

**Purpose:** 3rd Qtr 2016 403(b) Plan Review

**Attendees:** Thomas Scalici and Christopher Lakatosh of Cornerstone

John Wilkin, Valerie Rennell, Carole Gracey, Gail Leiby Ulrich, and Jim Dixon of Juniata College. Brad Andrew, Tracy Patrick and Don Braxton were unable to attend.

**Date:** Monday, December 5, 2016 at 10:00 AM

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- Cornerstone gave an overview of the capital markets for the third quarter utilizing the index flash report through September 30, 2016. The S&P 500 index year-to-date is up 7.84% and International Equity as measured by the MSCI EAFE index is up 1.73%. Emerging international markets had a strong third quarter and are now up 16.02% year to date and U.S. fixed income as measured by the Barclays U.S. Aggregate Bond Index has earned 5.80% for the year. Domestically, value is still outperforming growth for the year. The growth sector did make up some ground during the 3<sup>rd</sup> quarter with the NASDAQ earning 10%. The Federal Reserve once again held off on raising short term rates.

It's tough for any investor to be disappointed with what 2016 has brought thus far. Whether or not returns earned will hold through the end of the year will depend on corporate earnings, global economic growth and central bank decisions. Investors should always be prepared for increased volatility in their portfolios as we work through short-term noise. We will continue to focus on favorable risk-adjusted returns through full market cycles.

- We then reviewed the cash flow of the 403(b) Plan for the quarter ending September 30, 2016. The Plan had a beginning balance of \$98,171,206, with total contributions of \$1,290,045, withdrawals were \$1,610,006, investment gains were \$3,125,794 for an ending balance of \$100,977,040.

As of September 30, 2016, the current asset allocation of the Plan is 14.7% domestic equity stock funds, 2.5% in international equities, 23.6% in global equities, 14.1% in the TIAA-CREF Lifecycle portfolios, 4.7% in fixed income, 33.3% cash, 6.9% in alternatives and 0.1% in other, which represents loans taken.

The overall performance of the plan for the quarter was approximately 3.18% versus the blended benchmark at approximately 2.69%. For the year, the total plan performance was approximately 5.22% versus the blended benchmark at approximately 5.78%. On an annualized basis since 2010 we've beat the benchmark by about 100 basis points a year.

- Over the course of the last year there were only three funds out of the 34 that were in the bottom quartile of the peer group. These were the Vanguard Emerging Equity Index Fund, the TIAA Inflation Linked Bond Fund, and the TIAA Real Estate
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Account. We cannot replace the real estate or the Inflation Linked Bond Fund. In the past, we have spoken at length about the real estate fund since it owns actual properties. It also has an extremely low beta and standard deviation; therefore, its Sharpe ratio is in the top decile of the peer group even though its performance is in the bottom decile. The three and five-year performance numbers are outstanding.

- Cornerstone did share with the committee that the overwhelming trend in this market place was towards a smaller core fund menu whereas Juniata has continued to expand their core fund menu over time.
- This then led to a conversation regarding conversion to the RC Platform. The committee stated they have talked to TIAA about this already, and that they are in the queue. As a result, they thought their transition would be in the fall of 2017. Cornerstone shared with the committee that they were aware that there was a queue for year-end fund changes, but not for migration to the RC Platform.

In addition, Cornerstone shared how they help assist other clients as a transition is an opportunity to revisit plan design, the core fund menu, a target date analysis, a move towards institutional pricing, and the communication strategy.

Cornerstone went on to say that if Juniata is going to do this transition in the Fall, we should start having conversations with TIAA early next year because they will not commit to a transition date until a core fund menu of investments has been chosen and that this would be an opportunity to start that process. The committee suggested that this be done for the next review meeting which will be in the February time frame. We also want to review the target date comparison/options at the next meeting.

- We then reviewed the pricing of the Plan. For the period ending September 30, 2016, the pricing was 53 basis points. TIAA is currently collecting 19.6 basis points. Juniata's required revenue is 18 basis points. Therefore, there is a small PERA account that has been created. During the third quarter, there was a total of \$10,423.33 in the account. Juniata did pay \$10,000 in fees to Cornerstone for the first two quarters of the year and there was some interest in the account so the current balance is \$491.71.
- In Section V Cornerstone reviewed the environmental, social, and governance screening process for the TIAA Social Choice Fund. Cornerstone took the committee through the report pointing out the, definitions, peer group rankings, and performance of the fund. We also reviewed fact sheet that illustrated the top holdings and the portfolio composition.
- There were no additional administrative issues at this time.
- The meeting adjourned at 11:00 AM