliate of APS. See the Affiliate Bank Sweep terms and conditions for more information. In the event an account using the Affiliate Bank Sweep holds a cash balance in excess of the maximum deposit amounts, a separate overflow bank sweep product – The Liquid Insured Deposit ("LIDS") will be used for such excess amounts. Through LIDS, a variety of participating banks unaffiliated with TIAA may receive deposits. See the LIDS terms and conditions for more information.

TIAA, FSB, as well as other banks that receive deposits through the above bank sweep products, earn net income from the difference between the amount that the bank pays on the deposit accounts and the income the bank earns on loans, investments and other assets. Use of the Affiliate Bank Sweep presents a conflict for APS because TIAA, FSB earns compensation on deposits it accepts through the Affiliate Bank Sweep, as described above, and TIAA, FSB has discretion over the setting of interest rates for deposits through the Affiliate Bank Sweep. Additionally, TIAA earns more where the Affiliate Bank Sweep is chosen by you as the cash sweep for the account than it does where a money market mutual fund sweep is chosen. The interests of TIAA, FSB with respect to the setting of this rate may be different than clients – the higher the deposit amount and the lower the interest rate paid, the more TIAA, FSB earns. APS mitigates this conflict through disclosure in this brochure. Current rates for money market mutual fund sweep options and the bank sweep options can be accessed at [www.tiaa.org/BrokerageForms](http://www.tiaa.org/BrokerageForms) or by calling (800) 927-3059. TC Services may also receive 12b-1 and similar service fee payments from sweep vehicles. Please consult the prospectus or similar disclosure document for each sweep vehicle for more information concerning such fees.

Portfolio Manager requires a minimum investment of \$50,000 unless approved for a lesser amount. Should you fund the account by a transfer of existing eligible securities holdings, APS will sell those holdings upon their receipt in the account in good order. Subsequent deposits will be invested either into any asset classes underweighted in comparison to your target model portfolio with any remainder invested pro-rata in line with the model portfolio, or alternatively

invested entirely in line with the model portfolio; provided, however, that such deposits may be held as cash positions until the model portfolio's recommended cash allocation is exceeded.

You may establish automatic quarterly withdrawals. Upon withdrawal, the Program may rebalance the assets remaining in line with the model portfolio, to the extent possible. Rebalancing and withdrawals may result in a taxable event. The Program reinvests any dividends and capital gains distributions. Trade orders cannot be placed until funds are received in good order at the TBS operations center in Charlotte, North Carolina. Once a deposit or withdrawal request is received in good order, you receive the next available net asset value, in accordance with the respective mutual funds' prospectus terms and conditions. A Portfolio Manager account can only hold mutual funds recommended by the Program. You should consider any tax implications associated with liquidating assets to fund a Portfolio Manager account.

You receive a brokerage account statement from TBS on at least a quarterly basis, which summarizes the prior period's account activity. You also receive brokerage confirmation statements for each individual transaction. You also receive quarterly performance reports detailing historical performance. You are responsible for reviewing each statement in a timely manner and contacting a Wealth Management Advisor to discuss any concerns or discrepancies. You should compare the account statements received from Pershing with the quarterly performance reports received from APS. You receive a prospectus for each new mutual fund purchased and should review the terms and conditions contained in the prospectus.

Portfolio Manager charges an asset-based fee according to the following tiered schedule, with a minimum annual fee of \$575.

<u>Account Value</u>	<u>Fee (%)</u>
On the first \$75,000 in assets	1.15 %
For the next \$75,000 or portion thereof	1.00%
For the next \$100,000 or portion thereof	0.85%
For assets over \$250,000	0.65%

The fee covers, among other things, the costs associated with managing the account, including the services of Envestnet and APS, the custody of account assets, trade execution, client reporting and other administrative expenses. Cash balances held in your account are generally included in the calculation of the Program's asset based fee. The Program's asset based fee does not include the fees and expenses inherent in the cost of investing in underlying mutual funds. These mutual fund fees are described in each fund's prospectus. You are subject to those fund fees and expenses in addition to the asset based fee charged by the Program. Portfolio Manager's asset based fee covers the cost of trade execution and related transaction fees. However, the asset based fee does not include any other fees and expenses inherent in the underlying TBS account, which are described in the TBS brokerage account agreement provided at the time of account opening.

Fees are payable on a quarterly basis and are calculated based on your account balance as of the last business day of the prior quarter. Fees are prorated for any billing period less than a complete calendar quarter. Portfolio Manager deducts fees on or about the fifth business day following the quarter's end by redeeming shares from cash or money market balances within the account. For your initial enrollment quarter, fees are deducted, as described above, for the



remainder of the initial quarter within five business days after the end of the first month of enrollment. This initial fee is based on the value of your initial investment. You may be eligible to aggregate other Portfolio Manager accounts beneficially held by you for certain family members to qualify for the fee breakpoints. You should ask an Advisor for more information about accounts eligible for aggregation. Fees for clients that invest over \$3,000,000 in Portfolio Manager may be negotiated. APS may change the fee schedule by providing you with 30 days' written notice. You are deemed to have consented if you remain enrolled in the Program subsequent to the notice period. APS may waive or discount the account fee at its discretion, in whole or in part, in connection with promotional campaigns or for any other reason. Except as otherwise noted, fees are not negotiable.

Envestnet's independent methodology may select one or more Affiliated Funds for inclusion in the Program's model portfolios.

In connection with Affiliated Funds:

*TIAA-CREF Family of Funds:* Teachers Advisors, LLC is the advisor to the TIAA-CREF family of funds and an indirectly, wholly owned subsidiary of TIAA, and receives compensation for its investment management services from the TIAA-CREF family of funds. Additionally, other TIAA affiliates provide services to certain series of the TIAA-CREF family of funds: Parent provides administrative services, Teachers Personal Investor Services, Inc. is the principal underwriter, and TC Services provides distribution services. Each may receive compensation for its services from the TIAA-CREF family of funds. See the funds' prospectuses for a description of the compensation. Fund expense ratios may change over time and from time to time. Always consult the fund prospectus for the most current information.

*Nuveen Family of Funds:* Nuveen Fund Advisors, LLC, is the advisor to the Nuveen Funds and a subsidiary of Nuveen Investments, Inc. Various subsidiaries of Nuveen Investments serve as sub-advisors to the Nuveen Funds. Nuveen Securities, LLC, also a subsidiary of Nuveen Investments, Inc., serves as the principal underwriter for the Nuveen Funds. Nuveen Investments, Inc. and its subsidiaries are indirectly, wholly owned subsidiaries of Parent. TC Services provides distribution services to the Nuveen Funds in connection with Program accounts. Each of the above affiliates receives compensation from the Nuveen Funds in connection with the services it provides. See the Funds' prospectuses for a description of the compensation. Always consult the Fund prospectus for the most current information.

Where Envestnet selects a TIAA-CREF mutual fund or Nuveen Fund, TIAA-CREF may receive greater aggregated revenue than when Envestnet recommends a non-TIAA-CREF mutual fund or Nuveen Fund. The Program imposes no limitations or minimum purchase requirements on Envestnet concerning the use of TIAA-CREF or Nuveen mutual funds. TIAA-CREF bases any decision to retain Envestnet solely on the quality and continued utility of Envestnet's services.

See Item 14 – Client Referrals and Other Compensation for a description of how Advisors are compensated.

The grant of discretionary investment authority over the account is durable and will continue despite your subsequent disability, incapacity, incompetence or death. In the event of your disability, incapacity, incompetence or death, APS will continue to perform services under the Program and charge a fee, as described above until APS receives written notice from and executor or other representative of your estate terminating the Program.

APS may terminate your enrollment in the Program at any time upon mailing written notice to you. APS specifically reserves the right to terminate client's participation in the Program should your account balance fall below an amount necessary to provide adequate diversification or should APS determine that the Program is no longer appropriate for you.

Upon termination from the Program, APS will cease managing your Program account collect any fees owing for management services provided through the date of termination. You are thereafter responsible for the management of their portfolio and must direct APS to transfer assets out of the Program within 30 days. Once directed, the transfer may take 30 days or more to occur. Should you fail to direct such transfer APS will, at its discretion, either transfer the assets to a separate, self-directed TBS brokerage account registered identically to the Program account and subject to the standard brokerage account transaction fee schedule, or in the alternative, redeem the assets and mail a check for the proceeds to you. Such redemptions may result in a taxable event. The Program may invest in certain mutual fund share classes or other securities that cannot be held outside of the Program and these would need to be exchanged or sold upon termination from the Program.

In addition to Portfolio Manager's terms and conditions, you are subject to the terms and conditions of each respective mutual fund prospectus, including the underlying fees and expense ratios described therein. You are also subject to the terms and conditions of the underlying TBS brokerage account agreement, which is provided at the time of account opening. You may be able to invest directly in any of Portfolio Manager's eligible mutual funds without enrolling in Portfolio Manager and incurring the asset based fee, in which case you would not receive the advice available to Portfolio Manager clients.

The Program's advice is based in part upon historical rates of returns for different asset classes. Historical rates of return are not guaranteed to reoccur in the future. Although the advice is based upon strategies consistent with prudent long-term investing and diversification principles, any investment is subject to risk and Program assets could decline in value over short or even extended periods of time.

### ***Assets Under Management***

As of February 21, 2017, APS managed \$21,190,431,609 on a discretionary basis, and \$0 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

APS provides the fee schedule for Portfolio Manager in Item 4 of this brochure. The manner in which APS deducts advisory fees from your accounts for Portfolio Manager is explained in Item 4 of this brochure.

TC Services and its clearing firm Pershing share distribution (Rule 12b-1) and similar service fee payments from certain investments as compensation for distribution and administrative services. Please consult the prospectus and statement of additional information or other disclosure document for the particular investment for more information concerning the precise amount of these fees.

The receipt of these fees could potentially pose a conflict of interest, incenting APS to recommend products based upon this payment rather than your needs. To address this potential conflict, APS does not take these fees into consideration when recommending appropriate mutual

funds for you. Rather, APS' recommendations focus upon your needs without regard to 12b-1 and service fees. The Portfolio Manager services rely upon an independent financial expert. This third party expert formulates its advice based on your needs and interests and does not favor Affiliated Funds over unaffiliated funds. APS has no ability to alter or modify the advice sourced from the third party financial expert.

Clients enrolled in the Program may be able to aggregate accounts enrolled in the Program that are held directly by client or for the benefit of a spouse, parent, child or anyone else residing at the same address as client for fee calculation purposes. This is referred to as "householding" related Program accounts. Householding related Program accounts may collectively qualify the Program accounts for a different Program Fee breakpoint. The Program Fee breakpoints are set forth in Item 4 above. Client may also household related Program accounts for quarterly performance reporting. Client authorizes APS to share client's Program account performance information with other members of client's household while reducing paper mailings. Householding does not authorize others in client's household to conduct transactions in client's Program accounts.

APS may agree to waive or discount the Portfolio Manager fee in its sole discretion in connection with promotional campaigns, for clients making large deposits or for TIAA employees. Other than as noted, these program fees are not negotiable.

Recommendations provided through APS' advisory services may include recommendations of specific Affiliated Funds, including variable annuities, mutual funds and life insurance. TC Services and its affiliates provide certain services (including but not limited to advisory, distribution and administrative services) in connection with the Affiliated Funds. To the extent you implement the recommendation and purchases an Affiliated Fund, TC Services, Nuveen Securities, LLC and their affiliates, as applicable, may receive compensation for these services. Refer to the prospectuses and statements of additional information for the applicable Affiliated Fund for a complete description of these fees and payments. Should you invest in an Affiliated Fund, the fees charged in connection with the investment, such as a mutual fund's expense ratio, are in addition to any separate advisory fee APS may charge. You do not pay brokerage commissions when enrolled in Portfolio Manager. APS may be reimbursed by one or more affiliates, in whole or in part, for costs incurred in providing advice to you.

APS only considers no-load or load waived mutual funds when evaluating funds for investment by you. Many of the mutual funds and other securities recommended by APS also may be available through other financial services firms that are unaffiliated with APS.

## **Item 6 – Performance Based Fees and Side By Side Management**

APS does not charge performance-based fees, which are fees based on a share of an account's capital gains or appreciation.

## **Item 7 – Types of Clients**

APS primarily provides advice to individuals who have a pre-existing relationship with TIAA, often by participating within a TIAA administered employer sponsored retirement plan such as a 403(b). However, APS also provides advice to other individuals, such as family and friends of existing clients, individuals without a pre-existing relationship with TIAA, and small organizations such as trusts, corporations, limited liability companies, partnerships, small retirement plans and similar entities. APS only provides advice to U.S. residents.

Portfolio Manager has certain account minimum amount requirements, but is closed to new investors.

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

APS adheres to long term investing principles to build a portfolio of diversified holdings appropriate for each client. APS administers a number of model portfolios that vary from very conservative to very aggressive allocations. These model portfolios contain both equity and fixed income securities.

APS bases its advice upon a combination of both quantitative and qualitative investment methodologies. This means that its advice is based on measurable metrics (e.g., historical return, risk and portfolio holdings analysis) and subjective factors (e.g., the quality of a company's senior management and industry trends). Although APS bases its advice upon strategies consistent with prudent long term investing and diversification principles, any investment is subject to a risk of loss that you should be prepared to bear. Equities historically provide higher returns than other asset classes, but are at considerable risk to principal. Fixed income investments historically provide lower returns than equities and are sensitive to interest rate changes, but provide less risk to principal. These risks are described in the respective prospectus and statement of additional information for each security, which contains additional important information that investors should read carefully before investing.

## **Item 9 – Disciplinary Information**

On November 22, 2016, TC Services entered into a settlement, known as a letter of acceptance, waiver and consent ("AWC") with FINRA, a self-regulatory organization for broker-dealers. The settlement related to how it confirmed transactions it effected between 2004 and 2015 for employer retirement plans record-kept by TIAA. TC Services accepted and consented to the entry of findings (without admitting or denying the findings) that it failed to deliver confirmations for certain transactions and delayed delivery of confirmations due to technological issues and ambiguities in a vendor contract, and did not denote the firm's capacity as agent on certain confirmations, resulting in violations of Securities Exchange Act Rule 10b-10, NASD Rule 2230 and FINRA Rule 2232 related to customer confirmations, and NASD Rule 2110 and FINRA Rule 2010 related to standards of commercial honor and principles of trade. TC Services further consented to a censure and fine of \$275,000. The activity subject to the settlement was not related to APS' investment advisory programs. In resolving the matter, FINRA recognized that TC Services: (1) timely self-reported the foregoing confirmation issues to FINRA; (2) prior to detection or intervention by a regulator, engaged outside counsel and an independent consultant to conduct an internal forensic investigation of the relevant issues; (3) promptly took corrective action and revised its policies and procedures regarding confirmation production and delivery; (4) hired additional staff dedicated to ensuring proper confirmation production and delivery; and (5) provided substantial assistance to FINRA by sharing the results of its internal investigation and voluntarily and promptly providing updates regarding additional confirmation delivery issues discovered during its internal investigation.

On November 24, 2009, TC Services entered into an AWC with FINRA. The settlement concerned how TC Services reported participant complaints to FINRA between July 1, 2006 and June 30, 2007 (the "Period").

Without admitting or denying the findings in the settlement, TC Services consented to findings that during the Period it did not report complete quarterly complaint information to FINRA in violation of NASD Rules 2110 (standards of commercial honor and principles of trade) and 3070(c) (complaint reporting) and that its supervisory system for complaint reporting was inadequate in violation of NASD Rules 2110 and 3010(a) (supervision). TC Services further consented to a censure and a paid a fine of \$100,000 as part of the settlement.

The complaints which are the subject of the settlement arose in connection with TIAA's conversion to a modern record-keeping system. This record-keeping system is designed to better meet the needs of TIAA clients. The conversion process, however, disrupted customer service operations, resulting in an increase in operational complaints.

In response, TC Services restructured its complaint capture, reporting and resolution processes, improved its technology infrastructure, revised its policies and procedures and implemented oversight and quality control over complaint capture and regulatory reporting. It has also significantly added the number of staff that handles customer complaints.

## **Item 10 – Other Financial Industry Activities and Affiliations**

TC Services is also registered with the SEC as a broker-dealer. Parent is the sole owner of TC Services and provides a variety of services that are material to TC Services' investment advisory activities, including administrative, legal and marketing support. All TC Services personnel, including Advisors, are employees of Parent. Certain officers and directors of TC Services may also serve in similar capacities with other affiliated investment advisers.

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

APS has a code of ethics and personal trading policy that regulates the personal securities trading activities of investment personnel and other persons with access to confidential trading information (collectively "access persons") and requires them to avoid conflicts of interest, such as trading in a personal account in advance of a client based upon knowledge of the client's trade. Certain access persons and members of their households must report their personal holdings and transactions in covered securities, are subject to certain restrictions and prohibitions in trading for their own accounts, and are subject to pre-clearance of certain securities transactions by a compliance unit. The Code of Ethics and Personal Trading Policy also prohibits the misuse of material nonpublic information and confidential information. APS prohibits or limits the purchase of securities in initial public offerings and private placements. Access persons may not realize short-term profits in their personal accounts, and may be disciplined if the policy requirements are violated. Advisors may purchase or sell for their personal account securities recommended to clients subject to the limitations of the aforementioned personal trading policy. Clients or prospective clients may request a copy of APS' Code of Ethics and Personal Trading Policy.

SEC rules require broker-dealers to maintain a minimum amount of working capital. TC Services may invest this working capital in money market mutual funds, mortgage backed securities, investment grade corporate bonds or U.S. Treasury Securities. Except for securities invested for this limited purpose, TC Services does not generally buy or sell its own portfolio securities that it may recommend to you. APS representatives may purchase or sell for their personal account securities recommended to you, subject to the limitations described in the Personal Trading Policy, described above.

TC Services and its affiliates receive compensation for services they provide to Affiliated Funds, including variable annuities, mutual funds and life insurance, including but not limited to advisory, distribution and administrative services. Refer to the prospectuses and statements of additional information of the applicable Affiliated Funds for a complete description of these fees and payments. Recommending Affiliated Funds could pose a conflict of interest as the TIAA-CREF family of companies may receive more revenue than when recommending unaffiliated products. To address this potential conflict, APS does not take these additional fees into account when evaluating securities to recommend to you and will only evaluate Affiliated Funds using different criteria than applied against unaffiliated products.

## **Item 12 – Brokerage Practices**

APS places all brokerage trades for your advisory accounts through Pershing, the clearing firm for TC Services. APS does not charge you a transaction based fee (e.g., a commission) for any trades placed within Portfolio Manager. Not all advisors may require that you place trades through a single broker-dealer. However, by placing all client trades through TC Services' clearing firm, Pershing, APS is able to avoid charging you a transaction-based fee in addition to an advisory fee. APS monitors the trade execution services of Pershing by regularly comparing a trade's execution price against similar market trades placed by unaffiliated broker-dealers. APS believes its relationship with Pershing and its oversight of Pershing's trade execution helps APS provide you with favorable execution.

If client trades are eligible for aggregation, APS may aggregate client trades when trading for multiple clients in the same security on the same day. If aggregated, APS provides each client with an average execution price.

Pershing splits all 12b-1 fees that it receives from third party mutual funds with APS.

## **Item 13 – Review of Accounts**

An Advisor will contact you annually by phone, in person, or in writing to review your investment objectives, progress toward reaching those objectives, ensure that your current allocation strategy remains appropriate, and discuss whether any rebalancing is necessary. You may also request a review at any time if you believe your situation has changed materially. Portfolio Manager clients receive quarterly written reports detailing the performance of their account and transactions placed.

## **Item 14 - Client Referrals and Other Compensation**

### ***Compensation of Advisors and Other TC Services Personnel***

*Advisors:* Advisors perform sales and client service activities for the Program, including enrolling you in the Program and assisting you with account servicing needs after enrollment. Advisors do not exercise investment discretion over client assets.

Advisors are paid a salary and a discretionary annual variable bonus. This compensation is paid to them by Parent because they are employees of Parent. The annual variable bonus is based on the financial performance of Parent, as well as the Advisor's individual performance (and, in some cases, the performance of the advisory team supporting an Advisor).

In assessing individual and team performance, Parent primarily considers quantitative metrics such as the Advisor's efforts in gathering, retaining and consolidating client assets in appropriate

accounts, products and services on the TIAA platform. Several qualitative factors are also considered, such as leadership, teamwork, positive client experience and adherence to company policies and regulatory standards. This compensation approach is directly linked to an ongoing performance management process that provides feedback to Advisors throughout the year.

Advisors also are broker-dealer registered representatives of TC Services and may be licensed insurance agent representatives with TIAA-CREF Life Insurance Company and TIAA-CREF Insurance Agency. In their capacity as registered representatives or insurance agent representatives, Advisors may suggest or recommend other accounts, services and products offered by TIAA to meet client investing and planning needs, which are offered separate and apart from the Program. Through the annual variable bonus, Advisors have an incentive to and are compensated for enrolling and retaining client assets in TIAA accounts, services and products, but do not receive any client commissions or product fees.

TIAA's compensation philosophy aims to reward Advisors with appropriate compensation, recognizing the degree of effort generally required of the Advisor in gathering and retaining client assets in appropriate TIAA accounts, products and services offered by TIAA affiliates (referred to below generally as "solutions"). For compensation purposes, solutions are differentiated as follows:

- *Solutions for Complex Needs:*
  - The Portfolio Advisor and Private Asset Management managed account programs offered through TIAA affiliates,
  - Trust services offered through TIAA, FSB, and
  - Annuities and life insurance issued by TIAA Life Insurance Company (an affiliate) and Pacific Life (a non-affiliate).
- *Solutions for Core Needs:*
  - Employer sponsored retirement plans available to participants through TIAA, and
  - The mutual fund and annuities offered by TIAA affiliates in the TIAA Investment Solutions IRA and TIAA IRA.
- *Other Solutions:*
  - Brokerage accounts offered through TC Services, and
  - Referring clients to TIAA Direct, a division of TIAA FSB, for banking solutions, 529 accounts, TIAA Charitable for its Donor Advised Fund services, and to online managed account programs offered through TIAA affiliates such as the TIAA Personal Portfolio Program.

Advisors earn more credit towards the annual variable bonus, and thus more potential compensation, for enrolling clients in TIAA's complex needs and core needs solutions than they do for enrolling clients in or referring clients to other solutions. In addition, Advisors can earn compensation when clients transfer funds into complex needs solutions from core needs solutions and other solutions at TIAA or where clients convert complex assets into life insurance products. The compensation does not differ based on the underlying investments chosen within the solution, nor does the Advisor receive any client commissions or product fees. Advisor also may earn more compensation when clients purchase life insurance offered through



TIAA affiliates.

Advisors also receive more credit, and thus more compensation, for retaining client assets in complex solutions than they do for core and other solutions. Advisors also can earn credit, and thus additional compensation, where a client annuitizes holdings within an employer sponsored retirement plan record kept by TIAA or within a TIAA IRA.

We address the conflicts of interest associated with the above compensation by disclosing them to you and by submitting the transactions recommended by the Advisor to a review process designed to ensure that transactions are appropriate and suitable for clients' financial needs. Additionally, recommendations concerning the investment options in employer sponsored retirement plans offered through TIAA and the mutual funds and annuities from TIAA affiliates available through the Investment Solutions IRA are sourced from an independent third party.

Advisors also receive credit towards the annual variable bonus for referring endowment and foundation business to TIAA affiliates, which is generally based on the assets retained under management by the affiliate as a result of the referral.

*Other TC Services Personnel Compensation:*

Where appropriate, other client facing personnel associated with TC Services, such as field consultants and phone center representatives, may refer clients with more complex investing needs to Advisors. Referrals that result in clients enrolling in products and services offered through TIAA are one factor that Parent considers in determining the referring employee's annual variable bonus among other qualitative and quantitative factors. This means that these individuals have a financial incentive to refer clients to Advisors.

*Other Payments:* Funds (through their investment managers or other affiliated companies) may sponsor educational events and pay expenses of Advisors attending those events. TIAA policies require that the training or educational portion of these events comprise substantially all of the event.

As discussed above, TC Services and its clearing firm Pershing share 12b-1 and similar service fee payments from certain mutual funds as compensation for distribution and administrative services. Please consult the prospectus and statement of additional information for a particular mutual fund for more information concerning these fees. TC Services does not consider these payments when developing its advice or recommendations for clients.

## **Item 15 – Custody**

APS has custody of your assets in limited circumstances. In its role as introducing broker, the TBS division of TC Services may receive physical securities and checks for deposit in Portfolio Manager and Portfolio Advisor your accounts maintained with its clearing broker, Pershing. With respect to checks, you are directed to mail any checks for deposit into your accounts directly to Pershing. In such instances, you may make the checks payable to TBS to assist in the proper identification of the account by Pershing. Clients enrolled in these programs will receive account statements directly from Pershing as the qualified custodian for their program account(s). You should carefully review these statements. You will receive quarterly performance reports from APS where enrolled in Portfolio Manager or Portfolio Advisor. You should compare these



performance statements against the separate quarterly account statements they receive from the account's qualified custodian.

## **Item 16 – Investment Discretion**

In connection with Portfolio Manager, APS exercises discretion in determining the type and amount of securities to be bought and sold for your account. As described in Item 4 above, you sign an advisory agreement that allows APS to have this discretion.

You may impose reasonable restrictions upon the management of your portfolio by requesting, in writing, that the Program refrain from investing in certain securities or that the Program provide an alternative security in place of a security initially purchased and held within your portfolio. For example, you may send a written request for APS to refrain from investing in a particular Fund or to replace a particular Fund held in your portfolio. APS will not accept any restrictions that are inconsistent with the Program's stated investment strategy or philosophy or that are inconsistent with then nature or operation of the Program. Requests for restrictions on the underlying securities held in the Funds will not be considered reasonable and will not be accepted. Any restrictions requested by you are subject to acceptance by APS at its discretion and may cause the performance of your portfolio to differ from that of the recommended model portfolio, possibly producing lower overall results.

## **Item 17 – Voting Client Securities**

For assets enrolled in Portfolio Manager, the independent financial expert, Envestnet, votes all proxies for mutual funds held in the Portfolio Manager account, unless you requests otherwise, in which case Envestnet forwards any proxy materials received in connection with the account to you. You cannot direct Envestnet to vote a particular way on a particular proxy; you must either (1) delegate all proxy voting to Envestnet or (2) vote all proxies, as more fully described, above.

Envestnet has adopted written policies and procedures designed to assist in voting proxies in accordance with the best interests of its clients. You may obtain information about how Envestnet voted with respect to any security by speaking with an Advisor. You may also obtain a copy of Envestnet's proxy voting policies and procedures by speaking with an Advisor. APS does not undertake to act on your behalf with regard to class action claims or notices and instead forwards all claims or notices directly to you. APS also forwards to you all voluntary corporate action notices.

## **Item 18 – Financial Information**

TC Services does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. TC Services is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to you, nor has TC Services been the subject of a bankruptcy petition at any time during the past ten years.

## **Item 19 – Requirements for State-Registered Advisers**

TC Services is a federally registered investment adviser.