

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 attention primarily on these core funds. The plan also contains “legacy funds” which were open to investment prior to 2009.

Two funds continue to be on the plan watch-list. The watch-list is for funds whose performance has not fully met expectations or where there has been material change in the fund’s strategy or management. The committee will be reviewing the funds on the watch-list with greater scrutiny in future quarters to determine whether the funds are improving or will need to be replaced.

Eaton Vance Large Cap Value A fund was placed on the watch-list in the 2nd quarter of 2011 due to poor security selection in the last couple years. The recent performance during the recent market turbulence has been stronger relative to its peer group and the committee is maintaining it on the watch-list. The Hartford Small Company fund was placed on the watch-list in the 1st quarter of 2011 due to a change in fund management. The Wellington Management Company now manages the entire fund and recent results have been encouraging.

Current Stock Market and Bond Market Performance

Macroeconomic worries were a drag on markets during the second quarter. Within the U.S., a lack of robust job growth and continuing declines in the residential real estate market caused worries about the fragility of the economic recovery. Adding to those concerns were higher energy costs and an acrimonious battle over budget deficits and the U.S. debt ceiling. Europe continues to struggle with a sovereign debt crisis in Greece, passing a second bailout of €100B to go with the prior €10B bailout. Worries are that a Greek default could impact the large European banks and spread to other eurozone countries, and potentially the U.S. Despite the all of the uncertainty in the market, equity returns were generally flat. Within the U.S., large cap stocks were up 0.12% while small cap stocks lost 1.61%. Internationally, developed markets gained 1.18%, while emerging markets lost 1.49%.

Fixed income posted solid gains for the quarter, even though they faced their own worries of a low interest rate environment, the end of the Fed's Quantitative Easing II program, and resulting supply/demand imbalances. During the quarter, interest rates actually declined slightly, even though they are at historically low levels. The decline in rates

helped the Barclays Capital Aggregate Bond Index gain 2.29% during the quarter, but the low rate environment continued to hurt investors holding cash.

Core Investment Funds

Aside from the two funds on the watch-list, the core funds are performing within expectations. The T. Rowe Price target date funds are performing well both relative to their investment strategy and in comparison to their peer group.

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	0.00	0.40	1.98	1.97	0.42	NA
<i>Merrill Lynch 3-Month T-Bill</i>	<i>0.04</i>	<i>0.08</i>	<i>0.16</i>	<i>0.42</i>	<i>2.00</i>	<i>2.13</i>		
Intermediate Bond								
PIMCO Total Return Admin	1.80	2.86	5.67	9.19	8.60	7.11	0.71	PTRAX
<i>Barclays Capital Aggregate Bond</i>	<i>2.29</i>	<i>2.72</i>	<i>3.90</i>	<i>6.46</i>	<i>6.52</i>	<i>5.74</i>		
Inflation Protected Bond								
TIAA-CREF Infl Link Bd Ret	3.49	5.44	7.05	4.52	6.27	NA	0.54	TIKRX
<i>Barclays Capital US TIPS</i>	<i>3.66</i>	<i>5.81</i>	<i>7.74</i>	<i>5.28</i>	<i>6.91</i>	<i>6.95</i>		
Moderate Allocation								
CREF Social Choice	1.28	4.31	19.07	5.16	4.54	4.51	0.43	NA
<i>60%/40% Index</i>	<i>0.90</i>	<i>4.93</i>	<i>20.52</i>	<i>5.82</i>	<i>5.18</i>	<i>4.89</i>		
Large Value								
Eaton Vance Large Cap Value A	-0.49	2.65	23.16	-2.29	1.34	4.15	0.98	EHSTX
<i>Russell 1000 Value</i>	<i>-0.50</i>	<i>5.92</i>	<i>28.94</i>	<i>2.28</i>	<i>1.15</i>	<i>3.98</i>		
Large Blend								
CREF Stock	0.02	5.39	32.05	2.93	3.34	3.91	0.47	NA
TIAA-CREF Equity Index Ret	-0.19	6.10	31.85	3.74	3.07	3.29	0.33	TIQRX
TIAA-CREF S&P 500 Index Ret	0.07	5.84	30.28	3.06	2.66	NA	0.33	TRSPX
<i>S&P 500 Index</i>	<i>0.10</i>	<i>6.02</i>	<i>30.69</i>	<i>3.34</i>	<i>2.94</i>	<i>2.72</i>		
Large Growth								
American Funds Grth Fund of Amer R4	-0.69	4.57	27.64	1.05	2.88	3.87	0.68	RGAEX
<i>Russell 1000 Growth</i>	<i>0.76</i>	<i>6.83</i>	<i>35.01</i>	<i>5.01</i>	<i>5.33</i>	<i>2.24</i>		
Small Value								
Northern Small Cap Value	-1.36	5.06	33.97	7.99	3.37	8.15	1.00	NOSGX
<i>Russell 2000 Value</i>	<i>-2.65</i>	<i>3.77</i>	<i>31.35</i>	<i>7.09</i>	<i>2.24</i>	<i>7.53</i>		
Small Blend								
TIAA-CREF Small Blend Idx Ret	-1.74	6.00	36.84	7.41	3.83	NA	0.42	TRBIX
<i>Russell 2000</i>	<i>-1.61</i>	<i>6.21</i>	<i>37.41</i>	<i>7.77</i>	<i>4.08</i>	<i>6.27</i>		
Small Growth								
Hartford Small Company HLS IB	0.77	12.79	44.84	6.01	5.45	6.84	0.98	HDMBX
<i>Russell 2000 Growth</i>	<i>-0.59</i>	<i>8.59</i>	<i>43.50</i>	<i>8.35</i>	<i>5.79</i>	<i>4.63</i>		
Direct Real Estate								
TIAA Real Estate	4.12	7.68	19.13	-9.12	-1.86	3.68	1.06	NA
<i>NCREIF Fund Index - ODCE</i>	<i>4.62</i>	<i>8.82</i>	<i>20.47</i>	<i>-7.65</i>	<i>0.02</i>	<i>5.65</i>		
International Large Cap								
American Funds EuroPacific Gr R4	1.00	4.50	29.02	1.69	5.10	7.90	0.85	REREX
<i>S&P Developed x U.S. LargeMid Cap</i>	<i>1.18</i>	<i>5.18</i>	<i>31.44</i>	<i>-0.34</i>	<i>2.97</i>	<i>6.81</i>		

As of June 30, 2011

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	1.02	4.41	18.01	5.97	5.58	NA	0.61	TRRFX
T. Rowe Price Retirement 2010	0.88	4.56	20.43	5.69	5.32	NA	0.64	TRRAX
T. Rowe Price Retirement 2015	0.73	4.88	23.15	5.60	5.26	NA	0.68	TRRGX
T. Rowe Price Retirement 2020	0.47	4.99	25.44	5.36	5.02	NA	0.71	TRRBX
T. Rowe Price Retirement 2025	0.32	5.15	27.31	5.10	4.81	NA	0.74	TRRHX
T. Rowe Price Retirement 2030	0.17	5.32	29.11	4.92	4.67	NA	0.76	TTRCX
T. Rowe Price Retirement 2035	0.08	5.48	30.43	4.83	4.55	NA	0.77	TTRJX
T. Rowe Price Retirement 2040	0.05	5.40	30.55	4.88	4.58	NA	0.77	TTRDX
T. Rowe Price Retirement 2045	0.00	5.34	30.41	4.84	4.57	NA	0.77	TTRKX
T. Rowe Price Retirement 2050	0.10	5.44	30.43	4.84	NA	NA	0.77	TTRMX
T. Rowe Price Retirement 2055	0.00	5.40	30.32	4.79	NA	NA	0.77	TTRNX
T. Rowe Price Retirement Income	1.08	4.10	15.85	5.91	5.47	NA	0.59	TTRIX

Pacific Lutheran University 403(b) Retirement Plan - Not 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	0.00	0.40	1.98	1.97	0.42	NA
<i>Merrill Lynch 3-Month T-Bill</i>	<i>0.04</i>	<i>0.08</i>	<i>0.16</i>	<i>0.42</i>	<i>2.00</i>	<i>2.13</i>		
Intermediate Bond								
CREF Bond Market	2.08	2.67	4.20	5.76	5.72	5.30	0.44	NA
PIMCO Total Return Admin	1.80	2.86	5.67	9.19	8.60	7.11	0.71	PTRAX
<i>Barclays Capital Aggregate Bond</i>	<i>2.29</i>	<i>2.72</i>	<i>3.90</i>	<i>6.46</i>	<i>6.52</i>	<i>5.74</i>		
Inflation Protected Bond								
CREF Inflation-Linked Bond	3.46	5.51	7.17	4.72	6.38	6.48	0.44	NA
TIAA-CREF Infl Link Bd Ret	3.49	5.44	7.05	4.52	6.27	NA	0.54	TIKRX
<i>Barclays Capital US TIPS</i>	<i>3.66</i>	<i>5.81</i>	<i>7.74</i>	<i>5.28</i>	<i>6.91</i>	<i>6.95</i>		
Moderate Allocation								
CREF Social Choice	1.28	4.31	19.07	5.16	4.54	4.51	0.43	NA
<i>60%/40% Index</i>	<i>0.90</i>	<i>4.93</i>	<i>20.52</i>	<i>5.82</i>	<i>5.18</i>	<i>4.89</i>		
Large Value								
Eaton Vance Large Cap Value A	-0.49	2.65	23.16	-2.29	1.34	4.15	0.98	EHSTX
TIAA-CREF Large Cap Value Ret	-1.60	3.91	29.75	4.41	1.75	NA	0.74	TRLCX
TIAA-CREF Lg Cp Val Idx Ret	-0.54	5.70	28.40	2.00	0.88	NA	0.34	TRCVX
<i>Russell 1000 Value</i>	<i>-0.50</i>	<i>5.92</i>	<i>28.94</i>	<i>2.28</i>	<i>1.15</i>	<i>3.98</i>		
Large Blend								
CREF Equity Index	-0.12	6.16	31.79	3.64	2.96	3.04	0.42	NA
CREF Stock	0.02	5.39	32.05	2.93	3.34	3.91	0.47	NA
TIAA-CREF Equity Index Ret	-0.19	6.10	31.85	3.74	3.07	3.29	0.33	TIQRX
TIAA-CREF Growth & Income Ret	0.63	7.82	32.83	3.79	6.18	3.82	0.69	TRGIX
TIAA-CREF S&P 500 Index Ret	0.07	5.84	30.28	3.06	2.66	NA	0.33	TRSPX
TIAA-CREF Soc Choice Eq Ret	0.44	5.24	29.34	4.27	3.39	3.53	0.45	TRSCX
<i>S&P 500 Index</i>	<i>0.10</i>	<i>6.02</i>	<i>30.69</i>	<i>3.34</i>	<i>2.94</i>	<i>2.72</i>		
Large Growth								
American Funds Grth Fund of Amer R4	-0.69	4.57	27.64	1.05	2.88	3.87	0.68	RGAEX
CREF Growth	0.14	6.31	33.34	3.63	5.03	1.24	0.45	NA
TIAA-CREF Large Gr Idx Ret	0.66	6.65	34.44	4.74	4.97	NA	0.34	TRIRX
<i>Russell 1000 Growth</i>	<i>0.76</i>	<i>6.83</i>	<i>35.01</i>	<i>5.01</i>	<i>5.33</i>	<i>2.24</i>		
Mid Cap Value								
TIAA-CREF Mid Cap Value Ret	0.66	7.71	37.33	5.20	4.79	NA	0.74	TRVRX
<i>Russell Midcap Value</i>	<i>-0.69</i>	<i>6.69</i>	<i>34.28</i>	<i>6.35</i>	<i>4.01</i>	<i>8.42</i>		
Mid Cap Growth								
TIAA-CREF MidCap Growth Ret	1.21	10.15	44.35	6.09	6.79	NA	0.77	TRGMX
<i>Russell Midcap Growth</i>	<i>1.61</i>	<i>9.59</i>	<i>43.25</i>	<i>6.58</i>	<i>6.28</i>	<i>5.52</i>		

As of June 30, 2011

Pacific Lutheran University 403(b) Retirement Plan - Not Open to New Contributions

	Qtr	YTD	Annualized Returns				Expense Ratio (%)	Ticker
			1 Yr	3 Yrs	5 Yrs	10 Yrs		
Small Value								
Northern Small Cap Value	-1.36	5.06	33.97	7.99	3.37	8.15	1.00	NOSGX
<i>Russell 2000 Value</i>	-2.65	3.77	31.35	7.09	2.24	7.53		
Small Blend								
TIAA-CREF Small Blend Idx Ret	-1.74	6.00	36.84	7.41	3.83	NA	0.42	TRBIX
TIAA-CREF Small Cap Equity Ret	-0.58	7.77	40.21	7.85	3.35	NA	0.82	TRSEX
<i>Russell 2000</i>	-1.61	6.21	37.41	7.77	4.08	6.27		
Small Growth								
Hartford Small Company HLS IB	0.77	12.79	44.84	6.01	5.45	6.84	0.98	HDMBX
<i>Russell 2000 Growth</i>	-0.59	8.59	43.50	8.35	5.79	4.63		
Real Estate								
TIAA-CREF Real Estate Ret	2.89	9.72	34.91	4.71	1.65	NA	0.81	TRRSX
<i>DJ US Select Real Estate Secs Index</i>	4.02	10.95	35.23	4.63	1.60	10.39		
Direct Real Estate								
TIAA Real Estate	4.12	7.68	19.13	-9.12	-1.86	3.68	1.06	NA
<i>NCREIF Fund Index - ODCE</i>	4.62	8.82	20.47	-7.65	0.02	5.65		
International Large Cap								
American Funds EuroPacific Gr R4	1.00	4.50	29.02	1.69	5.10	7.90	0.85	REREX
TIAA-CREF Intl Eq Ret	1.57	1.47	34.41	-0.42	2.21	6.03	0.78	TRERX
TIAA-CREF Intl Equity Idx Ret	2.02	5.48	31.68	-1.69	1.40	NA	0.35	TRIEX
<i>S&P Developed x U.S. LargeMid Cap</i>	1.18	5.18	31.44	-0.34	2.97	6.81		
World Stock								
CREF Global Equities	0.36	4.77	30.81	0.45	2.46	3.61	0.49	NA
<i>S&P Developed BMI</i>	0.56	5.79	32.49	1.97	3.32	5.51		

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Target Date Funds								
T. Rowe Price Retirement 2010	0.88	4.56	20.43	5.69	5.32	NA	0.64	TRRAX
T. Rowe Price Retirement 2015	0.73	4.88	23.15	5.60	5.26	NA	0.68	TRRGX
T. Rowe Price Retirement 2020	0.47	4.99	25.44	5.36	5.02	NA	0.71	TRRBX
T. Rowe Price Retirement 2025	0.32	5.15	27.31	5.10	4.81	NA	0.74	TRRHX
T. Rowe Price Retirement 2030	0.17	5.32	29.11	4.92	4.67	NA	0.76	TRRCX
T. Rowe Price Retirement 2035	0.08	5.48	30.43	4.83	4.55	NA	0.77	TRRJX
T. Rowe Price Retirement 2040	0.05	5.40	30.55	4.88	4.58	NA	0.77	TRRDY
T. Rowe Price Retirement 2045	0.00	5.34	30.41	4.84	4.57	NA	0.77	TRRKX
T. Rowe Price Retirement 2050	0.10	5.44	30.43	4.84	NA	NA	0.77	TRRMX
T. Rowe Price Retirement 2055	0.00	5.40	30.32	4.79	NA	NA	0.77	TRRNX
T. Rowe Price Retirement Income	1.08	4.10	15.85	5.91	5.47	NA	0.59	TRRIX
TIAA-CREF Lifecycle 2010 Ret	1.23	4.45	18.48	4.51	4.48	NA	0.65	TCLEX
TIAA-CREF Lifecycle 2015 Ret	1.05	4.62	20.67	4.29	4.27	NA	0.66	TCLIX
TIAA-CREF Lifecycle 2020 Ret	0.88	4.84	23.11	3.95	3.82	NA	0.67	TCLTX
TIAA-CREF Lifecycle 2025 Ret	0.71	5.08	25.36	3.62	3.43	NA	0.68	TCLFX
TIAA-CREF Lifecycle 2030 Ret	0.63	5.44	27.87	3.17	3.03	NA	0.69	TCLNX
TIAA-CREF Lifecycle 2035 Ret	0.44	5.68	30.34	3.13	3.06	NA	0.70	TCLRX
TIAA-CREF Lifecycle 2040 Ret	0.35	5.58	30.26	3.19	3.29	NA	0.70	TCLOX