

**Creighton University
Retirement Plan Committee
Meeting Minutes
September 1, 2009**

Attending: Dan Burkey, Chris Karasek, Lee Galles, Randy Jorgensen, Jeff Branstetter, Jeff Sharp (Consultant), Tom Scalici (Consultant)

Absent: None

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

Mr. Scalici provided a macro-economic overview of financial markets for the 2nd Quarter of 2009. He reviewed the index flash report for the period ended second quarter 2009 (June 30, 2009). While the market has recovered from the March 9th lows, GDP growth continues to be at record lows. Corporate Profits and Dividends rebounded for the quarter with about 70% of S&P companies beating their estimates. Treasury Yield spreads are currently high, based on historic norms, an environment that should be friendly to banks. The spread is approximately 400 basis points whereas typically the spread is in the range of 200 basis points. Mr. Scalici went through a number of charts reflecting economic and market activity during the quarter with a conclusion that while the economy is stabilizing, it still has a long way to go before full recovery. A lot of negatives remain which may cause the recovery to take longer than hoped for. The primary concerns are retail sales, durable goods orders, increasing interest rates, tax policy, the healthcare discussion and any other legislative issues.

Mr. Scalici reviewed the cash flow statement for assets on the Principal platform with the committee. In the aggregate contributions were \$4,628,615, withdrawals totaled \$3,192,581 and gains were \$15,273,242, increasing the assets on the Principal platform to \$116,496,025. He reviewed the overall asset allocation of the plan assets as well as the performance of the individual funds relative to the appropriate benchmark. Particular note was made of the Brandywine fund, which underperformed when the market was doing poorly and has continued to underperform during the market rebound for the quarter. The Fidelity funds, on average, have outperformed their benchmarks for the quarter because of their relatively more aggressive allocations and holdings.

The committee discussed the Brandywine fund and decided to put in on a watch list and review at the 3rd Quarter Retirement Committee meeting. It was agreed that Fidelity funds generally appear to making progress in terms of outperforming the appropriate benchmark for the most recent quarter. Thus, those funds won't currently be put on the watch list. It was also suggested by Mr. Jorgensen that we create a document showing chronologically action taken on any fund in the core fund lineup if it initially goes on a watch list. The consultants agreed to provide such document at the next meeting.

Mr. Scalici then reviewed the percentile rankings of each of the funds. He spent time discussing the beta of each of the fund and concluded that, on average, our funds have a beta greater than the benchmark and thus, on balance, are higher risk than the average. A philosophical question that needs to be addressed is how many aggressive investment options should be in the plan. The average weighted beta is 1.17 for the plan, meaning that, relative to a blended benchmark of 1.00, the assets in the plan are currently about 17% more volatile. This is skewed because of the relatively higher allocation to Fidelity funds.

Mr. Scalici reviewed the Investment Policy Statement (IPS) Performance Criteria Dashboard reflecting quartile performance for each fund relative to peer group. During the 2nd Quarter, 19 of 30 funds were in top half of peer group. Over the last 12 months 19 of 30 funds were in the bottom half. This relative performance is what we would expect, given the volatility of the market over that last 12 months. Given the extreme decrease and increase in the financial markets over the last year, this has provided a live "stress test" of the funds to see how they behave in volatile markets.

Mr. Galles asked how many participants are using the Self Directed Brokerage window. Mr. Scalici commented that roughly 2% of plan assets are in the self-directed accounts. The committee asked the consultants to bring to the next meeting the data on self-directed accounts. Additionally, there appears to be a question as to the availability of exchange traded funds (ETFs) under the Self Directed Brokerage Option; Mr. Burkey was told by Principal that ETFs were available, provided they were not traded over-the-counter, however Mr. Jorgensen was informed that ETFs were not available. This question will be resolved for the next meeting.

Mr. Scalici then reviewed the cash flow statement on the TIAA-CREF funds. The closing balance for the quarter for the TIAA-CREF funds totaled \$171,581,459. Contributions totaled \$1,669,537 and withdrawals totaled \$3,030,309. Gains totaled \$12,467,048. Mr. Scalici reviewed with the committee that year-end requirements for preparation of the Form 5500 and suggested that we ask TIAA-CREF to provide the September 30, 2009 audit data in a form which will meet the year-end requirement. The committee agreed. Until now, TIAA-CREF has struggled to provide the data in a format which will satisfy the year-end requirement. Mr. Scalici and Mr. Sharp will follow up with Principal to find out where they are in the process and get a preview of where we may be by year end. In total, plan assets as of June 30, 2009 were \$288,077,483.

About 75% of total plan contributions are going into the Principal platform while 25% are going to TIAA-CREF options. Mr. Scalici reviewed the relatively lower beta, on average, for the TIAA-CREF funds relative to the options on the Principal platform. He compared the TIAA-CREF Target date fund performance to the Principal Lifetime Target date fund performance. Principal Lifetime portfolios under performed for the last year but outperformed for the most recent quarter, on average. The reverse is true of the TIAA-CREF target date funds. This is largely attributable to the risk level of the funds. Given their differences, TIAA-CREF target date funds should hold their value better in a down market and underperform in an up market relative to the Principal Target Date funds.

Mr. Scalici then led a discussion of Target Date funds in general. He observed that there is a huge variation in the level of risk that is taken in funds that have the same target date. There is much attention paid to these funds by various regulators out of concern for participants and their expectations of risk/return, especially with the more conservative portfolios. Some funds are designed to get participants "to retirement," and are more conservative. Funds that are designed to get participants "through retirement" are generally more aggressive. He compared and contrasted the glide paths of the Principal Lifetime Target Date funds and the Russell Lifepoints Target Date funds, which are the options available on the Principal platform. Given the wide range of asset allocations for similarly named funds, benchmarking Target Date funds has proven to be difficult. Current regulatory conversations are beginning to recognize that there is no one right solution; ultimately, the institution needs to decide what they feel is appropriate for their own organization and then find the investment solution that most closely reflects that.

Mr. Scalici then reviewed the asset allocation of each of the Target Date funds offered by Principal and Russell. The internal asset allocation of the funds includes Domestic Equities, International Equities, Emerging Markets, Alternatives, Core Bond, High Yield and Stable Value funds. Principal uses a relatively more aggressive allocation. He then reviewed the Strategic Allocation Models (SAM) offered by Principal and offered by Edge Asset Management. He compared and contrasted the SAM portfolios to custom models developed by Cornerstone. The primary differences are that the SAM and Cornerstone portfolios are more risk based, utilize tactical overlays based on where they feel we are in the economic cycle, and are more conservative at older ages. Mr. Scalici also mentioned the increasing trends towards custom portfolios in larger plans. The general conclusion was that Creighton, with the advice of the consultants, have full flexibility to create their own models and they would like to discuss this in greater detail for our next review. Mr. Branstetter suggested that we continue to educate the participants on the advantages and disadvantages of Target Date funds including targeted communications.

Mr. Scalici reviewed the cost implications to participants and Creighton under various assumptions, in terms of which Target Date fund approach is used. He compared using the current Principal Lifetime Target Date funds, SAM Portfolios and Custom Portfolios. The committee appreciated the information and asked for a transaction recap for the Principal Lifetime funds. It was asked that, for the next meeting, the consultants put together a document reflecting the advantages and disadvantages of the current Target Date funds versus the alternatives. This would include distinguishing between funds that are designed to get participants "to retirement" versus "through retirement."

It was decided that the committee would review the analysis on Roth Deferrals including the advantages and disadvantages of using these accounts in preparation for discussion at the next meeting.

The meeting adjourned at 2:50 p.m.