



CITY OF AURORA-POLICE
MONEY PURCHASE PENSION PLAN

retirement report



fall 2008

what should investors do when markets are unstable?

by: **Scott Middleton**, CFA® | Senior Consultant and **Rick Rodgers**, CRC | Principal

Most investors have received retirement account statements for at least three consecutive quarters that report growing significant losses in the value of their investments. Those with large allocations to stocks (aggressive investors) have experienced some of the biggest losses as a result of the bone-jarring drops in the domestic and foreign stock markets.

Regardless of the portion allocated to stocks (large or small), most investors naturally ask if there should be any modifications to an approach of “be patient and don’t get scared out of your stocks.” While recent investment losses have indeed been very painful, it’s important to remember that a consistent and methodical basis for making decisions is paramount at times like these. Even though investors may feel like their investment strategy is broken, and they need to fix it; this is the time to maintain sensible strategies (right).

sensible strategies

1. Maintain your portfolio’s broad diversification.
2. Reject the temptation of market timing.
3. Rebalance your portfolio to reduce those assets that have performed relatively well and purchase those beaten down in price. This approach forces something that most investors lack the discipline to do: buy low and sell high.

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the board president’s quarterly message



Above (from left): Bret Jeans (MPPP Trustee, Ex-officio), Mindy Harris (NAGDCA, President), Rick Rodgers (InSight EBC, Principal), Craig Piel (MPPP Trustee, Vice President).

mppp education program recognized nationally with another award

by: **John Sopranuk** | President, Aurora-Police MPPP Board of Trustees

I am pleased to report that our education and training programs were again recognized nationally with an award from the National Association of Government Defined Contribution Administrators (NAGDCA). The award, *Outstanding Achievement of Ongoing Participant Communications*, was presented to Plan Trustees last month in recognition of the *Retirement Ready* workshop, which was created for the City of Aurora-Police Money Purchase Pension Plan (MPPP) by Rick Rodgers, a Principal and cofounder of our Plan administrator and education provider (InSight Employee Benefit Communications). The Retirement Ready workshop is a pre-retirement education program that was developed specifically for MPPP participants,

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what should investors do when markets are unstable?

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Examining the decisions of successful, long-term investors can help to shore up investors' resolve. So what has famed investor Warren Buffet been doing recently? On September 18, Buffett's MidAmerican Energy Co. bought Constellation Energy Group for \$4.7 billion in cash, a discount of nearly 60% from levels at which the power firm's shares were trading two days prior to the deal. On September 24, he invested at least \$5 billion in the investment firm Goldman Sachs. Finally, late last week, a Berkshire Hathaway Inc. subsidiary announced that it had acquired a 10% stake in a Chinese producer of rechargeable batteries, electric cars and car parts. These large financial commitments echo Buffett's famous quote: "We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

The following four illustrations support the notion that investors should not abandon their discipline:

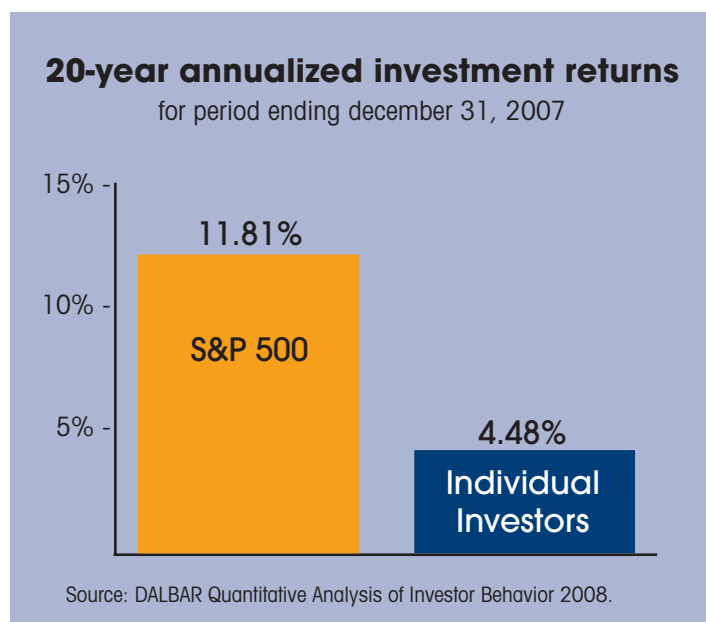
Historical Lesson #1: Fidelity Investments recently released a report on investors' failed attempts to try to time the U.S. equity market. In October 2002, following a devastating 50% decline in stocks over the prior two and a half years, investors' holdings in conservative money market funds reached a near-all-time high of almost 35% of mutual fund assets. Although a new bull market began that October, investors kept an above-average level of cash until February 2004, when stocks were 30% higher. As a result, investors who kept their long-term assets tied up in cash missed out on considerable gains.

Historical Lesson #2: According to the University of Michigan, consumer sentiment hit a 28-year low in June 2008. The last time that sentiment was so low was in 1980, when inflation was 14.4%. While inflation has been 5.4% over the last 12 months, it should come down rapidly as energy and commodity prices have collapsed. In addition, unemployment was at 7.7% in 1980, versus 6.1% today. Interestingly, stocks thrive following these pessimistic scenarios. Since 1975, the S&P 500 returned an average of nearly 23% over the 12 months following troughs in consumer sentiment. While sentiment could get worse, it has already improved since its low last June.

Historical Lesson #3: JP Morgan conducted a study of stock market performance in periods of rising unemployment. Since World War II, there have been 19 instances where the unemployment rate jumped a full half-percent or more from one month to the next. The most recent jump was from 5% to 5.5% earlier this summer. Remarkably, the average return in stocks in the subsequent 12-months period was +28.2%. The smallest 12-month return after such a jump in unemployment was +17.6% in 1960. While the current

economic environment may be different, negative news about sharply rising unemployment has been an indication that it is a better time to purchase, versus sell, equities.

Historical Lesson #4: The results of the DALBAR study, conducted annually since 1994, may make the most compelling argument against investors' temptation to time the markets. This study compares the 20-year average return of the stock market (S&P 500 index) to that of individuals who invest in stock mutual funds. The difference is both alarming and insightful. During the 20-year period ending December 31, 2007, the averaged annualized return of the S&P 500 stock index was 11.81%, compared to 4.48% for individual stock mutual fund investors!



Why do individual investors' returns fall so far behind that of the very markets in which they invest? There's only one logical conclusion. The majority of the damage done to individual investors' accounts is self-inflicted, because too often investors attempt to time the market and are frequently unsuccessful. In other words, while they're attempting to fix what appears to be broken, their actions generally cause far greater damage.

The financial markets may continue to experience extreme volatility until the economy and credit markets begin to stabilize and improve. In all circumstances, we believe that the most successful long-term investors are those who remain disciplined and rebalance their portfolios to improve their long-term returns. In the words of Warren Buffett: "Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it."

the board president's quarterly message

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which is designed to help soon-to-be-retirees understand their retirement income distribution options and numerous other relevant considerations.

The Retirement Ready workshops generally last about three hours, and are held in multiple locations during the evening hours to accommodate our unique work shifts and to encourage attendance of your significant others. Invitations to these pre-retirement sessions are mailed directly to participants age 49 and over.

In addition to presenting distribution options, the workshop agenda also includes sessions covering *Managing Investments During Retirement*, *Social Security and Medicare*, *Lifetime Income Annuities*, and *Avoiding Financial Services Predators*. The MPPP participants who have attended these workshops have reported the experience as “extremely valuable” and “time well spent,” which further validates the NAGDCA award received for Rick’s program.

This isn’t the first time that Rick’s work with our Plan has been recognized nationally. In addition to a 2005 NAGDCA award for the Plan’s Initial Participant Communications, Rick was awarded a first place trophy in 2006 for Investment Education (Eddy Award) by *Pensions & Investments* – also a leading national organization dedicated to the retirement community in providing the best available information through communication and education within the industry.

In 2004, the Board of Trustees determined it was necessary to raise the bar of our education and training program to a level beyond industry standards, and establish a leadership role for others to follow. As you may recall, our previous education and training was conducted by Schwab, which produced a level of education that fell short of our unique needs and expectations.

While initially we believed that the Cadillac of firms could produce a Cadillac product relative to education and training,

we found their boiler plate training was not well attended or well received and certainly lacked a dedicated approach for our members. We had a different representative from a different geographical area of the country each presentation. It simply was not adequate and not what the members – or the Board wanted.

The Board determined the education and training had to meet your needs and the expectations of the Trustees in providing this training. This would require significantly increasing the number of hours spent annually conducting on-site education and training. In hiring Rick, the Board directed him to provide coverage to the officers in all of the districts, at your homes and at his office in the Denver Technological Center. Additionally, Rick routinely visits each district and is available to meet with you before going on shift and/or after your shift.

The MPPP was Insight Employee Benefit Communications first client. The firm now has 32 metro area public safety and corporate clients. As the national awards keep coming in, we congratulate Rick for helping make our retirement plan the best of the best for its members.

who do I call for help?

account information

- > balances
- > investment changes
- > change personal info

contact : Milliman

866.343.8601 | www.apmppp.org

investment questions

contact: Rick Rodgers, CRC
Innovest Portfolio Solutions
InSight EBC division

303.694.1900 x324

rickr@innovestinc.com

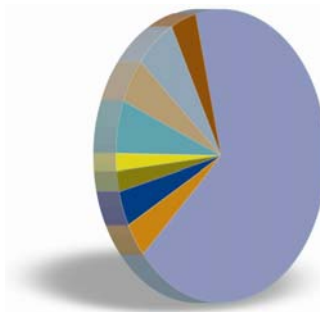
Target-Date Portfolio 1990

Selecting a Target-Date Portfolio

Target Age Group: over 67
Time Horizon: retired
Risk Level: Low
Expected Return: Low

Past Performance		9/30/08
Qtr.	YTD	1 Year
-3.16%	-4.48%	-3.70%
3 Years	5 Years	10 Years
3.85%	5.71%	6.61%

Portfolio Allocation



Stock & Growth Funds	26%
Artisan International	2%
Brandes International	3%
Wells Fargo Small-Cap Value	3%
Munder Mid-Cap Growth	2%
Marsico Growth	4%
Vanguard Instl Index	4%
Davis NY Venture	4%
ING Global Real Estate	3%
BlackRock High Yield Bond	1%
Income Funds	74%
PIMCO Total Return	6%
Wells Fargo Stable Return	68%

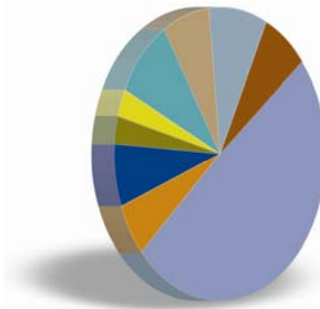
Target-Date Portfolio 2000

Selecting a Target-Date Portfolio

Target Age Group: 58 - 67
Time Horizon: retired
Risk Level: Low
Expected Return: Low

Past Performance*		9/30/08
Qtr.	YTD	1 Year
-5.39%	-8.70%	-8.19%
3 Years	5 Years	10 Years
3.22%	6.10%	6.95%

Portfolio Allocation



Stock & Growth Funds	42%
Artisan International	5%
Brandes International	6%
Wells Fargo Small-Cap Value	3%
Munder Mid-Cap Growth	3%
Marsico Growth	7%
Vanguard Instl Index	5%
Davis NY Venture	7%
ING Global Real Estate	3%
BlackRock High Yield Bond	3%
Income Funds	58%
PIMCO Total Return	10%
Wells Fargo Stable Return	48%

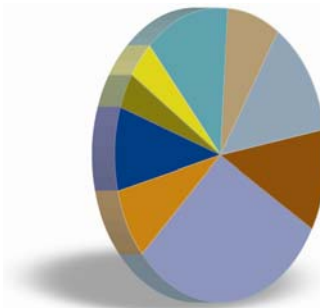
Target-Date Portfolio 2010

Selecting a Target-Date Portfolio

Target Age Group: 48 - 57
Time Horizon: 0 - 7 yrs.
Risk Level: Moderate
Expected Return: Moderate

Past Performance*		9/30/08
Qtr.	YTD	1 Year
-7.60%	-12.63%	-12.29%
3 Years	5 Years	10 Years
2.63%	6.52%	7.38%

Portfolio Allocation



Stock & Growth Funds	57%
Artisan International	7%
Brandes International	8%
Wells Fargo Small-Cap Value	3%
Munder Mid-Cap Growth	3%
Marsico Growth	10%
Vanguard Instl Index	10%
Davis NY Venture	10%
ING Global Real Estate	3%
BlackRock High Yield Bond	3%
Income Funds	43%
PIMCO Total Return	15%
Wells Fargo Stable Return	28%

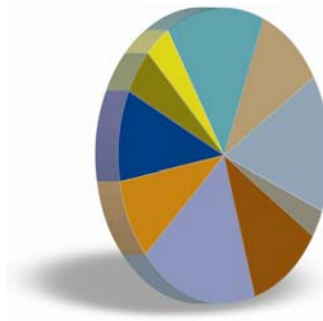
Target-Date Portfolio 2020

Selecting a Target-Date Portfolio

Target Age Group: 38 - 47
Time Horizon: 8 - 17 yrs.
Risk Level: Moderate
Expected Return: Moderate

Past Performance*			9/30/08
Qtr.	YTD	1 Year	
-10.24%	-15.30%	-14.96%	
3 Years	5 Years	10 Years	
2.16%	7.12%	7.92%	

Portfolio Allocation



Stock & Growth Funds	72%
Artisan International	8%
Brandes International	9%
Wells Fargo Small-Cap Value	4%
Munder Mid-Cap Growth	4%
Marsico Growth	12%
Vanguard Instl Index	12%
Davis NY Venture	12%
PIMCO Commodities RR	4%
ING Global Real Estate	3%
BlackRock High Yield Bond	4%
Income Funds	28%
PIMCO Total Return	13%
Wells Fargo Stable Return	15%

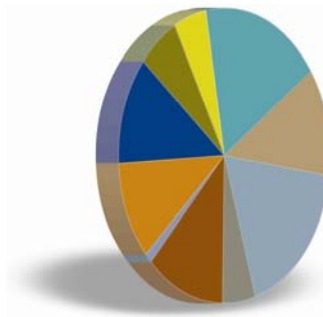
Target-Date Portfolio 2030

Selecting a Target-Date Portfolio

Target Age Group: 28 - 37
Time Horizon: 18 - 27 yrs.
Risk Level: High
Expected Return: High

Past Performance*			9/30/08
Qtr.	YTD	1 Year	
-12.65%	-18.97%	-18.86%	
3 Years	5 Years	10 Years	
1.49%	7.58%	8.31%	

Portfolio Allocation



Stock & Growth Funds	88%
Artisan International	10%
Brandes International	11%
Wells Fargo Small-Cap Value	5%
Munder Mid-Cap Growth	5%
Marsico Growth	15%
Vanguard Instl Index	13%
Davis NY Venture	15%
PIMCO Commodities RR	5%
ING Global Real Estate	3%
BlackRock High Yield Bond	6%
Income Funds	12%
PIMCO Total Return	11%
Wells Fargo Stable Return	1%

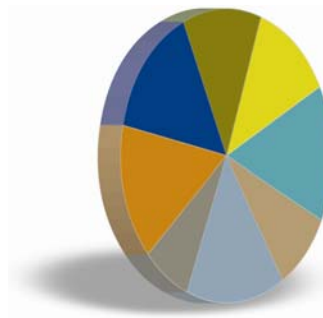
Target-Date Portfolio 2040

Selecting a Target-Date Portfolio

Target Age Group: under 28
Time Horizon: 28 - 33 yrs.
Risk Level: High
Expected Return: High

Past Performance*			9/30/08
Qtr.	YTD	1 Year	
-14.70%	-21.58%	-21.89%	
3 Years	5 Years	10 Years	
0.99%	8.27%	9.01%	

Portfolio Allocation



Stock & Growth Funds	100%
Artisan International	11%
Brandes International	12%
Wells Fargo Small-Cap Value	8%
Munder Mid-Cap Growth	8%
Marsico Growth	17%
Vanguard Instl Index	15%
Davis NY Venture	17%
PIMCO Commodities RR	6%
ING Global Real Estate	4%
BlackRock High Yield Bond	2%

Target-Date Portfolio 2050

Selecting a Target-Date Portfolio

Target Age Group: Under 22
Time Horizon: 34+ years
Risk Level: Very High
Expected Return: Very High

Past Performance		9/30/08
Qtr.	YTD	1 Year
-15.06%	-22.10%	-22.31%
3 Years	5 Years	10 Years
1.09%	8.53%	9.32%

Portfolio Allocation



Who should use this portfolio?

Target Age Group: The range of investor ages (current) for which this portfolio is designed and managed.

Time Horizon: Indicates the number of years (time horizon) until the investor will begin spending the money in their retirement account.

Risk Level: The amount of risk in each portfolio varies based upon the size of the allocation to Stock Funds vs. Income Funds. Portfolios with greater allocations to Stock Funds are subject to more risk, and are more appropriate for investors with a longer time horizon. Risk is measured by the potential loss over a 12-month period that an investor might expect in these portfolios, and is calculated via a statistical process consistent with 95% probability.

Low: 0% to -6% **Moderate:** -6% to -10% **High:** -10% to -15%

Expected Return: The level of expected investment return from each portfolio also varies based upon the size of the allocation to Stock Funds vs. Income Funds. Portfolios with greater allocations to Stock Funds are subject to more risk, and offer opportunity for greater investment return. The range of returns shown below indicate 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: 5% to 6% **Moderate:** 6% to 7% **High:** 7% to 8%

Past Performance

Investment performance results shown above represent past performance and are not indicative of future results. Past performance is based upon current funds and allocations in each portfolio, which are modified periodically, thereby prohibiting reporting of actual historical performance. 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 Stock Funds and Income Funds, along with the percentage allocated to each fund within these two categories.

*The PIMCO Commodity Real Return Fund was substituted with the DJ AIG Commodity Index to calculate returns from 1/1/95 - 6/30/02.

Portfolio Expense Ratios	
TDP 1990	0.52%
TDP 2000	0.61%
TDP 2010	0.72%
TDP 2020	0.77%
TDP 2030	0.86%
TDP 2040	0.97%
TDP 2050	0.97%