

Creighton University Retirement Plan Committee Meeting Minutes

June 20, 2019

Present: Janel Allen, John Jesse, Angie Mills, Dr. Edward Horwitz and Randy Jorgensen

Absent: Christine Murcek

Consultants: Jeff Sharp and Tom Scalici

Janel Allen called the meeting to order at 11:30 am.

Market and Economic Overview

Mr. Scalici provided an overview of the first quarter market and economic commentary. He then reviewed the asset class index performance report reflecting performance through March 31, 2019, along with selected charts and graphs related to economic performance and markets. While the fourth quarter of 2018 was the worst quarter in the last 10 years, the first quarter of 2019 was the best quarter, largely reversing the decline in December of last year. This was largely driven by the Fed's changing stance on interest rates and continued positive economic trends.

Principal Platform Review

Mr. Scalici reviewed the assets in the Principal core fund lineup. The assets began the quarter at \$278,568,246 and ended the quarter at \$310,332,178. During the quarter, contributions were \$5,400,684, withdrawals were \$3,389,909 and changes in investment values were \$29,755,651.

As of March 31, 2019, approximately 74% of assets in the Principal Platform were in equities and 26% were in fixed income, guaranteed income and cash. Asset allocation portfolios hold approximately 40% of assets on the Principal Platform.

Principal Platform Fund Performance Review

The weighted performance of assets for the quarter was 10.68%. This compares to the blended benchmark of 10.80%. Year-to-date, at the platform level, the performance was 10.68% compared to the blended benchmark of 10.80%. The committee reviewed each of the individual fund choices and compared them to the appropriate benchmark. Historical plan performance has annually averaged 10.57% versus the blended benchmark return of 10.32% since the beginning of 2010. The committee also reviewed the Investment Policy Statement (IPS) Performance Criteria Dashboard and the performance of the RetireView portfolios. Also reviewed was the participant activity in the plan, including internet and voice response usage.

There were four funds that performed in the bottom quartile of its peer group over the last year and those were the TIAA International Equity Fund, the American Funds Growth Fund of America, the Fidelity Contra Fund and the Parnassus Endeavor Fund. The TIAA International fund is in the bottom quartile over the last three-year and five-year rolling periods as well.

The Growth Fund of America has a beta of .90 and will therefore have a tendency to lag in up markets. Their three-year alpha and Sharpe ratio are both still above average and they are capturing more than 90% of the up market during that time. Fidelity Contra has been slightly underweight in technology stocks compared to other large growth funds and that has hurt recent performance. Parnassus is overweight in tech stocks and while it hurt it in Q4 of 2018 it helped significantly in this quarter as the fund performed in the ninth percentile of its peer group. The TIAA International Equity funds long-term performance was still below average and this fund will be replaced in October. This was discussed in greater detail later in the meeting.

After the April Strategic Planning meeting, there were several conversations with Principal regarding pricing. As a result, Principal agreed to lower their pricing from 14.0 bps to 9.0 bps or a 36% reduction. This is reflective of trends in the marketplace and their desire to retain the business long-term. As a result, the overall pricing of Principal's platform will reduce to 44 bps effective October 1, 2019. To put this in perspective, overall pricing in 2010 was 92 bps.

TIAA-CREF Platform Fund Performance Review

The committee reviewed the TIAA-CREF Core Fund activity. The TIAA-CREF assets were \$219,796,361 as of January 1, 2019 and finished the first quarter at \$233,371,951. Contributions were \$748,066, withdrawals were \$3,129,716 and changes in investment values were \$15,983,923.

The overall allocation to equities for the quarter was approximately 51%. The weighted return for the quarter ending March 31, 2019 was 7.27% and the weighted benchmark return was 7.54%. Year-to-date, the performance was 7.27% compared to the blended benchmark of 7.54%. Since 2010, annualized performance has been 7.22% versus the index of 6.22%. The committee reviewed the individual fund performance relative to the appropriate asset class benchmark.

In addition to the Parnassus Fund, the more aggressive TIAA Target Date portfolios and the TIAA Real Estate portfolio performed in the bottom quartile of their respective peer groups over the last 12 months. The TIAA Target Date portfolio have above average equity exposure. As a result, they tend to lag the benchmark in down markets and outperform in up markets. This is exactly what has happened in the last two quarters. In Q1 2019, they were generally in the top quartile of their respective peer groups. The recommendation of the consultants was to keep these portfolios as long-term performance has still been above average. The TIAA Real Estate Fund invests in actual properties, which are valued on a rotating basis. As a result, their performance trends consistently lag the benchmark, particularly in periods when the NAREIT index moves significantly. In Q1, the index was up more than 16% but the fund was up about 1.5%. Historically, this difference has adjusted itself over time and that is our expectation. This is an annuity option and cannot be replaced.

Total Investment Platform Overview

The Aggregate Total Plan assets as of the end of the first quarter were \$548,083,904. Contributions during the quarter were \$6,385,852, withdrawals were \$6,519,625 and changes in investment values were \$46,172,253.

The overall total plan allocation reflects:

- Domestic equities: 30.5%
- International equities: 4.4%
- Global equities: 13.4%
- Asset allocation: 25.8%
- Fixed income: 4.6%
- Alternatives: 3.3%
- Cash and equivalents: 19.0%
- Other: 0.9%

The committee reviewed TIAA costs including fund expenses and plan service expenses. The weighted average cost of the TIAA platform was 0.43%. As previously stated, the weighted average cost of the Principal platform effective October 1 will be 0.44%.

457(b) and 457(f) Plans

- The 457(b) plan has total assets of \$4,282,867. Relative performance for each of the available funds was reviewed by the committee. Previous fund changes made to the 403(b) plan will be incorporated into the 457(b) plan.
- The 457(f) plan has total assets of \$126,147.

Strategic Action Summary and Legislative Update

- The Committee reviewed the Strategic Action Summary for 2019. This included the reduction in pricing on the Principal platform effective October 1 and a reduction in the wrap fee from 18.0 bps to 13.0 bps.
- An update on the lawsuits in higher education was provided. At least five institutions have now settled with attorneys. On average, the attorneys are receiving about 40% of the settlements with the average participant receiving about \$150.

Core Fund Menu Methodology and Fund Changes

- The consultants reviewed the Core Fund Menu Methodology and several changes that are going to be implemented October 1 on both platforms. Overall, the objective is to migrate to the lowest cost share class of the funds we own on each platform and bring greater parity between the Principal and TIAA fund lineups.
- As a result, the following changes will occur:
 - On the Principal platform, the MFS Value R4 share class and the American Funds Growth Fund of American R4 share class will move to the R6 share class of each fund.
 - The Principal S&P 500 Fund and the TIAA Growth and Income Premier Fund will be migrated into the existing Vanguard Total Stock Market Fund. This will also apply to new contributions going into these funds
 - The Vanguard Strategic Equity Fund will be migrated into the existing Vanguard Mid Cap Index Fund. This will also apply to new contributions.
 - On the TIAA platform, the TIAA Large Cap Value Index Fund will be replaced with the MFS Value R6 share class

- The TIAA Mid Cap Growth and Mid Cap Value Funds will be replaced with the Vanguard Mid Cap Index Fund
- The TIAA Small Cap Blend Index Fund will be replaced with the Vanguard Small Cap Index Fund
- The TIAA International Equity Fund will be replaced with the Vanguard International Index Fund on both platforms
- The American Funds Europacific Growth Fund R6 share class will be available on both platforms
- The impact of these changes will be to streamline both core fund menus and bring greater parity between them in fund selection and overall cost.

Strategic Planning Update

- The Committee provided some feedback on the Strategic Planning initiatives as they apply to the retirement plans
- There were five main areas of focus that are being addressed over the next year:
 - Updating Compliance and Plan Document
 - Revitalizing the 457(b) plan
 - Defining retirement readiness and plan financing clearly
 - Enhancing the education strategy around on boarding, accumulation and off boarding
 - Developing a total rewards philosophy statement

With no further business, the meeting adjourned at 1:00 pm.