

Juniata College
403(b) Committee Meeting Minutes
2nd Quarter 2018
August 15, 2018

Present from Juniata College: Christine Gibson, Carole Gracey, Karla Wiser, Valerie Rennell, Gail Leiby Ulrich, Don Braxton, and Jim Dixon
Absent: Carol Gracey, Brad Andrew and Tracie Patrick

Consultants: Thomas Scalici from Cornerstone Advisors Asset Management, LLC

The meeting began at 10 am.

Approval of Minutes

Minutes from the June 12, 2018 meeting were approved by the committee.

Market and Economic Overview

Cornerstone reviewed the macroeconomic environment utilizing the index flash report through June 30th, 2018. The S&P 500 was up for the quarter at 3.4%. Market volatility has increased compared to previous years, but the market has mostly traded sideways, with the S&P earning 2.7% YTD. The NASDAQ Composite was up 6.6% during the quarter, largely due to technology stocks, while the Dow Jones Industrial Average was up 1.3% during the same period.

International developed markets were dampened by a stronger dollar and posted a return of -1.2% for the quarter, as measured by the MSCI EAFE Index. Emerging markets, as measured by the MSCI Emerging Markets Index, were down -8.0%, impacted by a stronger dollar as well as concerns over trade wars. U.S. fixed income was negatively impacted by higher interest rates and had a second quarter return of -0.2%, as measured by the Barclays US Aggregate Bond Index.

The macroeconomic section concluded with a discussion of US economic indicators. Economic activity remains strong, but a primary determiner of future economic growth will be the push-pull relationship between monetary policy tightening and fiscal stimulus.

Platform Review

Cornerstone then began the review of the Plan. The assets began the quarter at \$110,896,483 and ended the quarter at \$113,043,194. During the quarter, contributions were \$1,417,477, withdrawals were \$798,954 and changes in investment values were \$1,519,189.

Total Investment Platform Overview

The overall total plan allocation reflects:

Domestic equities: 17.7%

International equities: 3.5%

Global equities: 20.5%

Asset allocation: 15.9%

Fixed income: 5.0%

Alternative: 6.6%

Cash & Equivalents: 30.8%

Other: 0.1%

Fund Performance Review

The weighted performance of assets for the quarter was 1.37%. This compares to the blended benchmark of 1.56%. The committee reviewed each of the individual fund choices and compared them to the appropriate benchmark. Historical plan performance has annually averaged 7.62% versus the blended benchmark return of 6.77% since the beginning of 2010.

There were several funds that were in the bottom quartile of the peer group over the last 12 months and they were the TIAA Large Cap Value Funds, the Vanguard Emerging Market Index Fund, the TIAA Inflation Linked Bond Fund and the TIAA Core Bond Fund. These funds closely track their respective indices and the indices were also in the bottom quartile for the quarter which largely explains the performance issues. No manager change recommendations were made at this meeting because Juniata will be migrating to the new core fund menu in the relatively near future.

Current Plan Pricing

The weighted average expense ratio of the funds is 48 basis points. Of that, 20 basis points is revenue sharing, which is the weighted average revenue that TIAA is collecting from the funds. The required revenue is 18.3 basis points, so the excess is being deposited into the Plan Expense Reimbursement Account (PERA). Amounts are credited on a semi-annual basis and will be posted sometime in August for the first half of the year. Currently, there is a balance of a little over \$8,300 in the PERA account. This money is used to pay plan advisory fees and audit fees.

Plan Provisions

We then got into a discussion of plan provisions. The committee needs to make a series of recommendations on plan design changes, which will also be discussed at the FD&B committee and ultimately be approved by the Board as part of a comprehensive approval of migrating to the Retirement Choice Contract (RCC) at TIAA.

The first item that was discussed was the loan policy. Valerie Rennell has spent some time speaking with Richard Branco at TIAA to work out the details of the loan policy.

After a discussion of the options, a motion was made by Valerie to create a loan policy with the following characteristics:

- People will be able to borrow from money sources that they have contributed to the Plan including their contributions and any rollover balance.
- Employer sources cannot be borrowed.
- There will be a maximum of two loans outstanding at any one time.
- Loans will be repaid through an ACH account and not through payroll.
- No loans will be available if a participant has a loan that is in default.

Karla Wisner made the motion to approve the loan policy. It was seconded by Don Braxton and unanimously approved by the committee.

Fee Leveling – 15-year Catch Up

The next provision discussed was the 15-year catchup provision. There are very few people who would even qualify for this given the current \$6,000 annual catch up provision in the Plan, so it could be eliminated and would streamline plan administration. As a result, a motion was made by Gail Leiby Ulrich and seconded by Don Braxton to eliminate this provision from the Plan going forward. There are currently several participants who are taking advantage of it and they will be grandfathered because this is a protected benefit; however, no new participants going forward will be able to utilize the 15-year special catchup.

Payout Provision

The committee also recommended that the plan adopt a small account payout provision, but that they do an IRA rollover for all accounts below \$5,000 instead of cashing out participants with balances below \$1,000. Valerie Rennell made the motion, Don Braxton seconded it and it was unanimously approved by the committee.

Cornerstone will prepare a bullet point summary of the recommended Plan design changes and forward it to Christine Gibson who will present it to the FD&B Committee and the Board as part of their overall approval to move to the Retirement Choice platform.

The committee discussed how this entire transition would be introduced to the broader community in general assuming that it was approved by the Board. Tom Scalici mentioned that Cornerstone has a presentation which addresses plan design changes, fee leveling, the wrap fee, the default to the target date portfolios and the timing of the changes and that we would put an initial draft of this together for Juniata and send it to Christine Gibson for her review. This will also be an agenda item for the next meeting, so we can begin to prepare for the ultimate transition.

Cornerstone will work with Rick Branco at TIAA to provide language for the loan policy, the small account payout policy and perhaps a new Adoption Agreement reflecting the changes.

Fee Policy Statement

We had a discussion regarding the initial draft of the Fee Policy Statement. Tom Scalici took the committee through the document. A motion was made by Valerie Rennell and seconded by Don Braxton to approve the Fee Policy Statement with one amendment, which was to check off the box that some professional fees are also paid by the Plan. Cornerstone will update and forward to Christine Gibson for signature.

Fee Leveling/Wrap Fees

Cornerstone led a discussion regarding fee leveling and the wrap fee and how that would be implemented on the new retirement choice contract. When Juniata moves to the new contract, they will also be migrating to institutionally priced funds and then a wrap fee will be added to cover plan expenses including the audit.

It was estimated that the wrap fee will need to be about 20 basis points to cover TIAA's recordkeeping costs, Cornerstones' advisory fee and the audit cost. Cornerstone explained that this will provide for more fee transparency but that the overall fees will be less under the new contract than they are currently.

There were no administrative issues.

The meeting adjourned at 11:30 am.