

Summary of Material Changes to
Advice & Planning Services
Portfolio Advisor Wrap Fee Program Disclosure Brochure
Form ADV Part 2A

As of March 31, 2017

This document contains a summary of the material changes made to the Advice & Planning Services' ("APS") Portfolio Advisor Wrap Fee 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 (Services, Fees and Compensation):

- *Holistic Asset Allocation Considerations.* Item 4 was updated to reflect that in the near future, APS anticipates offering an optional Completion Portfolio service through the Program, which employs a risk balancing strategy. Where a client enrolls in this optional service, APS will assign an appropriate risk tolerance level for a client's Program account based on the risk exposure of client's designated employer sponsored retirement plan account(s) at TIAA ("Employer Plan Account(s)") in an effort to maintain an asset allocation that is informed by the target asset allocation client establishes for client's Employer Plan Account(s). The Program will then monitor and adjust a client's Program account to conform to the risk level that it assigns to client's Program account.

With respect to any of the methods used to balance risk exposure, neither APS nor the Program will monitor your other TIAA accounts nor will either adjust your Program account's asset allocation in response to changes to the risk exposure or composition of your Employer Plan Account(s). The Program is only responsible for your Program account. You are responsible for contacting your Advisor whenever any changes occur in your Employer Plan Account(s) in order to adjust the risk tolerance level associated with your Program account.

- *Investment Restrictions.* Item 4 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 the nature or operation of the Program.
- *Legacy Assets and Tax Considerations.* Item 4 was updated to reflect that where available, APS will conduct a share class conversion to move any Eligible Legacy Asset that are mutual funds to the institutional share class of the mutual fund where such share class offers a lower expense ratio than was previously held by you. Institutional share classes typically have a higher minimum initial investment and lower expense ratio as compared to other share classes. You may not be eligible to purchase the same share classes in which the Program invests in accounts you hold outside of the Program. It may be necessary to exchange or sell these shares upon termination from the Program.
- *Funding.* Item 4 was updated to reflect that you may fund your Program account using cash or securities. The securities used to fund your account must be liquid and able to be sold from the account

by us. If you do not, within 30 days of opening your Program account, fund the account with assets that meet the Program's minimum required amount of \$50,000 (or \$25,000 for TIAA employees), APS will, at its discretion, and within a reasonable timeframe, terminate the Program account. Additionally, if you fund your account with bonds you must promptly provide written consent for APS to sell those bonds. If such consent is not provided within 30 days and the assets in your account are under the Program's minimum required amount of \$50,000 (or \$25,000 for TIAA employees), APS will, at its discretion, and within a reasonable timeframe, terminate the Program account. APS will not manage any underfunded Program accounts.

Upon termination you must transfer all assets from the Program account within 30 days. If you should fail to do so, you direct APS to transfer the securities to a separate, self-directed brokerage account with TC Services' retail broker-dealer division, TIAA Brokerage Services ("TBS") that is registered identically to the Program account and subject to the standard brokerage account transaction fee schedule.

Item 4 was also updated to reflect that your portfolio will be rebalanced to align it with the model portfolio provided your Program account meets the minimum balance requirements.

- *Discretionary Authority.* Item 4 was updated to reflect that your grant of discretionary authority to APS also extends to the selection of a tax lot relief method (also called a cost accounting method) for your Program account in calculating the gain or loss on the sale of a security in your Program account. A tax lot relief method is a way of computing the realized gain or loss for an asset sold in a taxable transaction. It determines the lot of a security that is sold, as well as its associated cost basis, and the holding period used in computing the gain or loss on that sale. Although TIAA's default tax lot relief method, as specified in the Brokerage Account Customer Agreement ("Brokerage Agreement"), is First In, First Out ("FIFO"), under this Program, APS will select the cost basis accounting method which it deems appropriate to use in its sole discretion with respect to any transaction in your Program account. By enrolling in the Program you are granting APS the authority to use any such method as it may select in its discretion, or any such method it may implement by default, for any transaction in your Program account. TIAA and its affiliates shall have no liability for any damages you may incur as a result of (i) TIAA providing the required 1099-B Annual Information Report to the IRS, (ii) TIAA's selection of, or change in, the method it uses to calculate your cost basis, or (iii) any differences in the cost basis reported by TIAA to the IRS and your actual adjusted cost basis in the relevant security in your Program account.
- *Program Fees.* Item 4 was updated to reflect the following revised fee construct:

APS charges an asset-based fee for participation in the Program ("Program Fee") according to the fee schedules listed below.

Schedule A – Grandfathered Fixed Income Schedule (for Existing Clients):

This fee schedule applies to Program accounts that meet all of the following conditions: (i) were opened prior to July 3, 2017, (ii) are managed under a model portfolio that includes 80% or more of fixed income and strategically allocated cash securities prior to July 3, 2017, and (iii) are subject to this Schedule A on July 2, 2017.

This fee schedule also applies to Program accounts opened following an Investment Strategy Proposal that is generated prior to July 3, 2017, which shows this Schedule A as the proposed fee schedule.

Schedule A – Grandfathered Fixed Income Schedule	
<u>Aggregate Account Value</u>	<u>%</u>
\$50,000 - \$150,000	0.90%
\$150,001 - \$300,000	0.75%
\$300,001 - \$750,000	0.60%
Over \$750,001	0.55%

Note: This tiered fee schedule is used to calculate your fee based on the aggregate value of your account.

Schedule B – Grandfathered Equity Tiered Schedule (for Existing Clients):

This fee schedule applies to Program accounts that meet all of the following conditions: (i) were opened prior to July 3, 2017, (ii) are managed under a model portfolio consisting of less than 80% fixed income and strategically allocated cash securities prior to July 3, 2017, and (iii) are subject to this schedule B on July 2, 2017.

This fee schedule also applies to Program accounts opened following an Investment Strategy Proposal that is generated prior to July 3, 2017, which shows this Schedule B as the proposed fee schedule.

This fee schedule will also apply to Program accounts that meet all of the following conditions: (i) are opened on or after July 3, 2017, and (ii) are held directly by a pre-existing Program account holder or for the benefit of a spouse, parent, child or anyone else residing at the same address as a pre-existing Program account holder, subject to the householding rules described in the Disclosure Brochure.

Note that after July 3, 2017, the Program will no longer permit movement between Schedules A and B based on any changes in clients responses to the Program questionnaire.

Schedule B – Grandfathered Equity Tiered Schedule	
<u>Aggregate Account Value</u>	<u>%</u>
\$50,000 - \$150,000	1.15%
\$150,001 - \$300,000	1.00%
\$300,001 - \$750,000	0.85%
Over \$750,001	0.75%

Note: This tiered fee schedule is used to calculate your fee based on the aggregate value of your account.

Schedule C – Portfolio Advisor Blended Fee Schedule (for New Clients):

This fee schedule will apply to new Program accounts that meet all of the following conditions: (i) are opened on or after July 3, 2017, and (ii) are not held directly by a pre-existing Program account holder or for the benefit of a spouse, parent, child or anyone else residing at the same address as a pre-existing Program account holder, subject to the householding rules described in the Disclosure Brochure.

Schedule C – Portfolio Advisor Blended Fee Schedule	
<u>Value Bracket</u>	<u>%</u>
First \$150,000	1.15%
Next \$150,001 - \$300,000	1.00%
Next \$300,001 - \$750,000	0.85%

Next \$750,001 - \$1,000,000	0.75%
Next \$1,000,001 - \$1,500,000	0.70%
Next \$1,500,001 - \$3,000,000	0.65%
Next \$3,000,001 - \$4,000,000	0.60%
Next \$4,000,001 - \$5,000,000	0.50%
Over \$5,000,000	0.40%

Note: This blended fee schedule is used to calculate your fee by weighting your aggregate account value in accordance with the value brackets and weights shown.

Item 4 was also updated to clarify that you will pay the Fund fees and expenses as a Fund shareholder, except where expressly qualified in connection with your IRAs enrolled in the Program.

- *Compensation of Advisors and other TC Services Personnel.* Item 4 was reformatted and updated to reflect that advisors can receive compensation for referring clients to the new TIAA Personal Portfolio Program.
- *Other Managed Account Programs.* Item 4 and Item 6 were updated to reflect that APS and its affiliates offer other managed account programs, such as the TIAA Personal Portfolio program, which may have different or more advantageous fee structures and offering of services than the Program and may have access to different Funds, asset classes or share classes of Funds than those available through the Program. These differences are based on the level of services offered by each program and the amount of assets under management. You can consult an Advisor for more information about the other managed account programs if desired.

Item 6 (Portfolio Manager Section and Evaluation):

- *Tax Management for Taxable Accounts Investing Preference.* Item 6 was updated to reflect that in addition to the current tax management available, which constructs your portfolio with tax sensitive municipal securities, APS anticipates implementing a Tax Loss Harvesting strategy in the near future, which will be incorporated within the Tax Management preference and applied to Program accounts that have selected the Tax Management preference. This strategy will attempt to harvest unrealized losses in your account. The Tax Loss Harvesting strategy is not yet available as of the date of the brochure.
- *Tax Loss Harvesting.* Item 6 was updated to reflect that for taxable accounts that elect the Tax Management preference, the Program will, in the future, seek to harvest the tax losses in your Program account to the extent consistent with the Program's investment strategy.

Tax loss harvesting occurs when APS strategically sells a security in your Program account with unrealized losses. When APS sells this security, you may realize a loss which may enable you to offset taxes on both capital gains and a limited amount of ordinary income. The Program is designed to select "similar" (but not "substantially identical") investments to replace the strategically sold existing investments based on historical returns, correlations, and portfolio construction methodology. The Program harvests tax losses with respect to securities it has recommended and not necessarily based on positions in your Program account. For example, APS will not take into consideration any Eligible Legacy Assets held in your Program account when determining whether to sell securities. It will review the positions in your Program account for tax losses on or about June 15th and November 15th each year. APS may change these dates from time to

time without notice to you. APS' goal is not to maximize overall losses either in your Program account or across all of your accounts (at TIAA or elsewhere), as APS will not necessarily sell all securities with unrealized losses in a particular Program account, and will also not necessarily sell securities with the greatest aggregate losses in a particular Program account. APS will only sell those securities with unrealized losses that it determines are appropriate to be sold at the time, taking into consideration such factors as the availability of a replacement security. APS makes no warranty or guarantee that these similar investments will perform similarly to the replaced investments, nor does it make any warranty or guarantee that the sale of the existing investment and the purchase of a replacement investment will be effective in reducing your tax obligations in the present or in the future. You are required to notify APS, in writing, if you are prohibited from investing in any individual investments. Such prohibitions may alter the "similar" investments selected as part of the Program, and may alter the effectiveness of the Tax Loss Harvesting strategy.

If you and/or your spouse have other taxable or non-taxable accounts, and you hold in those accounts any of the securities held in your Program account, you should not buy any security sold at a loss 30 days before or after the Program sells those same securities as part of the Tax Loss Harvesting strategy to avoid the possible application of the "wash sale" rules. You are responsible for monitoring your (and your spouse's) accounts both inside and outside of the Program to ensure that transactions in the same security or a substantially similar security as one traded from your Program account do not create a wash sale. A wash sale is the sale at a loss and purchase of the same security or substantially similar security within 30 days of each other. If a wash sale transaction occurs, the IRS may disallow or defer the claimed loss for tax reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule has the effect of disallowing or postponing losses on a sale, if a replacement security is bought within these time periods. If you have multiple accounts in the Program under one Household, APS will not monitor your Household's accounts, nor will it monitor any accounts for members of your Household maintained outside the Program, to ensure that transactions in the same security or a substantially similar security do not create a wash sale. For more information on the wash sale rule, please read IRS Publication 550.

Whether the Program, including tax management, is effective in reducing your overall tax liability will depend on your entire tax and investment profile, including purchases and dispositions in your (or your spouse's) accounts outside of the Program, the nature of your investments (e.g., taxable or nontaxable) and their respective holding period (e.g., short-term or long-term). APS will monitor only your Program account to determine if there are unrealized losses for purposes of determining whether to harvest losses. Transactions in any account other than your Program account (such as your spouse's accounts held at TC Services), any accounts outside of TC Services, or even additional Program accounts may affect whether a loss is successfully harvested.

Client Directed Tax Management. In addition to the Tax Management preference, for taxable accounts APS will also accept your instructions to harvest a specific amount of tax losses or gains, subject to such limitations and procedures as APS may establish from time to time. Instructions to harvest tax losses must be provided in writing in the manner prescribed by APS. APS will only sell up to ten percent of your portfolio in an effort to harvest taxes at your request. APS will reasonably attempt to fulfill your instructions, but may determine that a request is not feasible for a variety of reasons, including but not limited to the size of the request. APS will follow its internal procedures to determine which securities to sell in harvesting losses or gains. Unlike the Tax Management preference in which substituted securities are used, any proceeds from tax loss sales made at your direction will be held in cash and will not be reinvested in substitute securities, which may reduce

the performance of your account. Please contact your Advisor for more information about the limitations and procedures that apply.

APS does not employ tax professionals and has not and will not provide tax advice to you. No employee of APS is qualified or permitted to provide tax advice. **You should consult a tax professional for specific tax advice and specifically regarding the tax consequences of investing with the Program and engaging in the Tax Loss Harvesting strategy based on your particular circumstances.** No feature of, interaction with, description of, or action taken in accordance with the Program, including the tax management preference, represents a tax strategy in the context of your individual tax situation and should not replace or supplement the advice of your personal tax advisor. APS is not responsible for ensuring that you accurately report the trading activity in your Program account to the IRS or any other relevant taxing authority. APS is not responsible to you for the tax consequences of any transaction in a Program account, makes no warranties or guarantees that the tax consequences described herein or in the materials provided to you by APS in respect of your Program account will be achieved by the Program, and makes no warranty or guarantee that the IRS or other relevant taxing authorities will not challenge the tax consequences of its trades, nor that any such challenge will not be successful. If the IRS is successful in its claim that one or more transactions executed pursuant to the Program were wash sale transactions, any loss recognized on such transactions may be deferred or disallowed, and you may be subject to the imposition of interest and penalties on such transactions.

- *Exchange Traded Funds.* Item 6 was updated to reflect that an exchange traded fund (“ETF”) is a type of investment company that is traded on an exchange and invests primarily in a basket of securities including in a particular market index. ETFs typically seek to provide investment results that, before fees and expenses, generally correspond to the price and yield performance of the underlying benchmark index. Investing in an ETF exposes you to risks of the ETF’s holdings in direct proportion to the allocation of assets that comprise the ETF. However, ETFs may not fully replicate the construction of their benchmark index, resulting in performance that differs from expectations. In addition, ETFs trade at a discount or premium to their underlying net asset value (“NAV”). As a result, investors purchasing an ETF at a premium may underperform the ETF NAV, while the redemption of shares may result in the ETF trading at a discount to NAV. You will also indirectly bear the fees and expenses charged by an ETF in addition to the Program Fee.

Item 9 (Additional Information):

- *Disciplinary Information and Information about Other Financial Industry Activities and Affiliations.* 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.

Biographies of TIAA-CREF Trust Company, FSB Investment Management Personnel:

- The Biographies were updated to reflect that Dennis Johnson is now the Managing Director of Portfolio Management & Investment Strategy and Chief Investment Officer for the Investment Management Group at TIAA, FSB, taking on the role of Gregory Ellston that was formerly held by Dennis McDonald.