

Pacific Lutheran University Retirement Fund Advisory Committee Participant Communications

Announcements

The retirement fund advisory committee met in August 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 time primarily on these core funds.

In addition to the core funds, many plan participants have funds in legacy investment funds. Legacy investment funds are funds that were available through the plan prior to 2009. The University cannot require participants to move out of these funds, although participants can voluntarily move out of these funds into the core funds unless the investment fund has restrictions (e.g., TIAA annuities). Legacy funds may be through TIAA-CREF, Fidelity, or Thrivent. The committee has no access to information on the funds that remain with Fidelity and Thrivent and provides no oversight on these investments. The committee does receive information on legacy TIAA-CREF funds, including the TIAA annuities. However, the University cannot take any action with regard to these legacy funds or any amounts invested in those funds. As a result, it is important that you understand that you are solely responsible for the investments and the monitoring of those investments in the legacy funds.

The committee reviewed information as of June 30th on the financial soundness of TIAA as of June 30th, which serves as the guarantor of principal for the TIAA annuities. TIAA continues to receive the highest rating from all rating agencies and their capital position has improved in the last 12 months.

Some of the legacy funds have underperformed the core funds in the same asset category. Although past performance is not guarantee of future performance, the committee encourages all participants to review the returns information included in this communication to ensure that all decisions to remain in the legacy funds reflect a conscious and informed choice by each participant.

Current Stock Market and Bond Market Performance

The second quarter was dominated by major headlines, all mostly negative. In Europe, a government debt crisis took hold in Greece and spread to Portugal, Ireland, Spain, and Italy. Domestically, the major headlines were about the disastrous oil spill in the Gulf of Mexico and the “Flash Crash” in May that caused panic in the stock market. These negative headlines overshadowed a continuing economic recovery that, while still modest, has continued since the 3rd quarter of 2009. Worldwide stock markets gave back some of the gains that they experienced since the market bottomed out in March 2009, but they continue to be significantly above their March 2009 levels.

While the market showed increased volatility and negative returns, economic conditions continued to improve, albeit slightly. Earnings growth for S&P 500 Index companies continues to be strong, primarily as a result of the deep cost cutting that most companies implemented over the past few years, although revenue growth is starting to pick up as well. On the negative side, unemployment continues to be high, although it is marginally improving, and consumer spending has not rebounded strongly. Inflation is almost non-existent, giving the Federal Reserve Bank the freedom to maintain interest rates at a historically low level for a sustained period of time.

Core Investment Funds

As of the end of the 2nd¹ quarter of 2010, all core funds are performing within policy expectations. No funds have been placed on the watch list nor have any funds been slated 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 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		
Money Market/Stable Value								
CREF Money Market	0.00	0.00	0.01	1.65	2.76	2.56	0.38	NA
<i>Merrill Lynch 3-Month T-Bill</i>	<i>0.04</i>	<i>0.05</i>	<i>0.16</i>	<i>1.57</i>	<i>2.77</i>	<i>2.69</i>		
Intermediate Bond								
PIMCO Total Return Admin	2.69	5.67	13.03	10.84	7.18	7.56	0.71	PTRAX
<i>Barclays Capital Aggregate Bond</i>	<i>3.49</i>	<i>5.33</i>	<i>9.50</i>	<i>7.55</i>	<i>5.54</i>	<i>6.47</i>		
Inflation Protected Bond								
TIAA-CREF Infl Link Bd Ret	3.82	4.20	9.02	6.91	4.46	NA	0.59	TIKRX
<i>Barclays Capital US TIPS</i>	<i>3.82</i>	<i>4.41</i>	<i>9.52</i>	<i>7.62</i>	<i>4.98</i>	<i>7.45</i>		
Moderate Allocation								
CREF Social Choice	-5.36	-1.93	14.10	-2.49	2.06	2.11	0.40	NA
<i>60%/40% Index</i>	<i>-5.40</i>	<i>-1.35</i>	<i>13.76</i>	<i>-2.26</i>	<i>2.39</i>	<i>2.52</i>		
Large Value								
Eaton Vance Large Cap Value A	-13.31	-8.28	11.41	-10.61	-0.24	3.90	1.03	EHSTX
<i>Russell 1000 Value</i>	<i>-11.15</i>	<i>-5.12</i>	<i>16.92</i>	<i>-12.32</i>	<i>-1.64</i>	<i>2.38</i>		
Large Blend								
CREF Stock	-11.90	-7.64	14.07	-9.94	0.10	-0.69	0.44	NA
TIAA-CREF Equity Index Ret	-11.35	-6.18	15.33	-9.65	-0.69	-1.03	0.34	TIQRX
TIAA-CREF S&P 500 Index Ret	-11.48	-6.81	14.01	-10.04	-1.09	NA	0.34	TRSPX
<i>S&P 500 Index</i>	<i>-11.43</i>	<i>-6.65</i>	<i>14.43</i>	<i>-9.81</i>	<i>-0.79</i>	<i>-1.59</i>		
Large Growth								
American Funds Grth Fund of Amer R4	-11.69	-8.00	10.35	-8.51	0.82	-0.02	0.70	RGAEX
<i>Russell 1000 Growth</i>	<i>-11.75</i>	<i>-7.65</i>	<i>13.62</i>	<i>-6.91</i>	<i>0.38</i>	<i>-5.14</i>		
Small Value								
Northern Small Cap Value	-9.90	-2.28	22.79	-7.75	0.56	6.33	1.00	NOSGX
<i>Russell 2000 Value</i>	<i>-10.60</i>	<i>-1.64</i>	<i>25.07</i>	<i>-9.85</i>	<i>-0.51</i>	<i>7.48</i>		
Small Blend								
TIAA-CREF Small Blend Idx Ret	-9.92	-2.08	21.14	-8.75	0.15	NA	0.40	TRBIX
<i>Russell 2000</i>	<i>-9.92</i>	<i>-1.95</i>	<i>21.48</i>	<i>-8.60</i>	<i>0.37</i>	<i>3.00</i>		
Small Growth								
Hartford Small Company HLS IB	-10.04	-3.57	18.33	-9.15	2.16	-0.03	1.00	HDMBX
<i>Russell 2000 Growth</i>	<i>-9.22</i>	<i>-2.31</i>	<i>17.96</i>	<i>-7.54</i>	<i>1.14</i>	<i>-1.72</i>		
Direct Real Estate								
TIAA Real Estate	4.44	2.41	-10.19	-12.34	-2.34	2.83	0.81	NA
<i>NCREIF Fund Index - ODCE</i>	<i>4.32</i>	<i>5.10</i>	<i>-5.90</i>	<i>-10.95</i>	<i>-0.19</i>	<i>4.87</i>		
International Large Cap								
American Funds EuroPacific Gr R4	-12.05	-11.40	9.49	-7.92	4.98	2.68	0.86	REREX
<i>S&P Developed x U.S. LargeMid Cap</i>	<i>-13.10</i>	<i>-11.81</i>	<i>8.65</i>	<i>-11.54</i>	<i>2.39</i>	<i>1.30</i>		

As of June 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		
Target Date Funds								
T. Rowe Price Retirement 2005	-4.81	-1.34	13.31	-1.04	3.65	NA	0.60	TRRFX
T. Rowe Price Retirement 2010	-5.86	-2.15	14.29	-2.65	3.22	NA	0.64	TRRAX
T. Rowe Price Retirement 2015	-7.01	-3.09	15.09	-3.88	2.83	NA	0.69	TRRGX
T. Rowe Price Retirement 2020	-8.07	-3.97	15.64	-5.23	2.38	NA	0.73	TRRBX
T. Rowe Price Retirement 2025	-8.92	-4.71	15.99	-6.30	2.03	NA	0.76	TRRHX
T. Rowe Price Retirement 2030	-9.72	-5.36	16.14	-7.17	1.81	NA	0.78	TRRCX
T. Rowe Price Retirement 2035	-10.30	-5.92	16.07	-7.71	1.49	NA	0.79	TRRJX
T. Rowe Price Retirement 2040	-10.38	-5.94	16.14	-7.71	1.50	NA	0.79	TRRDY
T. Rowe Price Retirement 2045	-10.38	-5.94	16.06	-7.68	1.51	NA	0.79	TRRKX
T. Rowe Price Retirement 2050	-10.34	-5.90	16.12	-7.70	NA	NA	0.79	TRRMX
T. Rowe Price Retirement 2055	-10.24	-5.85	16.24	-7.72	NA	NA	0.79	TRRNX
T. Rowe Price Retirement Income	-4.14	-1.07	11.71	0.08	3.70	NA	0.58	TRRIX

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		
Intermediate Bond								
CREF Bond Market	3.17	5.16	9.86	6.21	4.65	5.97	0.40	NA
<i>Barclays Capital Aggregate Bond</i>	3.49	5.33	9.50	7.55	5.54	6.47		
Inflation Protected Bond								
CREF Inflation-Linked Bond	3.92	4.25	9.19	7.10	4.49	6.99	0.40	NA
<i>Barclays Capital US TIPS</i>	3.82	4.41	9.52	7.62	4.98	7.45		
Large Value								
TIAA-CREF Large Cap Value Ret	-12.45	-5.55	15.22	-12.22	-1.24	NA	0.77	TRLCX
TIAA-CREF Lg Cp Val Idx Ret	-11.15	-5.17	16.64	-12.50	-1.91	NA	0.34	TRCVX
<i>Russell 1000 Value</i>	-11.15	-5.12	16.92	-12.32	-1.64	2.38		
Large Blend								
CREF Equity Index	-11.36	-6.20	15.31	-9.78	-0.86	-1.27	0.38	NA
TIAA-CREF Growth & Income Ret	-12.69	-8.35	10.40	-6.99	2.15	-0.80	0.77	TRGIX
TIAA-CREF Soc Choice Eq Ret	-10.93	-5.98	17.53	-8.22	0.12	-0.81	0.47	TRSCX
<i>S&P 500 Index</i>	-11.43	-6.65	14.43	-9.81	-0.79	-1.59		
Large Growth								
CREF Growth	-12.14	-8.32	12.83	-6.78	0.07	-6.11	0.43	NA
TIAA-CREF Large Gr Idx Ret	-11.72	-7.75	13.32	-7.18	0.04	NA	0.34	TRIRX
<i>Russell 1000 Growth</i>	-11.75	-7.65	13.62	-6.91	0.38	-5.14		
Mid Cap Value								
TIAA-CREF Mid Cap Value Ret	-11.55	-5.20	18.87	-9.70	1.01	NA	0.81	TRVRX
<i>Russell Midcap Value</i>	-9.57	-0.88	28.91	-9.44	0.71	7.55		
Mid Cap Growth								
TIAA-CREF MidCap Growth Ret	-9.25	-2.17	23.38	-6.87	0.90	NA	0.79	TRGMX
<i>Russell Midcap Growth</i>	-10.20	-3.31	21.30	-7.53	1.37	-1.99		
Small Blend								
TIAA-CREF Sm Cap Eq Ret	-10.34	-2.22	21.20	-9.86	-0.73	NA	0.84	TRSEX
<i>Russell 2000</i>	-9.92	-1.95	21.48	-8.60	0.37	3.00		
Real Estate								
TIAA-CREF Real Estate Ret	-4.33	6.31	53.08	-10.44	-1.93	NA	0.84	TRRSX
<i>DJ US Select Real Estate Secs Index</i>	-4.31	5.41	56.11	-10.52	-0.49	9.48		
International Large Cap								
TIAA-CREF Intl Eq Idx Ret	-14.65	-13.95	4.55	-13.61	0.57	NA	0.41	TRIEX
TIAA-CREF Intl Eq Ret	-11.72	-9.56	12.64	-14.64	1.26	-0.43	0.84	TRERX
<i>S&P Developed x U.S. LargeMid Cap</i>	-13.10	-11.81	8.65	-11.54	2.39	1.30		
World Stock								
CREF Global Equities	-12.93	-10.10	11.28	-11.31	-0.04	-1.97	0.46	NA
<i>S&P Developed BMI</i>	-12.01	-8.61	12.63	-10.61	1.07	0.73		

As of June 30, 2010

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

	Qtr	YTD	Annualized Returns				10 Yrs	Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs				
Target Date Funds									
TIAA-CREF Lifecycle 2010 Ret	-4.78	-1.68	11.80	-2.53	1.91	NA	0.65	TCLEX	
TIAA-CREF Lifecycle 2015 Ret	-6.05	-2.59	12.20	-3.90	1.41	NA	0.67	TCLIX	
TIAA-CREF Lifecycle 2020 Ret	-7.30	-3.64	12.35	-5.45	0.75	NA	0.67	TCLTX	
TIAA-CREF Lifecycle 2025 Ret	-8.41	-4.54	12.72	-6.87	0.12	NA	0.69	TCLFX	
TIAA-CREF Lifecycle 2030 Ret	-9.67	-5.68	12.84	-8.37	-0.52	NA	0.71	TCLNX	
TIAA-CREF Lifecycle 2035 Ret	-10.87	-6.74	12.75	-9.19	-0.78	NA	0.72	TCLRX	
TIAA-CREF Lifecycle 2040 Ret	-10.77	-6.62	12.94	-9.12	-0.43	NA	0.72	TCLOX	