

# Retirement Plan Committee Meeting Minutes

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ATTENDEES: Mr. Larry Bumgardner  
*Listed alphabetically* Ms. Michelle del Giudice  
*by last name* Dr. Michael Feltner  
Dr. Joseph Fritsch  
Ms. Naomi Goodno  
Mr. Pete Peterson  
Ms. Joan Singleton – Committee Chair  
Ms. Nicolle Taylor

ABSENT: Ms. Lauren Cosentino

GUESTS: Mr. Chris Rowey – Benefit Financial Services Group (BFSG)  
Mr. Chad A. Noorani – BFSG

**Opening:** The regular meeting of the Pepperdine University Retirement Plan Committee was called to order on March 5, 2019 at 12:05 PM in Malibu, California. A quorum was present throughout the meeting.

**Approval of prior meeting minutes:** The Committee reviewed the minutes from the December 11, 2018 meeting. There are two suggested edits: Adding the word “to” in the Volume Submitter section, first paragraph; Changing “Second” to “Third” in the VEBA section. With these amendments,

A **MOTION** was made, seconded, and carried:  
To approve the minutes from the December 11, 2018 meeting.

## **FIDUCIARY AGENDA**

### **Request for Proposal (RFP) Initial Review**

The Committee reviewed the initial RFP analysis, prepared by BFSG. Of the eleven providers initially screened as potentially being a good fit, nine submitted responses. The primary areas of focus included administrative capabilities, investment flexibility, education/communication support, and fees. Based on the initial review, four providers, including the incumbent, stood out as potential contenders based on their leadership in the 403(b) retirement plan marketplace:

- Transamerica (incumbent)
- Fidelity
- TIAA
- Vanguard

The Committee asked BFSG to prepare a more detailed comparison of the four selected providers, including website demonstration links, to consider which should be invited to present to Committee.

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## **Fourth Quarter 2018 Retirement Plan Quarterly Investment Review (Transamerica, TIAA, and Prudential)**

The Committee reviewed the Quarterly Investment Review (the “Report”) prepared by BFSG for the quarter ending December 31, 2018. Mr. Rowey provided an overview of the economy and capital markets in the fourth quarter to provide context for the performance of the Plan’s investment options. The review included a discussion about the evaluation methodology scores of each investment option as outlined in the Investment Policy Statement (“IPS”).

The Committee also reviewed the one-, 3-, 5- and 10-year annualized performance of each investment option relative to its respective benchmark and peer group. A summary of assets and commentary on investment options related to each account is below.

### Transamerica

Plan assets, including Personal Choice assets, held at Transamerica totaled approximately \$327 million, representing 2,584 participant accounts as of the end of the reporting period. Of the 24 funds and one target date series receiving a score, 19 earned an “outperform” ranking and 3 earned a “perform” ranking.

*TIAA-CREF Growth and Income* – The fund is on the Watch List due to short term volatility and underperformance relative to peers and continues to underperform its benchmark index and peer group average across the all time periods in the report. The portfolio typically consists of steady growers trading at reasonable prices, with a smaller portion made up of stocks that have been out of favor but the team believes have a catalyst in place to boost future earnings. Poor stock selection in Energy and Consumer Discretionary significantly detracted from performance during the last year. Noteworthy detractors of performance were semi-conductor manufacturer NVIDIA Corporation, oil and gas exploration production company Parsley Energy, Inc., and fashion and cosmetic retailer ASOS plc. Considering the extent of the underperformance, the fund will remain on the Watch List and a Fund Search will be reviewed to consider alternative options.

*DFA International Small Cap Value* – The fund has significantly underperformed the benchmark index and peer group during the last 12 months. Using a set of quantitative screens focused on the smallest companies in the index, cheapest price/book ratios, and profitability, the fund pursues small companies trading at lower relative valuations in a more aggressive way than its competitors. This focus on smaller and cheaper companies has typically helped the fund outperformed over extended periods of time but is subject to periods of underperformance and above average volatility.

The Committee reviewed the performance of the T. Rowe Price Retirement series and noted that nearly all vintages of the series have outperformed their respective benchmarks on a 3-, 5-, and 10-year basis.

Plan-level returns as of the end of the reporting period were reviewed. It was noted that the Plan outperformed its custom passive and active benchmarks across the one-, 3-, and 5-year time periods. The Plan, as allocated on December 31, 2018, demonstrated better risk-adjusted performance than the peer group average as measured

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by the 3-year Sharpe ratio. It was noted the Plan-weighted expense ratio of 0.38% is less than the active benchmark of 0.74%.

## TIAA

Plan assets held at TIAA totaled approximately \$122 million as of the end of the reporting period. Of the six funds receiving an IPS evaluation methodology score, one earned an overall “outperform” ranking, four earned a “perform” ranking, and one earned an “underperform” ranking.

The Committee reviewed Plan-level returns as of the end of the reporting period and noted that the Plan outperformed its proportionately-weighted custom active and passive benchmarks across the 3-, 5-, and 10-year time periods.

## Prudential

Plan assets held at Prudential totaled approximately \$2.7 million, representing 32 participant accounts as of the end of the reporting period. Of the seven funds receiving an IPS evaluation methodology score, one earned an “outperform,” two earned a “perform,” and four earned an “underperform” ranking.

The Committee reviewed Plan-level returns and it was noted that the Plan outperformed its proportionately-weighted custom active and passive benchmarks across the 3-, 5-, and 10-year time periods. The outperformance is largely attributable to a significant portion of the assets being invested in the Guaranteed Interest Account.

## **Fourth Quarter 2018 VEBA Further Account Investment Review**

Due to the investment menu being mirrored between this program and the Transamerica 403(b) Plan, the analysis discussed above is intended for this Plan as well.

## **Addition to Agenda – Fund Search**

To address concerns with one of the 403(b) Plan and VEBA Trust Large Cap Growth investment options, TIAA-CREF Growth and Income, BFSG prepared a Fund Search of alternative investment options. Each fund was reviewed in accordance with the Plan’s IPS criteria, including performance, risk-adjusted performance, style consistency, costs, and qualitative factors. Following the review,

A **MOTION** was made, seconded, and carried:

To remove TIAA-CREF Growth and Income in the 403(b) Plan and map all assets and future contributions to Vanguard PRIMECAP; and,

Remove TIAA-CREF Growth and Income in the VEBA Trust and map all assets and future contributions to Fidelity Contrafund

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The difference in mapping process is due to the Vanguard PRIMECAP fund not being available to trade in the VEBA. As such, the Committee selected the next most appropriate option to receive the assets and future contributions.

**Adjournment:** The meeting was adjourned at 3:48 PM