The meeting began with an approval of the minutes. Brad Andrew made the motion and Don Braxton seconded it.

Rob Yelnosky said that the audit fees of $5,500 for last year will be charged to the plan and paid out of the PERA account.

Cornerstone provided a macroeconomic overview of the financial markets for the second quarter of 2014. The S&P 500 index returned 5.23% for the second quarter, and international equity as measured by the MSCI EAFE index earned 4.09% for the quarter. Large caps outperformed small caps and low quality securities continued to outperform high quality securities. Bond yields fell during the quarter and as a result, fixed income returned 2.04% as measured by the Barclays Aggregate Index.

During the quarter the labor market continued to improve and consumer confidence trended higher. Inflation remained benign and volatility among investors hovered near all-time lows. While the economy seems to be chugging along, we feel it is a good time to remain cautious. A lot of the easy money has been made due to Federal government stimulus, and valuations are being stretched by historical measurements. We are starting to see a less certain environment ahead.

We then reviewed the cash flow of the Plan. For the quarter ending June 30, 2014, the plan had a beginning balance of $92,465,523 with total contributions of $600,749, $1,139,777 of withdrawals, $0.00 in transfers, $0.00 in forfeitures, and gains of $2,814,028 for a final ending balance of $94,740,524.

As of June 30, 2014, the current asset allocation of the Plan is 12.7% domestic equity stock funds, 2.1% in international equities, 30.1% in global equities, 11.5% in the TIAA-CREF Lifecycle portfolios, 4.2% in fixed income, 34.0% cash, 0.1% in other and 5.5% in alternatives. Of the money that is in stocks, 77.6% is invested in large-cap, 13.8% in mid-cap, and 8.5% in small-cap.

The allocation towards equities continues to increase and is now up to 53% from a low of 45% in 2011. We mentioned that this is because the majority of people in the plan are not rebalancing and as the equity markets are rising, their allocation...
towards equities is going up. This is an issue of education for most plan participants.

- We then reviewed the Plan’s fund performance. Over the last three years, there were no funds that were in the bottom quartile of the peer group from a performance perspective. Over the last five years, there was only fund which was the TIAA-CREF Real Estate account. Over the last 12 months, there were three funds, the TIAA-CREF Managed Allocation Fund, the TIAA-CREF Social Choice Fund and the TIAA-CREF Real Estate Account that were in the bottom quartile of the peer group. Overall, performance has been very good. Several of the fund fact sheets were looked at in greater detail, but there were no fund changes recommended at this time.

- Total return of the plan for the second quarter of 2014 was approximately 3.04%, versus the blended benchmark return of 3.50%. On an annualized basis over the last 15 quarters returns have been 9.25% vs. the blended benchmark of 7.91%.

- The summary of fees and compensation from TIAA was reviewed. The weighted average expense ratio of the plan is 53 basis points. The weighted average revenue sharing is 21 basis points. There was a revenue credit of $11,537 paid for the quarter. This money is used by the plan to pay advisory fees as well as the audit expense.

- Next, the committee reviewed the demographic data provided by TIAA. Particular attention was paid to the use of the TIAA Traditional Fund, which represents about 33% of plan assets; the CREF Stock Fund, which represents about 26% of plan assets and the use of the Lifecycle Portfolios. Interestingly, about 80% of the assets for participants under 30 are in Lifecycle Portfolios, but this drops rapidly as people get older. Correspondingly, the percentage of assets in the TIAA Traditional and CREF Stock Fund increase dramatically with age. These generational differences in investment selection and asset allocation strategy need to be incorporated into TIAA-CREF’s educational strategy.

In reviewing the participant behavior statistics, it was noted that out of the 498 participants that have money in the TIAA Traditional account that 419 of them, it is their sole investment option. The committee wondered if it was possible to identify those people and evaluate the report before determining whether a targeted communication to them was warranted. Cornerstone will contact TIAA to see if they can find out if this is possible.

- Brad Andrew provided a brief overview of his upcoming general education presentation on investment and savings concepts. The Committee provided valuable feedback on the subject matter and level of detail to be covered.

- The meeting adjourned at 2:30.