

Purpose: 2nd Qtr 2016 403(b) Plan Review

Attendees: Thomas Scalici of Cornerstone via GoToMeeting with Valerie Rennell, Karla Wiser, Carole Gracey, Gail Leiby Ulrich, and Tracy Patrick of Juniata College. John Wilkin was unable to attend.

Date: Tuesday, October 4, 2016 @ 3 PM

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- Cornerstone gave an overview of the capital markets for the second quarter utilizing the index flash report through June 30, 2016. The S&P 500 index was up 2.46% and International Equity as measured by the MSCI EAFE index was down - 1.46%. Commodities regained some ground earning 12.78% for the quarter and U.S. fixed income as measured by the Barclays U.S. Aggregate Bond Index earned 2.21%. Domestically, value outperformed growth as investors looked for yield in an unusual sector rotation. The Federal Reserve held off on raising short term rates in June. Oil prices rebounded. The Brexit vote shocked investors initially, but by the end of the month little impact was made on the capital markets as they quickly recovered.

Equity markets are looking for earnings to meet or beat estimates. However, the global economy continues to exhibit slow growth. Inflation remains below the Fed's 2% target. The labor market as well as manufacturing continued to show signs of improvement. It is important to remember during uncertain times, as when the stock market remains near record highs, that diversification is the most important component of reaching long-range financial goals while minimizing risk.

- We then reviewed the cash flow of the 403(b) Plan. For the quarter ending June 30, 2016, the Plan had a beginning balance of \$97,172,426, with total contributions of \$766,520, withdrawals were \$1,093,654, investment gains were \$1,325,915 for an ending balance of \$98,171,206.

As of June 30, 2016, the current asset allocation of the Plan is 14.2% domestic equity stock funds, 2.2% in international equities, 23.9% in global equities, 13.8% in the TIAA-CREF Lifecycle portfolios, 4.5% in fixed income, 34.4% cash, 6.8% in alternatives and 0.1% in other, which represents loans taken.

The overall performance of the plan for the quarter was approximately 1.36% versus the blended benchmark at approximately 1.72%. For the year, the total plan performance was approximately 1.98% versus the blended benchmark at approximately 3.01%.

The primary reason for the slight underperformance for the quarter was the performance of the TIAA Real Estate Portfolio in the annuity and the performance of the TIAA Target Date Funds largely due to their International exposure.

There were no fund replacements recommended at this time.

- We reviewed the pricing of the plan which is at 0.53% with about 0.20% of that in revenue sharing. Juniata's pricing is 0.18% so the excess is being credited to a plan Expense Reimbursement Account which is primarily used to pay advisory fees. Cornerstone did share with the committee that other plans of their size are paying less and that it was an opportunity to perhaps renegotiate with TIAA when they convert to the Retirement Choice platform.
- Cornerstone reviewed the DOL Fiduciary Rule and provided a high-level overview of the major changes. The DOL rule goes into effect in April of 2017. If anything needs to change documentation-wise, Cornerstone will update their agreements and present them to the committee prior to that.
- Cornerstone also shared with the committee that the providers are reviewing all of the services that they offer since they need to be very clear about not crossing the fiduciary line. It was discussed that at one of the meetings next year, it would be helpful to have a representative from TIAA there to share their game plan.
- Cornerstone then reviewed the fee lawsuits and actions taken to reduce fiduciary risk for colleges and universities. Over the last few years Juniata has taken numerous steps to enhance the governance, management, and monitoring of the 403(b) plan. As a result, the fact pattern for Juniata's plan is very different than those of the organizations named in the lawsuits. That does not mean there are not things that can be done to continue to improve the overall effectiveness of the plan but it does significantly mitigate fiduciary risk.
- Cornerstone shared that, from their perspective, a more complete discussion of the pros and cons of transitioning to the Retirement Choice Platform at TIAA, a discussion on fee leveling, renegotiating pricing with TIAA, and revisiting the Core Fund menu were items that we have on our agenda to address in 2017. The committee mentioned that they have not been at full strength as Juniata has been in a search for a new CFO but that search is behind them and the committee will be in a better position going forward to start to make strategic decisions regarding the Plan. They were not comfortable doing so in the interim. The committee said they would talk with John Wilkin, who is the new CFO, to discuss the agenda items for the next meeting.