

**Purpose:**4<sup>th</sup> Qtr 2013 Review**Attendees:**

Tom Scalici MW Juniata College – Robert E. Yelnosky, Brad Andrew, Tracie Patrick, Don Braxton, Val Rennell, Gail Leiby-Ulrich and Christina Miller from Juniata.

**Date:**

March 3, 2014 @ 2:00 PM-3:30 PM

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- The meeting began with the presentation by Dan Egan from TIAA-CREF. Dan has taken over the servicing of their plan and works with Donald Smith who is their client service representative. Dan went through a review of TIAA-CREF service and pricing model. Establishing a loan policy limiting the number of loans and migrating towards online services are two of the key drivers in keeping pricing down in the future. In addition, the cash flow and the average account balance of Juniata's plan has improved significantly over the last couple of years which also makes it more attractive from a pricing perspective. In regards to pricing, Dan said that TIAA is charging 21 bps and would be willing to do the recordkeeping for 18.3 bps. Thereby creating a credit of .27 bps. This will be retroactive to 6/30/13 and will be credited to the plan quarterly.

TIAA proposed this be a 5-year arrangement. Based on current assets of \$91mm this equates to about \$25,000/year. From a reporting standpoint Dan mentioned that this would not be included in the fee disclosure as long as participants are not receiving a credit. In other words, if Juniata spends all the money each year it will not require a participant disclosure.

Dan also discussed the online advice service that is offered through Ibbotson this is available to any participant who has a total balance of \$500,000 or more including assets that they would have at TIAA with other employers. He also discussed the self-directed brokerage option available at TIAA. The annual fee per participant is \$40 for those who take advantage of this. There are also possibly transaction fees, fund minimums and loads that would be charged depending upon which funds the individual would purchase. Juniata did not vote to approve this but will discuss it further at the committee level.

- Brad Andrews briefly reviewed a presentation that he would like to make to plan participants. It focuses on some basic investment concepts as well as how to construct a portfolio. The committee will discuss an appropriate time where Brad can present this to the college. The committee was very clear to make sure that this is not interpreted as investment advice only as educational in nature.
  - Cornerstone gave an overview of the capital markets for the year 2013 utilizing the index flash report through December 31, 2013. Equity markets were outstanding for 2013 with the exception of emerging markets equity which was negative for the year. Fixed income lost approximately 2% for the year. For the alternative asset classes, those that are inflation sensitive, such as commodities and TIPs, also lost
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value in 2013. We reviewed the effect that the Federal Reserve has had on the capital markets since 2008. Because the Fed stimulus has had such a high correlation to a rising stock market over the last few years, the question remains to be answered as to how the tapering will affect the capital markets in the future. Cornerstone reviewed equity valuations, synchronized global GDP growth, and volatility measurements in the markets. A current lack of fear in the markets can lead to investor complacency. We have observed a rise in margin debt, dollar strength, and slowing in emerging market growth which leads us to recommend prudent asset allocation.

Cornerstone expressed some caution in their view of the financial markets going forward partially due to the phenomenal performance of the markets over the last 5-years but mostly a result of complacency by investors in the market place.

- We then reviewed the tabular. For the quarter ending December 31, 2013, the plan had a beginning balance of \$87,546,096 with total contributions of \$797,455, \$1,252,751 of withdrawals, \$0.00 in forfeitures, and gains of \$4,406,635 for a final ending balance of \$91,515,435.
- As of December 31, 2013, the current asset allocation of the plan is 12.3% domestic equity stock funds, 2.0% in international equities, 30.8% in global equities, 10.4% in the TIAA-CREF Lifecycle portfolios, 4.1% in fixed income, 35.2% cash, and 5.2 % in alternatives. Of the money that is in stocks, 76.8% is invested in large-cap, 14.9% in mid-cap, and 8.2% in small-cap.
- Total return of the plan for the fourth quarter of 2013 was approximately 5.03%, which outperformed the blended benchmark return of 4.23%. On an annualized basis over the last 13 quarters returns have been 9.31% vs. the blended benchmark of 7.51%.
- In the last three years plan assets have grown from about \$71.7mm to \$91.5mm with virtually all of it attributed to investment gains. Fund performance for the most part has been outstanding with only two funds, the TIAA CREF Large Cap Value Fund and the TIAA CREF International Equity Fund being in the bottom quartile of sharpe ratio over the last three years. Both are high risk funds that have outperformed the market but not on a risk adjusted basis. We also discussed the performance of the CREF Bond Market Fund which is more an indictment of its high quality bias than any manager issue. The TIAA CREF Real Estate Account has performed well over the last three years as its valuations tend to lag the market in both up and down time. Performance has been in the top decile over the last 1 & 3 years, of the bottom decile over the last 5 and 10 years. There were no fund replacements or additions recommended at this meeting.
- Finally, we reviewed some of the demographic information provided by TIAA. The average account balance is now up to \$118,000. 279 people have all of their money invested in one fund with 113 of those being the TIAA traditional account. The majority of the balance was in the life cycle target date funds.
- Meeting adjourned at 3:30 PM

3/13/14 kmc