

# Creighton University Retirement Plan Committee Meeting Minutes

*December 16, 2019*

Present: Beth Thomas, John Jesse, Angie Mills, Dr. Edward Horwitz, Randy Jorgensen

Consultants: Jeff Sharp and Tom Scalici

Angie called the meeting to order at 10:30 am.

Angie introduced Beth as a new standing member of the committee. She is the interim director who has replaced Janel Allen on the Committee.

Mr. Scalici introduced the discussion on Retirement Readiness, then turned the meeting over to Niki Daumueller and Bill Jordan from Principal to review the Creighton University Retirement Readiness Dashboard they prepared. This study was designed to help the committee model and evaluate the impact that changes in plan design and contribution strategies have on retirement readiness projections. The Dashboard includes data on current employee deferrals grouped by age groups, average savings rate, the cost of the employer contribution expressed as a percentage of pay and retirement readiness scores based on age and service. This information is helpful in analyzing any potential plan design strategies over time.

At the end of the presentation, the committee discussed the potential goals they would like to accomplish in the short-term as a first step. The three main goals were passing the ACP discrimination test and preventing contribution refunds for highly compensated employees, simplifying and modernizing the employer contribution formula while maintaining current level of the match and enhancing the match formula for those contributing less than 5% of pay. They asked Principal and the consultants to come back at the next meeting with various design options to achieve these goals. Long-term goals are yet to be defined and are part of the ongoing Total Rewards discussions.

## **Market and Economic Overview**

Mr. Scalici provided an overview of the third quarter market and economic commentary. He then reviewed the asset class index performance report reflecting performance through September 30, 2019 and November 30, 2019, along with selected charts and graphs related to economic performance and markets.

### **Principal Platform Review**

Mr. Scalici reviewed the assets in the Principal core fund lineup. The assets began the quarter at \$322,562,507 and ended the quarter at \$319,662,669. During the quarter, contributions were \$6,285,857, withdrawals were \$8,780,605 and changes in investment values were (\$403,869).

As of September 30, 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 -0.13%. This compares to the blended benchmark of 0.74%. Year-to-date, at the platform level, the performance was 14.42% compared to the blended benchmark of 15.51%. The committee reviewed each of the individual fund choices and compared them to the appropriate benchmark. Historical plan performance has annually averaged 10.39% versus the blended benchmark return of 10.25% 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.

During the review period, there were four funds in the bottom quartile of the peer group, three of which were the American Funds Growth Fund of America, the Parnassus Endeavor Fund and the Fidelity Contrafund. The Growth Fund of America has an overweight to energy stocks and an underweight to technology stocks as well as a lower risk profile. Risk adjusted returns are slightly below average for the last three years.

The Parnassus Endeavor fund owns about 25 stocks and as such has a more volatile return history with periods of time where they significantly outperform or underperform the benchmark. The Fidelity Contrafund also has an underweight toward tech stocks and a significant overweight toward financials (22% versus 11% for the benchmark) and that has hurt current performance. All three funds have shown relative improvement during the third quarter and our consultants' recommendation is to keep them in the plan. The TIAA International Equity Fund, the fourth option in the bottom quartile, was replaced on October 1.

### **TIAA-CREF Platform Fund Performance Review**

The committee reviewed the TIAA-CREF Core Fund activity. The TIAA-CREF assets were \$234,691,694 as of July 1, 2019 and finished the third quarter at \$227,129,875. Contributions were \$1,576,866, withdrawals were \$10,019,858 and changes in investment values were \$1,024,725.

The overall allocation to equities for the quarter was approximately 49%. The weighted return for the quarter ending September 30, 2019 was 0.44% and the weighted benchmark return was 0.90%. Year-to-date, the performance was 10.41% compared to the blended benchmark of 11.34%. Since 2010, annualized performance has been 7.15% versus the index of 6.65%. The committee reviewed the individual fund performance relative to the appropriate asset class benchmark.

The committee discussed potentially replacing the TIAA Target Date funds in favor of The American Funds Target Date funds and are used in The Principal platform.

The committee discussed, at length, the differences in detail. Because of lower risk, lower fees, a better risk-adjusted return, the committee voted in favor of replacing the TIAA Target Date funds in favor of the American Funds Target Date funds.

### **Total Investment Platform Overview**

The Aggregate Total Plan assets as of the end of the second quarter were \$562,007,411. Contributions during the quarter were \$6,758,139, withdrawals were \$9,678,568 and changes in investment values were \$16,831,827.

The overall total plan allocation reflects:

- Domestic equities: 31.0%
- International equities: 4.5%
- Global equities: 12.9%
- Asset allocation: 25.8%
- Fixed income: 4.8%
- Alternatives: 3.0%
- Cash and equivalents: 17.1%
- Other: 0.9%

The committee reviewed TIAA costs including fund expenses and plan service expenses. The weighted average cost of the TIAA platform was 0.42%. As stated in the previous quarter's minutes, the weighted average cost of the Principal platform effective October 1 will be 0.44%.

### **Creighton Aggregate**

The total plan assets ended September 30, 2019 at \$551,687,551. For the quarter, contributions totaled \$7,862,724, withdrawals totaled \$18,800,463 and market gains were \$624,409. The overall asset allocation of the plan is approximately 64% in equities and 36% in fixed income and guaranteed accounts.

### **457(b) and 457(f) Plans**

- The 457(b) plan has total assets of \$4,718,701. 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 committee discussed a plan to recommunicate to employees the benefits of deferring money into the plan. This campaign will occur in the fall so that elections can be made effective January 1, 2020.
- The 457(f) plan has total assets of \$130,373.

### **TIAA-CREF Lifecycle Funds Discussion**

The rolling one-year performance of the TIAA Target Date funds is in the bottom 10% of their respective peer groups entirely due to their performance during the fourth quarter of 2018. The risk profile of these funds on average is about 15% greater than the median primarily due to their higher equity exposure as well as the performance of the underlying funds. We again compared the performance, risk, volatility, composition, performance and fees of these funds versus T. Rowe Price, Vanguard and American Funds. At the end of the discussion, the committee agreed to replace the TIAA target date funds with the American Funds target date series. This will bring alignment across both plan platforms.

The American Funds have a lower risk profile right around the industry median, have historically had better performance, higher risk adjusted returns and lower fees. It also lowers the plan's fiduciary risk since this is not a proprietary fund to TIAA. The consultants will coordinate the communication and transfer of the assets with TIAA and report back as to a date when this can be implemented. With this change, approximately 80% of the core funds and target date funds will be identical on both platforms.

**Miscellaneous Items Reviewed and Discussed:**

The committee reviewed the TIAA Revenue Credit Account Report. Participants in the TIAA annuities received a slight refund during the quarter due to the recent reduction in pricing. The balance of this account is used to pay for plan expenses.

Our consultants provided an analysis of the fossil fuel holdings in each of the funds. Exposure to these stocks ranges from 0.00 to a high of 6.23% for the quarter ending September 30, 2019.

The Strategic Action Summary for 2019 was reviewed reflecting all plan related activities that have occurred YTD and planned for the balance of the year.

The investment review concluded by reviewing the SECURE Act, RESA and various legislative proposals. The SECURE Act is included in the year-end spending package and could be passed within the next week.

With no further business, the meeting adjourned at 12:30 pm.