

## **Pacific Lutheran University Retirement Fund Advisory Committee Participant Communications**

### **Announcements**

The retirement fund advisory committee met in December with its fiduciary consultant to review Retirement Plan fund performance. As communicated previously, the committee has selected “core funds” that are open to new investments. The committee focuses its attention primarily on these core funds. The plan also contains “legacy funds” which were open to investment prior to 2009.

One issue the committee has focused on in recent meetings is the target date funds. For the core funds open to new investment, the target date funds are the T. Rowe Price Target-Date Funds. Legacy funds can remain in the TIAA-CREF Lifecycle Target-Date Funds or transfer to the T. Rowe Price Target-Date Funds.

**Morningstar, a well known investment reporting organization, reports on target date fund performance. In their 3<sup>rd</sup> quarter 2010 report, they rate the T. Rowe Price target date funds in their top category while they rate the TIAA-CREF target date funds as average.**

Some of the reasons for the ratings are T. Rowe Price’s low fees, long-tenured management, and strong underlying investment funds. TIAA-CREF also benefits from low fees; however its underlying investment funds and management are not rated as highly.

One critical element in evaluating target-date funds is their asset allocation and how it changes as a participant nears and enters retirement. This allocation is known as the “glide-path”. T. Rowe Price utilizes a more aggressive glide-path than the typical fund, particularly as a participant nears and enters their retirement years. For example, the equity allocation is 55% at the point of retirement declining to 20% over the next 30 years. TIAA-CREF utilizes a somewhat less aggressive glide-path. Although TIAA-CREF has a similar equity allocation to T. Rowe Price for someone who is thirty years from retirement, their equity allocation declines to 50% by the time of retirement and to 40% after 15 years in retirement.

Additional information on these target-date funds can be found on the plan website at \_\_\_\_\_.

### **Current Stock Market and Bond Market Performance**

Strong gains in the 3rd quarter, especially during September, pushed all major indices into positive territory for 2010. However, uncertainty with the economic outlook continues regardless of economists' declarations that the recession ended in June 2009. Unemployment continues to hover at 9.6%, not showing much decline even though the

economy has experienced modest GDP growth. The housing market also has not shown much improvement, with delinquency rates still running at 11.4%; median home prices are still 21% off their levels from 3 years ago.

On a positive note, earnings have rebounded from 2009, with adjusted after-tax corporate profits equal to 8.3% of GDP; well above the 50 year average of 6.0%. Balance sheets are also strong as companies have decreased their financial leverage to be less dependent on credit markets. Healthy earnings and strong balance sheets have enabled companies to start repositioning for a recovery. Both M&A activity and capital expenditures increased during the 3rd quarter, as well as forecasted dividends per share. All of this activity is a sign that companies are comfortable about their financial position. The positive financial data is tempered by a reluctance to re-staff quickly for future growth. Many companies are still waiting for top-line growth before they are willing to invest in new staff.

### **Core Investment Funds**

As of the end of the 3rd quarter of 2010, all core funds are performing within policy expectations. One fund, the Hartford Small Growth Fund was placed on the watch list due to a change in the investment manager. No funds have been identified for replacement at this time. A fund may be watch listed if its performance begins to decline but the committee has not determined that the fund should be replaced. Being on the watch list means that a fund will be evaluated with an even higher degree of scrutiny each quarter until the fund is either replaced or its performance improves so that the committee determines that the fund no longer needs to be on the watch list.

### **Investment Return History**

Attached to this summary are two investment return history pages. The first page shows the returns on the core funds for the most recent quarter along with year-to-date, 1 year, 3 year, 5 year and 10 year periods. Note that not all funds will have a 10 year history. In addition, the expense ratio is shown. The expense ratio is how much is deducted from the fund by the fund manager to operate the fund and reduces the net return that you receive. All performance numbers shown are net of the fund expenses.

The second page shows the same type of return information for the legacy funds which are not evaluated by the committee.

**Note: This information is provided to plan participants to help them as they make their plan investment decisions and is not intended to constitute investment advice to any plan participant. Plan participants are solely responsible for the results of their plan investment decisions and are advised to consult with professional investment advisors if they are not comfortable with making these decisions on their own.**

**Please contact Teri Phillips at 253-535-7187 or [phillitp@plu.edu](mailto:phillitp@plu.edu) if you have any questions about the information contained in this communication.**

# Pacific Lutheran University 403(b) Retirement Plan (Open to new contributions)

	Qtr	YTD	Annualized Returns				Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs	10 Yrs		
<b>Money Market/Stable Value</b>								
CREF Money Market	0.00	0.00	0.00	1.24	2.60	2.39	0.38	NA
<i>Merrill Lynch 3-Month T-Bill</i>	<i>0.04</i>	<i>0.08</i>	<i>0.13</i>	<i>1.13</i>	<i>2.61</i>	<i>2.54</i>		
<b>Intermediate Bond</b>								
PIMCO Total Return Admin	3.75	9.64	10.65	10.57	8.09	7.66	0.71	PTRAX
<i>Barclays Capital Aggregate Bond</i>	<i>2.48</i>	<i>7.94</i>	<i>8.16</i>	<i>7.42</i>	<i>6.20</i>	<i>6.41</i>		
<b>Inflation Protected Bond</b>								
TIAA-CREF Infl Link Bd Ret	2.60	6.91	8.80	6.34	5.01	NA	0.59	TIKRX
<i>Barclays Capital US TIPS</i>	<i>2.49</i>	<i>7.00</i>	<i>8.89</i>	<i>6.91</i>	<i>5.49</i>	<i>7.49</i>		
<b>Moderate Allocation</b>								
CREF Social Choice	8.17	6.08	10.01	-0.44	3.11	2.87	0.40	NA
<i>60%/40% Index</i>	<i>7.91</i>	<i>6.45</i>	<i>10.31</i>	<i>-0.43</i>	<i>3.52</i>	<i>3.14</i>		
<b>Large Value</b>								
Eaton Vance Large Cap Value A	8.95	-0.07	5.46	-8.74	0.32	3.86	1.03	EHSTX
<i>Russell 1000 Value</i>	<i>10.13</i>	<i>4.49</i>	<i>8.90</i>	<i>-9.39</i>	<i>-0.48</i>	<i>2.59</i>		
<b>Large Blend</b>								
CREF Stock	13.33	4.68	9.89	-6.72	1.57	0.64	0.44	NA
TIAA-CREF Equity Index Ret	11.41	4.52	10.63	-6.82	0.70	-0.05	0.34	TIQRX
TIAA-CREF S&P 500 Index Ret	11.25	3.68	9.82	-7.38	0.36	NA	0.34	TRSPX
<i>S&amp;P 500 Index</i>	<i>11.29</i>	<i>3.89</i>	<i>10.16</i>	<i>-7.16</i>	<i>0.64</i>	<i>-0.43</i>		
<b>Large Growth</b>								
American Funds Grth Fund of Amer R4	10.71	1.84	7.79	-6.71	1.52	0.81	0.70	RGAEX
<i>Russell 1000 Growth</i>	<i>13.00</i>	<i>4.36</i>	<i>12.65</i>	<i>-4.36</i>	<i>2.06</i>	<i>-3.44</i>		
<b>Small Value</b>								
Northern Small Cap Value	10.66	8.14	12.20	-2.94	1.67	6.81	1.00	NOSGX
<i>Russell 2000 Value</i>	<i>9.72</i>	<i>7.92</i>	<i>11.84</i>	<i>-4.99</i>	<i>0.73</i>	<i>7.72</i>		
<b>Small Blend</b>								
TIAA-CREF Small Blend Idx Ret	11.19	8.88	13.07	-4.49	1.36	NA	0.40	TRBIX
<i>Russell 2000</i>	<i>11.29</i>	<i>9.12</i>	<i>13.35</i>	<i>-4.29</i>	<i>1.60</i>	<i>4.00</i>		
<b>Small Growth</b>								
Hartford Small Company HLS IB	10.87	6.92	12.74	-6.61	2.43	1.56	1.00	HDMBX
<i>Russell 2000 Growth</i>	<i>12.83</i>	<i>10.23</i>	<i>14.79</i>	<i>-3.75</i>	<i>2.35</i>	<i>-0.13</i>		
<b>Direct Real Estate</b>								
TIAA Real Estate	4.68	7.20	1.78	-12.05	-2.24	3.03	1.06	NA
<i>NCREIF Fund Index - ODCE</i>	<i>5.45</i>	<i>10.83</i>	<i>7.06</i>	<i>-10.54</i>	<i>-0.12</i>	<i>5.03</i>		
<b>International Large Cap</b>								
American Funds EuroPacific Gr R4	16.85	3.53	7.03	-4.64	5.83	5.23	0.86	REREX
<i>S&amp;P Developed x U.S. LargeMid Cap</i>	<i>16.30</i>	<i>2.57</i>	<i>5.32</i>	<i>-7.96</i>	<i>3.25</i>	<i>3.50</i>		

As of September 30, 2010

# Pacific Lutheran University 403(b) Retirement Plan (Open to new contributions)

	Qtr	YTD	Annualized Returns				Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs	10 Yrs		
<b>Target Date Funds</b>								
T. Rowe Price Retirement 2005	7.86	6.42	9.91	0.83	4.57	NA	0.61	TRRFX
T. Rowe Price Retirement 2010	8.86	6.52	10.55	-0.40	4.24	NA	0.64	TRRAX
T. Rowe Price Retirement 2015	9.86	6.47	10.97	-1.34	4.00	NA	0.68	TRRGX
T. Rowe Price Retirement 2020	10.77	6.37	11.37	-2.38	3.64	NA	0.71	TRRBX
T. Rowe Price Retirement 2025	11.47	6.22	11.49	-3.22	3.37	NA	0.74	TRRHX
T. Rowe Price Retirement 2030	12.09	6.08	11.67	-3.93	3.17	NA	0.76	TTRCX
T. Rowe Price Retirement 2035	12.48	5.82	11.61	-4.38	2.91	NA	0.77	TTRJX
T. Rowe Price Retirement 2040	12.56	5.87	11.67	-4.34	2.94	NA	0.77	TTRDX
T. Rowe Price Retirement 2045	12.53	5.84	11.67	-4.35	2.95	NA	0.77	TTRKX
T. Rowe Price Retirement 2050	12.53	5.90	11.64	-4.35	NA	NA	0.77	TTRMX
T. Rowe Price Retirement 2055	12.42	5.85	11.60	-4.40	NA	NA	0.77	TTRNX
T. Rowe Price Retirement Income	6.82	5.68	8.74	1.70	4.55	NA	0.59	TTRIX

# Pacific Lutheran University 403(b) - Legacy Assets (Not open to new contributions)

	Qtr	YTD	Annualized Returns				Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs	10 Yrs		
<b>Money Market/Stable Value</b>								
CREF Money Market	0.00	0.00	0.00	1.24	2.60	2.39	0.38	NA
<i>Merrill Lynch 3-Month T-Bill</i>	<i>0.04</i>	<i>0.08</i>	<i>0.13</i>	<i>1.13</i>	<i>2.61</i>	<i>2.54</i>		
<b>Intermediate Bond</b>								
CREF Bond Market	2.74	8.05	8.47	6.30	5.36	5.93	0.40	NA
PIMCO Total Return Admin	3.75	9.64	10.65	10.57	8.09	7.66	0.71	PTRAX
<i>Barclays Capital Aggregate Bond</i>	<i>2.48</i>	<i>7.94</i>	<i>8.16</i>	<i>7.42</i>	<i>6.20</i>	<i>6.41</i>		
<b>Inflation Protected Bond</b>								
CREF Inflation-Linked Bond	2.60	6.96	8.93	6.49	5.04	7.05	0.40	NA
TIAA-CREF Infl Link Bd Ret	2.60	6.91	8.80	6.34	5.01	NA	0.59	TIKRX
<i>Barclays Capital US TIPS</i>	<i>2.49</i>	<i>7.00</i>	<i>8.89</i>	<i>6.91</i>	<i>5.49</i>	<i>7.49</i>		
<b>Moderate Allocation</b>								
CREF Social Choice	8.17	6.08	10.01	-0.44	3.11	2.87	0.40	NA
<i>60%/40% Index</i>	<i>7.91</i>	<i>6.45</i>	<i>10.31</i>	<i>-0.43</i>	<i>3.52</i>	<i>3.14</i>		
<b>Large Value</b>								
Eaton Vance Large Cap Value A	8.95	-0.07	5.46	-8.74	0.32	3.86	1.03	EHSTX
TIAA-CREF Large Cap Value Ret	11.66	5.46	7.33	-8.08	0.49	NA	0.77	TRLCX
TIAA-CREF Lg Cp Val Idx Ret	9.92	4.24	8.52	-9.62	-0.77	NA	0.34	TRCVX
<i>Russell 1000 Value</i>	<i>10.13</i>	<i>4.49</i>	<i>8.90</i>	<i>-9.39</i>	<i>-0.48</i>	<i>2.59</i>		
<b>Large Blend</b>								
CREF Equity Index	11.41	4.50	10.57	-6.92	0.53	-0.27	0.38	NA
CREF Stock	13.33	4.68	9.89	-6.72	1.57	0.64	0.44	NA
TIAA-CREF Equity Index Ret	11.41	4.52	10.63	-6.82	0.70	-0.05	0.34	TIQRX
TIAA-CREF Growth & Income Ret	11.37	2.07	6.07	-5.33	3.49	0.32	0.77	TRGIX
TIAA-CREF S&P 500 Index Ret	11.25	3.68	9.82	-7.38	0.36	NA	0.34	TRSPX
TIAA-CREF Soc Choice Eq Ret	10.60	3.99	11.52	-5.37	1.18	0.33	0.47	TRSCX
<i>S&amp;P 500 Index</i>	<i>11.29</i>	<i>3.89</i>	<i>10.16</i>	<i>-7.16</i>	<i>0.64</i>	<i>-0.43</i>		
<b>Large Growth</b>								
American Funds Grth Fund of Amer R4	10.71	1.84	7.79	-6.71	1.52	0.81	0.70	RGAEX
CREF Growth	12.58	3.21	11.29	-5.07	1.47	-4.45	0.43	NA
TIAA-CREF Large Gr Idx Ret	12.79	4.05	12.22	-4.65	1.70	NA	0.34	TRIRX
<i>Russell 1000 Growth</i>	<i>13.00</i>	<i>4.36</i>	<i>12.65</i>	<i>-4.36</i>	<i>2.06</i>	<i>-3.44</i>		
<b>Mid Cap Value</b>								
TIAA-CREF Mid Cap Value Ret	13.72	7.81	12.38	-5.68	2.63	NA	0.81	TRVRX
<i>Russell Midcap Value</i>	<i>12.13</i>	<i>11.15</i>	<i>16.93</i>	<i>-4.78</i>	<i>1.97</i>	<i>7.80</i>		
<b>Mid Cap Growth</b>								
TIAA-CREF MidCap Growth Ret	15.32	12.81	21.16	-3.83	2.72	NA	0.79	TRGMX
<i>Russell Midcap Growth</i>	<i>14.65</i>	<i>10.85</i>	<i>18.27</i>	<i>-3.90</i>	<i>2.86</i>	<i>-0.88</i>		

As of September 30, 2010

# Pacific Lutheran University 403(b) - Legacy Assets (Not open to new contributions)

	Qtr	YTD	Annualized Returns				Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs	10 Yrs		
<b>Small Value</b>								
Northern Small Cap Value	10.66	8.14	12.20	-2.94	1.67	6.81	1.00	NOSGX
<i>Russell 2000 Value</i>	<i>9.72</i>	<i>7.92</i>	<i>11.84</i>	<i>-4.99</i>	<i>0.73</i>	<i>7.72</i>		
<b>Small Blend</b>								
TIAA-CREF Sm Cap Eq Ret	12.72	10.21	14.64	-3.93	0.87	NA	0.84	TRSEX
TIAA-CREF Small Blend Idx Ret	11.19	8.88	13.07	-4.49	1.36	NA	0.40	TRBIX
<i>Russell 2000</i>	<i>11.29</i>	<i>9.12</i>	<i>13.35</i>	<i>-4.29</i>	<i>1.60</i>	<i>4.00</i>		
<b>Small Growth</b>								
Hartford Small Company HLS IB	10.87	6.92	12.74	-6.61	2.43	1.56	1.00	HDMBX
<i>Russell 2000 Growth</i>	<i>12.83</i>	<i>10.23</i>	<i>14.79</i>	<i>-3.75</i>	<i>2.35</i>	<i>-0.13</i>		
<b>Real Estate</b>								
TIAA-CREF Real Estate Ret	13.43	20.59	31.85	-6.87	0.75	NA	0.84	TRRSX
<i>DJ US Select Real Estate Secs Index</i>	<i>13.20</i>	<i>19.31</i>	<i>30.06</i>	<i>-7.19</i>	<i>1.28</i>	<i>9.95</i>		
<b>Direct Real Estate</b>								
TIAA Real Estate	4.68	7.20	1.78	-12.05	-2.24	3.03	1.06	NA
<i>NCREIF Fund Index - ODCE</i>	<i>5.45</i>	<i>10.83</i>	<i>7.06</i>	<i>-10.54</i>	<i>-0.12</i>	<i>5.03</i>		
<b>International Large Cap</b>								
American Funds EuroPacific Gr R4	16.85	3.53	7.03	-4.64	5.83	5.23	0.86	REREX
TIAA-CREF Intl Eq Idx Ret	17.31	0.94	2.85	-9.67	1.77	NA	0.41	TRIEX
TIAA-CREF Intl Eq Ret	18.56	7.23	12.28	-10.39	2.31	2.18	0.84	TRERX
<i>S&amp;P Developed x U.S. LargeMid Cap</i>	<i>16.30</i>	<i>2.57</i>	<i>5.32</i>	<i>-7.96</i>	<i>3.25</i>	<i>3.50</i>		
<b>World Stock</b>								
CREF Global Equities	14.41	2.85	7.51	-8.10	1.28	-0.15	0.46	NA
<i>S&amp;P Developed BMI</i>	<i>14.09</i>	<i>4.26</i>	<i>8.36</i>	<i>-7.23</i>	<i>2.27</i>	<i>2.24</i>		

# Pacific Lutheran University 403(b) - Legacy Assets (Not open to new contributions)

	Qtr	YTD	Annualized Returns				Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs	10 Yrs		
<b>Target Date Funds</b>								
T. Rowe Price Retirement 2010	8.86	6.52	10.55	-0.40	4.24	NA	0.64	TRRAX
T. Rowe Price Retirement 2015	9.86	6.47	10.97	-1.34	4.00	NA	0.68	TRRGX
T. Rowe Price Retirement 2020	10.77	6.37	11.37	-2.38	3.64	NA	0.71	TRRBX
T. Rowe Price Retirement 2025	11.47	6.22	11.49	-3.22	3.37	NA	0.74	TRRHX
T. Rowe Price Retirement 2030	12.09	6.08	11.67	-3.93	3.17	NA	0.76	TRRCX
T. Rowe Price Retirement 2035	12.48	5.82	11.61	-4.38	2.91	NA	0.77	TRRJX
T. Rowe Price Retirement 2040	12.56	5.87	11.67	-4.34	2.94	NA	0.77	TRRDY
T. Rowe Price Retirement 2045	12.53	5.84	11.67	-4.35	2.95	NA	0.77	TRRKX
T. Rowe Price Retirement 2050	12.53	5.90	11.64	-4.35	NA	NA	0.77	TRRMX
T. Rowe Price Retirement 2055	12.42	5.85	11.60	-4.40	NA	NA	0.77	TRRNX
T. Rowe Price Retirement Income	6.82	5.68	8.74	1.70	4.55	NA	0.59	TRRIX
TIAA-CREF Lifecycle 2010 Ret	8.14	6.32	9.23	-0.82	3.08	NA	0.65	TCLEX
TIAA-CREF Lifecycle 2015 Ret	8.99	6.17	9.36	-1.92	2.74	NA	0.67	TCLIX
TIAA-CREF Lifecycle 2020 Ret	9.86	5.86	9.36	-3.20	2.14	NA	0.67	TCLTX
TIAA-CREF Lifecycle 2025 Ret	10.69	5.67	9.55	-4.38	1.62	NA	0.69	TCLFX
TIAA-CREF Lifecycle 2030 Ret	11.59	5.26	9.51	-5.65	1.07	NA	0.71	TCLNX
TIAA-CREF Lifecycle 2035 Ret	12.42	4.84	9.33	-6.23	0.92	NA	0.72	TCLRX
TIAA-CREF Lifecycle 2040 Ret	12.29	4.86	9.42	-6.19	1.20	NA	0.72	TCLOX