

Creighton University Retirement Plan Committee Meeting Minutes

March 5, 2020

Present: John Jesse, Angie Mills, Dr. Edward Horwitz, Molly Billings

Absent: Randy Jorgensen

Consultants: Jeff Sharp, SilverStone Asset Management, a HUB International company; Tom Scalici, Cornerstone; Bill Jordan and Nikki Daumueller, Principal

Angie called the meeting to order at 11:30 am.

The committee first addressed the existing 457(b) Plan and options to promote the use of the plan by eligible employees. Bill Jordan with Principal provided highlights. The committee also reviewed potential design changes to the 403(b) plan.

457(b) and 457(f) Plans

- The 457(b) plan has total assets of \$4,890,848. The committee reviewed the relative performance for each available fund.
- The committee reviewed participant's options to roll the funds after separation. Assets can roll into another 457(b) if the new plan sponsor offers one. You must make \$150,000 or more to be eligible. Currently, 180 participants qualify for the plan. If the income threshold were to reduce to \$125,000, another 50 or so people would qualify for the plan.
- The committee agreed to recommunicate the 457(b) this summer to those who qualify since this is an existing benefit.
- The 457(f) plan has total assets of \$141,963 as of year-end 2019.

403(b) Plan Design

- Nikki reviewed the current employer contribution strategy including five alternatives. These contributions are subject to an annual discrimination test. Each year, the test has passed but by an increasingly smaller margin. The Committee has been in favor of simplifying the employer contribution strategy from the existing tiered one with the objectives of being roughly budget neutral and easier to communicate.
- The committee agreed to recommend to University leadership to proceed toward changing the contribution to a 2% QNEC and a 100% match on the first 5% deferred effective January 1, 2021. This would provide a slightly larger contribution to anyone contributing less than 4% of pay while still providing the full benefit for anyone contributing at least 5% of pay. The difference in total contributions compared to the existing tiered contribution was about \$100,000

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, 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 \$319,662,669 and ended the quarter at \$339,402,287. During the quarter, contributions were \$5,663,664, withdrawals were (\$7,932,433) and changes in investment values were \$22,479,161.

As of December 31, 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 41% of assets on the Principal Platform.

Principal Platform Fund Performance Review

The weighted performance of assets for the quarter was 7.03%. This compares to the blended benchmark of 6.84%. Year-to-date, at the platform level, the performance was 22.46% compared to the blended benchmark of 23.41%. The committee reviewed each of the individual fund choices and compared them to the appropriate benchmark. Historical plan performance has annually averaged 10.83% versus the blended benchmark return of 10.67% since the beginning of 2010. The committee also reviewed the Investment Policy Statement (IPS) Performance Criteria Dashboard, the participant activity in the plan as well as internet and voice response usage.

During the review period, two funds performed in the bottom quartile of the peer group: the American Funds Growth Fund of America 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 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. The consultant's recommendation was to continue to keep both funds due to their long-term performance and management teams.

TIAA-CREF Platform Fund Performance Review

The committee reviewed the TIAA-CREF Core Fund activity. The TIAA-CREF assets were \$227,129,875 as of October 1, 2019 and finished the fourth quarter at \$234,080,475. Contributions were \$610,833, withdrawals were (\$4,172,481) and changes in investment values were \$10,796,580.

The overall allocation to equities for the quarter was approximately 50%. The weighted return for the quarter ending December 31, 2019 was 4.75% and the weighted benchmark return was 4.76%. Year-to-date, the performance was 15.66% compared to the blended benchmark of 16.65%.

This difference was almost all attributed to the performance of the TIAA Real Estate Account, which underperformed the benchmark by about 20% last year. Since 2010, annualized performance has been 7.49% versus the index of 7.00%. The committee reviewed the individual fund performance relative to the appropriate asset class benchmark.

Total Investment Platform Overview

The aggregate total plan assets as of the end of the fourth quarter were \$578,515,572. Contributions during the quarter were \$6,274,497, withdrawals were (\$12,104,915) and changes in investment values were \$33,595,786.

The overall total plan allocation reflects:

- Domestic equities 30.1%
- International equities 4.5%
- Global equities 12.0%
- Asset allocation 27.6%
- Fixed income 4.9%
- Alternatives 3.1%
- Cash and equivalents 16.8%
- Other 0.7%

Other Topics Discussed

The overall cost of the Principal platform is 0.44%. Of this amount, administrative fees are 0.13%, while the average expense ratio of the funds net of revenue sharing is 0.31%.

The overall cost of the TIAA platform is 0.50%. Of this amount, administrative fees are 0.18%, while the average expense ratio of the funds net of revenue sharing is 0.32%. Participants in the TIAA annuities received a slight refund during the quarter because the administrative charge is less than the 0.20% of revenue built into the cost of the annuities.

The Strategic Action Summary for 2019 was reviewed reflecting major plan related activities that occurred. The SAS for 2020 reflects planned activities for the balance of the year.

The meeting concluded by reviewing the SECURE Act. It is a complicated piece of legislation with many regulations yet to be written. The consultants will provide us with an update at each of our future meetings.

With no further business, the meeting adjourned at 1:07 pm.