

**Creighton University**  
**Retirement Plan Committee**  
**Meeting Minutes**  
**May 20, 2014**

Present: Jeff Branstetter, Christine Murcek, Jan Madsen, Randy Jorgensen, John Jesse

Consultants: Tom Scalici and Jeff Sharp

Absent: None

The meeting began at 8:00 am.

**Market and Economic Overview**

Mr. Scalici provided an overview of the First Quarter Market and Economic Commentary. He reviewed the Asset Class Index Performance report reflecting performance through March 31, 2014, along with selected charts and graphs related to economic performance and markets. The main theme discussed was the difference in performance between high quality and low quality stocks over the last few years, with low quality stocks outperforming by about 9% annually over the last 5 years. This is skewing the stock indices over this time.

**Principal Platform Review**

Mr. Scalici reviewed the changes to the assets in the Principal Core Fund lineup. The assets began the quarter at \$224,429,906 and ended the quarter at \$224,867,284. During the quarter, contributions were \$4,204,159, withdrawals were \$5,914,126 and changes in investment values were \$2,147,346.

In the aggregate, assets within the Principal core fund lineup as of March 31, 2014 were:

- Domestic Equities           42.4%
- International Equities       6.5%
- Asset Allocation            39.1%
- Fixed Income                5.4%
- Alternative (Real Estate)   1.4%
- Cash and Equivalents       3.6%
- Other (Brokerages)         1.7%

For the quarter, the plan's net investment return was .96% versus the Blended Benchmark return of 1.19%. The main difference is the performance of the indices

(see macroeconomic overview), not necessarily the performance of the funds. All the equity funds, with the exception of Columbia Value and Restructuring, have above average risk-adjusted returns over the last three years. Since the beginning of 2009, the plan investments have outperformed the blended benchmark by about 0.76% annually after the fund fees. Mr. Scalici reviewed the relative rankings of each fund, including the beta, Sharpe ratio and fund expense ratio. Average allocation in the Principal platform is 79% equities, 21% fixed income, guaranteed income and cash.

The consultants were asked to comment on the various initiatives related to participant education and outcomes. Mr. Scalici complimented the Creighton human resource team and Principal Financial for their efforts on targeted communications. Participation rates have increased from 59% to 68% over the last two years as a result, and the average account balances have increased as well.

The committee reviewed funds that were on the watch list from the last quarter. The Columbia Value and Restructuring recently had a manager change and a change in its investment objective. Fund performance has been about average in the last year but well below average over the last three years. The risk-adjusted returns of the fund have been low as well. The fund has approximately \$4.6 million of participant assets in the plan.

The Committee reviewed alternative funds in the same asset class (large cap value) and compared these to the Columbia Value and Restructuring fund. Alternatives reviewed included the American Beacon Fund and Diamond Hill. American Beacon is sub-advised by four independent managers and is broadly diversified, owning more than 100 securities. It has an expense ratio of 83 basis points. Diamond Hill is a more concentrated portfolio, owning 40 to 60 stocks, and has a high quality bias. The fund has an expense ratio of 80 basis points. The expense ratio of the Columbia Value and Restructuring fund is 100 basis points.

The consultants recommended that Diamond Hill Large Cap Fund be used as a replacement to the Columbia Value and Restructuring Fund.

***The Committee voted and agreed to eliminate Columbia Value and Restructuring, and replace with Diamond Hill Large Cap Fund.***

The PIMCO Total Return fund performance was reviewed. There is an above average level of organizational change as a result of Mohamed El-Erian leaving the firm, and fund outflows have been above average. Performance over the last year has been below average, but has improved recently. The Committee will continue to monitor the performance and organizational issues around this fund.

The Principal Guaranteed account has a 1.35% interest rate net of fees. The internal cost is 65 basis points. The consultants recommended that the plan move to a different class of this fund, with an expense ratio of 20 basis points. This will increase the yield of this fund to 1.80%, based on current rates.

***The Committee voted and agreed to authorize the consultants to take the necessary steps to change the fund to the alternative to a 20 basis point fee and a resulting yield of 1.80% interest rate.***

Mr. Scalici reviewed the plan level costs and related fund-revenue sharing from Principal as contained on page 9 of the report. The average revenue sharing for the quarter was 19.31 basis points. Principal continues to charge 15 basis points to administer the plan. The remaining 4.31 basis points of revenue sharing will be used to pay the consultant fees. The balance of any plan-related fees is paid directly by Creighton University.

The Committee reviewed the Internet and Voice Response Usage on page 10.

#### **TIAA-CREF Platform Review**

The TIAA-CREF Core fund activity was reviewed. The TIAA-CREF assets were \$233,609,424 as of April 1, 2014 and finished the first quarter at \$233,375,698. Contributions totaled \$1,975,235; withdrawals were \$5,217,784, and changes in investment values were \$2,883,526.

In the aggregate, assets were allocated as follows on March 31, 2014:

- Domestic Equities 9.8%
- International Equities 1.5%
- Global Equities 36.8%
- Asset Allocation 6.9%
- Fixed Income 2.9%
- Alternatives 6.7%
- Cash and Equivalents 35.4%

The weighted return for the quarter was 1.23%, compared to the weighted benchmark return of 1.54%. The TIAA-CREF platform has seen a net cash outflow of \$26,410,249 since the fourth quarter of 2010.

#### **Total Investment Platform Overview**

The aggregate total plan assets as of the end of the quarter were \$458,242,982. Contributions during the quarter totaled \$6,179,394; withdrawals were \$11,131,910, and changes in investment values were \$5,030,872.

The overall total plan allocation reflects:

- Domestic Equities 25.8%
- International Equities 4.0%
- Global Equities 18.7%
- Asset Allocation 22.7%
- Fixed Income 4.1%
- Alternatives 4.1%
- Cash and Equivalents 19.8%
- Other 0.8%

The Committee reviewed several TIAA-CREF reports on assets held by active and non-active participants.

The Committee reviewed various participant demographics including average annual elective deferral by age group, retirement replacement ratios by age group, etc. The Committee requested that the consultant obtain from Principal Industry Average Elective deferral for the non-highly compensated group (as indicated in page 6 of the Principal demographic report).

**New Business**

The Committee discussed the NBS (independent firm that aggregates information between Principal and TIAA) offering as it relates to consolidated reporting and plan management of client balances. NBS has worked with over 700 school districts across the United States.

The Committee reviewed the NBS costs as proposed. If implemented, TIAA participants would be required to make their contribution changes through the NBS website. This may make the proposal unworkable. The Committee agreed to continue to investigate the NBS proposal and defer any decision until the next meeting of the Committee.

The Committee reviewed a Fee Policy Statement Checklist in advance of drafting a formal Fee Policy. The Committee discussed that it would be difficult to implement such a statement, given that there are two disparate platforms available to plan participants. After some discussion, the Committee agreed to table the issue pending future regulatory developments.

Seeing no further business, the meeting adjourned at 9:40 am.