

Creighton University Retirement Plan Committee Meeting Minutes

March 5, 2019

Present: Janel Allen, John Jesse, Angie Mills and Randy Jorgensen

Absent: Christina 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 fourth quarter market and economic commentary. He then reviewed the asset class index performance report reflecting performance through December 31, 2018, 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 \$310,906,052 and ended the quarter at \$278,568,246. During the quarter, contributions were \$5,111,364, withdrawals were \$4,091,835 and changes in investment values were (\$33,357,062).

As of December 31, 2018, approximately 75% of assets in the Principal Platform were in equities and 25% 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 -10.73%. This compares to the blended benchmark of -10.77%. Year-to-date, at the platform level, the performance was -5.29% compared to the blended benchmark of -5.17%. The committee reviewed each of the individual fund choices and compared them to the appropriate benchmark. Historical plan performance has annually averaged 9.73% versus the blended benchmark return of 9.47% 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 two funds that performed in the bottom quartile of its peer group over the last year and those were the TIAA International Equity Fund and the Parnassus Endeavor Fund. The 2018 performance caused the TIAA fund to also drop into the bottom quartile over the last three-year and five-year rolling periods as well. Both have rebounded sharply in 2019 but the TIAA International Equity funds long-term performance was still below average and the recommendation was to replace this fund. This was discussed in greater detail later in the meeting.

The weighted average cost of the Principal platform was 0.50%.

TIAA-CREF Platform Fund Performance Review

The committee reviewed the TIAA-CREF Core Fund activity. The TIAA-CREF assets were \$241,735,137 as of October 1, 2018 and finished the third quarter at \$219,796,360. Contributions were \$2,220,182, withdrawals were \$6,592,232 and changes in investment values were (\$17,566,727).

The overall allocation to equities for the quarter was approximately 48%. The weighted return for the quarter ending December 31, 2018 was -7.27% and the weighted benchmark return was - 6.73%. Year-to-date, the performance was -3.04% compared to the blended benchmark of -2.94%. Since 2010, annualized performance has been 6.54% versus the index of 5.89%. The committee reviewed the individual fund performance relative to the appropriate asset class benchmark.

In addition to the Parnassus Fund, the TIAA Mid-Cap Growth, TIAA-CREF Stock Fund and the TIAA Target Date portfolios all performed in the bottom quartile of their respective peer groups over the last 12 months. The TIAA Mid-Cap Growth fund was also in the bottom quartile over the last three-year and five-year rolling periods of time. The recommendation was to replace this fund. This was discussed in greater detail later in the meeting.

Total Investment Platform Overview

The Aggregate Total Plan assets as of the end of the fourth quarter were \$502,115,235. Contributions during the quarter were \$7,331,552, withdrawals were \$10,684,066 and changes in investment values were (\$51,433,008).

The overall total plan allocation reflects:

- Domestic equities: 28.8%
- International equities: 4.3%
- Global equities: 13.1%
- Asset allocation: 25.7%
- Fixed income: 4.8%
- 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 0.42%.

457(b) and 457(f) Plans

- Total assets are \$3,639,205. Relative performance for each of the available funds was reviewed by the committee.
- The 457(f) plan has total assets of \$111,424.

Proposed Fund Changes

The committee spent time reviewing potential changes to the fund lineup held both at The Principal and TIAA-CREF.

The core fund menu philosophy for the plans is to provide for a streamlined construction of core fund menu options including socially responsible investment options and to utilize the cheapest share class possible. Over time, we are also trying to bring greater alignment between both platforms so similar funds with the same share class are available.

Our consultants put together an analysis of changes they recommended to the core fund menus of both platforms. The following was approved by the Committee:

The Principal Platform:

- The MFS Value A, American Funds Growth Fund R4 and the American Funds Europacific Growth R4 funds will remain in the plan but will be mapped to the institutional share class of each fund. This will lower the expenses of each fund.
- The TIAA-CREF Growth and Income Premier fund will be eliminated and mapped to the Vanguard Total Stock Market Index Fund
- The Vanguard Strategic Equity fund will be mapped into the Vanguard Mid Cap Index fund
- The TIAA-CREF International Equity fund will be replaced with the Vanguard Total International Stock Index fund

TIAA Platform:

- The TIAA-CREF Large Cap Value Index fund will be mapped into the MFS Value R6 fund
- The TIAA-CREF Mid Cap Value and Mid Cap Growth Funds will be mapped into the Vanguard Mid Cap Index Fund
- The TIAA-CREF Small Cap Broad Index fund will be mapped into the Vanguard Small Cap Index Fund.
- The TIAA-CREF International Equity Index Fund will be replaced with the Vanguard Total International Stock Index fund
- The American Funds Europacific Growth Fund R6 will be added to the platform as a new option

A notice to plan participants will be distributed at least 30 days in advance of these changes.

Plan Benchmarking

Some plan benchmarking data was presented comparing our plan to other Higher Ed institutions. Key statistics included participation rates, deferral rates, average account balance and certain plan provisions like eligibility, vesting and level of employer contributions. A strategic planning meeting is scheduled for April 16 to study the statistics for both platforms in greater detail.

Strategic Action Summary

The committee reviewed the recap of activity for 2018 plus agenda of activity for 2019.

Retirement Plan Document Restatement

The 403(b) plan document must be restated by March 31, 2020. A series of conference calls have been held over the last few months to discuss a variety of plan provisions and to determine if any changes will be made to plan provisions. This will also be discussed in greater detail during the April meeting.

2019 Principal Education Strategy

The committee reviewed the educational strategy provided by The Principal. The study looks back at activity in 2018 plus upcoming campaigns for 2019.

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