

Creighton University
Retirement Plan Committee
Meeting Minutes
December 9, 2014

Present: Jeff Branstetter, Randy Jorgensen, John Jesse and Jan Madsen

Absent: Christine Murcek

Consultants: Tom Scalici and Jeff Sharp

The meeting began at 8:00 am.

Market and Economic Overview

Mr. Scalici provided an overview of the Third Quarter Market and Economic Commentary. He reviewed the Asset Class Index Performance report reflecting performance through September 30, 2014, along with selected charts and graphs related to economic performance and markets.

Large Cap Equities and the Barclays Aggregate were about the only asset classes with positive returns in the Third Quarter. Mid and small cap stocks; international stocks, high yield bonds, international bonds and most of the alternative asset classes (especially commodities) all had negative returns. Over the last 12 months, any diversification away from large cap U.S. stocks would have reduced portfolio returns.

Principal Platform Review

Mr. Scalici reviewed the changes to the assets in the Principal Core Fund lineup. The assets began the quarter at \$231,538,194 and ended the quarter at \$226,568,317. During the quarter, contributions were \$3,620,779, withdrawals were \$6,126,971 and changes in investment values were -\$2,463,683.

As of September 30, 2014, 79% of plan assets in the Principal platform were in equities, and 21% were in fixed income, guaranteed income and cash. The committee agreed that ongoing education on asset allocation is important to plan participants since; in general, the overall risk profile is increasing slightly over time.

For the quarter, the plan's net investment return was -1.06% versus the Blended benchmark return of -1.19%. The index funds have done well relative to actively managed funds. Mr. Scalici reviewed the relative rankings of each fund, including the Beta, Sharpe ratio and Fund Expense ratio.

The committee reviewed funds that were on the watch list from the last quarter. The committee also discussed the changes to the Diamond Hill Large Cap A fund which was replaced with the Institutional Share Class of the same fund on December 2. Cornerstone will obtain from Principal and distribute to the committee a calculation of the total difference in fees between the Class A and Class I shares for the period during which the Class A shares were an investment option in the plan.

The committee reviewed the individual fund performance as reflected on page 3 of the report. Of particular note was the negative performance of the international funds including American

Funds EuroPacific Growth and the TIAA-CREF International Equities Retirement fund. The TIAA International Equity fund has a risk profile that is about 30% higher than the average fund in this category. In up markets this fund has done very well, but in down markets this fund has a tendency to underperform.

The committee examined potential alternative funds to the PIMCO Total Return fund. This due diligence was initiated because of the organizational changes at PIMCO, as well as the significant amount of institutional assets that have transferred out of this fund since Bill Gross' abrupt departure from PIMCO. Those included the JP Morgan Core Plus Bond fund and the Baird Core Plus Bond fund. Both funds can invest in High Yield and Emerging Market Debt in addition to domestic high quality bonds. The committee reviewed the relative performance of the PIMCO Total Return fund versus the alternatives. Baird offers a slightly lower cost fund at 55 basis points versus the JP Morgan fund at 65 basis points. The Baird fund is slightly higher quality bonds versus the JP Morgan fund. No action was taken, but the committee will review at the next quarterly Retirement Committee meeting.

Mr. Scalici reviewed the plan level costs and related fund-revenue sharing from Principal as contained on page 10 of the report. The average revenue sharing for the quarter was 18.15 basis points. Principal continues to charge 15 basis points to administer the plan. The remaining 3.15 basis points of revenue sharing are used to pay the consultant fees. The balance of any plan-related fees is paid directly by Creighton University.

TIAA-CREF Platform Review

The TIAA-CREF Core fund activity was reviewed. The TIAA-CREF assets were \$238,392,702 as of July 1, 2014 and finished the third quarter at \$233,047,503. Contributions totaled \$961,294, withdrawals were \$4,818,794 and changes in investment values were -\$1,113,986.

The updated rolling asset allocation page of the review book shows that the overall allocation to equities has remained stable and ended at 53% for the quarter ended September 30, 2014. The weighted return for the quarter was -.47%, compared to the weighted benchmark return of -.081%. Generally, the TIAA-CREF funds performed well during the quarter and for the 12 months ended September 30, 2014.

Mr. Scalici updated the committee on pending cost changes to the TIAA-CREF annuities. They will offer R1, R2 and R3 share classes. Creighton will be in the R2 share class given the total asset of Creighton participants. Creighton will see little change in costs to the plan and participants. The consultants will contact TIAA-CREF representatives to review overall plan costs charged by TIAA-CREF with a view toward cost reductions. Ideally, a TIAA-CREF representative will be present at the next Retirement Plan Committee meeting to discuss TIAA-CREF's pricing in greater detail.

Total Investment Platform Overview

The aggregate total plan assets as of the end of the quarter were \$459,615,820. Contributions during the quarter totaled \$4,582,072, withdrawals were \$10,945,760 and changes in investment values were -\$3,577,670.

The overall total plan allocation reflects:

- Domestic Equities 26.2%
- International Equities 4.0%
- Global Equities 18.6%

- Asset Allocation 22.6%
- Fixed Income 4.2%
- Alternatives 3.9%
- Cash and Equivalents 19.8%
- Other 0.8%

Principal Retirement Readiness Analysis

The committee reviewed various demographic reports on participant "Retirement Readiness." An additional 1% saved increases the average replacement ratio by 1.80% for participants younger than age 30, while it increases the replacement ratio by 0.99% for participants age 30 to 39, and by 0.18% for participants age 50 and older. Mr. Scalici pointed out that the figures assume a retirement age of 60. The committee reviewed other assumptions in the report.

The committee asked the consultants to have Principal re-run the Retirement Readiness Analysis report with refined assumptions. This would include reflecting an assumed retirement age of 67, inflation and salary increases at 2.5% annually. The replacement goal remains at 85%. We will retain the 6% return assumption. There may be other assumptions refined depending upon the experience Principal has had in modeling retirement readiness for other plan sponsors.

TIAA-CREF Reports

The committee reviewed various reports on the available TIAA-CREF fund including fund costs, platform costs, revenue sharing, etc. The weighted average expense ratio is 50 basis points and the platform cost is 20 basis points. Cornerstone will invite TIAA-CREF representatives to the next committee meeting to discuss plan administration and fee levels.

Seeing no further business, the meeting adjourned at 9:45 am.