

**Creighton University
Retirement Plan Committee
Meeting Minutes
May 20, 2009**

Attending: Lee Galles, Chris Karasek, Dan Burkey, Jeff Branstetter, Mark Taylor
Jeff Sharp, Tom Scalici

Absent: None

Mr. Burkey called the meeting to order at 12:30 p.m.

Mr. Scalici began the meeting with a macro-economic overview of the financial markets. The first quarter continued to be very volatile as the Dow and S&P dropped about 25% from January 1 through March 9 (the recent market low) before rebounding strongly through the end of March and into early May, erasing almost all of its YTD losses. The rally began as major banks announced they were likely to be profitable in the first quarter, the rate of change of the rate of change in housing and unemployment (the second derivative of change) slowed dramatically indicating we may be near a bottom in both markets, and consumer spending was mildly positive. This sparked a buying spree that has led to an eight week market rally where the S&P has increased almost 37%.

New home inventories have been drastically reduced; mortgage payments have decreased relative to household personal income; and housing starts have bounced off the bottom. All are good signs that may be suggesting that a housing bottom is near.

The Federal budget deficit is projected to top \$1.75 trillion as massive amounts of government spending are beginning to make its way into the economy. What impact this will have long-term on the economy and the markets has yet to be seen. Unemployment remains high and is climbing; however non-farm payroll losses have started to subside. With that being said, there are still many job cuts in the works for the automakers and those might have a negative effect on this indicator.

Corporate earnings have been down almost 100% year over year; however, more than half of S&P companies reported positive earnings beating estimates. Consumer sentiment has also improved as of late, exceeding 50 for the first time since last summer. When consumer sentiment has bottomed and unemployment has spiked more than 0.5%, the S&P has historically had double digit gains in the next 12 months. Time will tell.

Obviously, the overall picture for equities has been pretty bleak for the last six quarters. Overall mutual fund cash flows were negative in the first quarter (except for fixed income and commodities). This low market sentiment has brought valuations to historically low levels. A buying opportunity like this (on a relative basis) does not come around very often.

The Fed has eased rates to near 0% and pumped an extreme amount of money into the system. Even though M1 and M2 (how much money is in the economy) have increased, the money multiplier has been decreasing and is now below 1. This indicates that the banks are not performing their fundamental job and lending those funds, which would help stimulate the economy. In fact, bank balance sheets have grown by more than the increase in M1 and M2, meaning there is actually less money in the economy than there was 9 months ago. Delinquency rates are still increasing, a sign that more write downs are imminent.

An upward sloping yield curve should and will be very beneficial to the basic operating profit of banks. High yield, AAA and BBB spreads are still quite high (two to three times above average) but they have recently come off of their highs. Overall, some of the fear has subsided but we are still a long way from normalcy in the fixed income markets.

The bottom line of the macroeconomic review is that there are some positive signs in the economy; however, there is still a long way to go. Commercial real estate, credit card debt and other consumer lending issues, corporate bond defaults and the auto industry are still under tremendous pressure and will likely provide some negative surprises. The recent market rally has increased the value of the market by about \$2 trillion making people feel a little better; however, there are still some significant structural issues that need to be fixed before the markets can move forward on a sustainable basis for the long term.

We then reviewed the cash flow, investment gains/losses, withdrawals, transfers and closing balances of each of the various funds on The Principal platform for the period ended March 31, 2009. As of January 1, 2009, the Creighton University Retirement Plan had a beginning value of \$105,403,272 with contributions totaling \$4,686,574. Withdrawals from the plan were (\$2,906,279). The plan posted losses of (\$7,309,751), transfers of (\$9,060), (\$1,750) in fees for the year leaving the plan with a final ending balance on March 31, 2009 of \$99,863,007.

The current asset allocation of the plan as of March 31, 2009 was 40.0% in domestic equity funds, 5.4% international equity funds, 38.2% in asset allocation funds, 9.1% in fixed income, 5.1% in cash (cash represents money market and fixed income guaranteed option) and 2.1% in other (other represents 2.1% in the Self Directed Brokerage Accounts).

In analyzing the current equity style allocations, 49.3% of the money was in large-cap growth funds, 16.7% in the large-cap core, 12.9% in large-cap value, 6.0% in small-cap growth funds, 2.1% in small-cap core, and 1.7% in small-cap value. There was 2.6% of the money in mid-cap value funds, 5.9% in the mid-cap core, and 2.8% in mid-cap growth funds. The current fixed income allocation indicates that 47.6% was allocated towards core fixed income, 16.5% to the Inflation Protected, and 35.9% in cash.

Of the money invested in the LifeTime Funds, 93.5% are invested in the LifeTime Funds 2010 through 2050 and 6.5% is invested in the LifeTime Strategic Income Fund.

The overall performance of the plan was approximately -7.12% for the quarter compared to the broad benchmark index of -8.45% and the blended benchmark index of -6.88%. (The broad benchmark index is comprised of 77% of the S&P 500 and 23% Barclays Capital Aggregate.) The Committee reviewed the overall allocation among asset classes as well as individual funds on the Principal platform. Approximately 40% of the assets are in the Lifestyle portfolios while less than 5% of plan assets are in the Guaranteed and Cash Accounts

The committee next reviewed the peer group performance of each of the funds on the Principal platform including current performance through April 30, 2009. The financial markets have been very volatile over the last four months. In the first 10 weeks of this year the stock market declined about 25%, while in the last nine weeks it has been up almost 37%. As a result, the more aggressive funds have had some dramatic changes in relative performance during this time. Generally speaking, the aggressive funds (primarily the Fidelity Funds and the Columbia Value and Restructuring Fund) that have underperformed their peer group for one, three and five years for the period ended December 31, 2008 have, YTD 2009, been in the top quartile and thus have outperformed their peer group. It was suggested that in the future we review the average beta of all of our funds as well as the median. This may also be done on a weighted basis.

The committee reviewed in detail the Fidelity Magellan, Fidelity Value, Fidelity Equity Income Fund, and the Fidelity Leveraged Company stock funds. It was suggested that we share our concerns and analysis on these funds and the factors that may cause us to eliminate and replace the funds at some future date.

Mr. Scalici suggested that these criteria already exist in the IPS and that we stick to this in determining the success or failure of a fund relative to its investment objectives. If we decide in the future there are additional criteria we need to add that it be incorporated into the IPS first. There was a general concern over making changes in investment options during this turbulent time. We again suggested that one of the main objectives of the IPS is to take the emotion out of making investment changes.

It was suggested that we create a "Dashboard" for factors in the IPS as a way to score how anyone fund has performed against the IPS criteria. It is envisioned that we create a report indicating with checkmarks whether any one criteria has passed or failed. It was suggested that this dashboard be developed and provided to the committee in advance of the next meeting.

It was suggested that an e-mail blast go out alerting participants to go to The Principal website to look for news on funds that we're concerned about and the factors that we use to determine whether to keep or replace a fund.

The committee reviewed the revenue sharing recap by fund. The average weighted expense ratio of the funds in The Principal platform is 0.74, which compares very favorably against other plans of this size. The committee discussed potentially adding low-cost index funds in addition to that which are already available. The revenue sharing provided to Principal from the various funds is currently .20% of assets. Principal's fees are 0.19% of assets so the revenue sharing is

sufficient to cover the recordkeeping costs, but not currently sufficient to cover the balance of all plan costs including advisory, audit and legal fees and, as a result, Creighton University is paying those additional costs directly instead of billing them to plan participants.

The committee reviewed The Principal Lifetime Portfolios including the asset allocation glide path, overall performance, portfolio structure, the performance of each of the underlying funds and the percent of funds actually managed by The Principal versus outside money managers. The Principal currently manages between 38% and 45% of funds with proprietary managers, with the balance managed by other fund companies.

There was a fairly lengthy discussion regarding the appropriateness of the glide-path, the underlying performance of some of the individual funds in the portfolio and what other options exist on the Principal platform. We discussed the fact that it was possible to build and brand a series of "Creighton" portfolios where the glide path and the individual component funds would be determined by the committee and or the investment consultants. It was suggested that the committee spend more time at the next meeting reviewing these options in greater detail.

The committee then reviewed the cash flow for assets in the TIAA CREF annuities and mutual funds. As of January 1, 2009, the Creighton University TIAA-CREF Defined Contribution Plan had a beginning value of \$166,840,893 with contributions totaling \$1,762,770. Transactions from the plan were (\$1,588,301) for the year, leaving the plan with a final ending balance on March 31, 2009 of \$160,412,051.

The current asset allocation of the plan as of March 31, 2009 was 34.4% in domestic equity funds, 3.4% international equity funds, 0.9% in asset allocation funds, 5.7% in fixed income, 50.6% in cash (cash represents money market and TIAA Traditional accounts) and 5.1% in other (other represents 5.1% in the TIAA Real Estate Account).

In analyzing the current equity style allocations, 7.9% of the money was in large-cap growth funds, 89.4% in the large-cap core, 0.7% in large-cap value, 0.0% in small-cap growth funds, 0.6% in small-cap core, and 0.0% in small-cap value. There was 1.0% of the money in mid-cap value funds, 0.0% in the mid-cap core, and 0.4% in mid-cap growth funds.

The current fixed income allocation indicates that 4.9% was allocated towards core fixed income, 5.2% to the Inflation Protected, and 89.9% in cash. Of the money invested in the TIAA-CREF Lifecycle Funds, 100% is invested in the Lifecycle Funds 2010 through 2040.

Mr. Scalici reported to the committee the difficulty in getting any consolidated reports that all add up and tie together from TIAA CREF. This was a heads up to the Committee and to Principal that greater scrutiny be paid to these reports during the course of the year since they provide the raw data that Principal and the auditors will need to accurately prepare the 5500's next year. Generally, the funds inside the annuities performed better than the mutual funds. The TIAA-CREF International Equity Fund and the TIAA-CREF Stock Fund struggled during the first quarter, both performing in the bottom quartile of their peer groups.

On average, the allocation of money with TIAA-CREF is much more conservative than the overall allocation of the funds in The Principal platform. In the annuities, almost 50% of plan assets are in the annuity or money market accounts, with the balance in stocks. This compares to an almost 70/30 allocation on The Principal platform.

The committee discussed the draft IPS. Each committee member is to provide any final edits to Mr. Scalici and the committee will approve same at the next meeting.

Mr. Branstetter distributed the 2009 Communication Plan involving TIAA and The Principal. He asked for any comments or suggestions.

Committee member Mark Taylor indicated to the committee that he is leaving the University to take a position with another University. As such, a replacement for his position on the committee should begin. Mr. Burkey, Mr. Branstetter and the retirement plan consultants thanked Mr. Taylor for his hard work on the committee as well as his time on the Retirement Plans Transition Committee

The meeting adjourned at 2:30 p.m.