Stevens Institute of Technology
September 2013 • Retirement Plan Investment Lineup Changes
About Cammack LaRhette Consulting

• Independent investment advisor & retirement plan consultant
  – No conflicts of interest with investment managers, recordkeepers or other entities

• 403(b) plan consulting specialists for over 50 years
  – Ranked #1 by PlanSponsor magazine based on assets under advisement

• Work with approximately 30 universities, and over 130 not-for profit organizations

• Dozens of clients similar in size and scope to Stevens Institute of Technology

• Over $35 billion in assets in the plans for which we provide investment advisory services
Cammack LaRhette Consulting’s Role with Stevens

• Work with the Stevens’ ERISA Plan Administrative Committee to conduct due diligence reviews of plan investments

• Provide quarterly evaluations of mutual funds and variable annuities in the plan

• Meet with the Committee to discuss fund performance and other characteristics
  – Provide additional details and explanations on funds not meeting standards and plan objectives

• Research the investment universe to find competitive funds in each asset class for inclusion in the plan

• Make recommendations for any actions (e.g. fund replacement)
Due Diligence Process: Evaluation of Potential Plan Investment Options

Fund Universe

Screens run on various quantitative metrics

Qualitative screens run on passing funds

Review passing/failing funds

Selections narrowed

Quantitative Analysis
- Performance vs. Peers
- Performance vs. Indices
- Risk Characteristics
- Risk-Adjusted Return
- Expenses vs. Peers
- Style Drift
- Manager Tenure

Qualitative Analysis
- Investment Objectives
- Portfolio Manager Interviews
- Performance Relative to Economic Conditions
- Portfolio Risk Management
Why Change the Fund Lineup Now

• No investment management company’s research team is consistently the best in every asset class
  
  – Current fund lineup has 24 regular mutual funds and variable annuities in 14 different asset classes, plus 11 Target Date mutual funds, all managed by TIAA-CREF
  
  – Forces research team to find great investments in all asset classes – requires an enormous research team
  
  – Certain investment managers specialize in specific asset classes

• Opportunity to take advantage of platform enhancements
  
  – TIAA-CREF has recently expanded its recordkeeping platform to allow clients to include investments from outside fund managers in their investment arrays

• Seek high quality managers with long-term track record of success in different asset classes
Objectives in Crafting Fund Investment Lineup

- Ensure broad asset class coverage to allow participants to fully diversify their investments
  - Maintained core asset classes in plan lineup
  - Incorporated additional asset classes to allow for more diversification and lower “correlation” (i.e. two funds are highly correlated if they move up and/or down at the same time in roughly the same proportion)

- Avoid inclusion of asset classes that might not be appropriate for a retirement plan - too much “volatility” (risk)

- Avoid duplication of investments
  - Multiple investments in same asset class seeking to achieve same goal while using same underlying stocks
  - Too many investments in current array highly correlated to each other
Fund Specifics

• Some of the characteristics we were seeking include:
  
  – Proven long-term track record of investment manager
  
  – Absence of excessive volatility in performance
    
    o Strong risk-adjusted performance
    
    o Good performance compared to asset class benchmark when market goes down (strong “downside capture”)
  
  – Fees that are competitive within the fund’s peer group
    
    o Some of the fees with the new investments are higher than the fees in the current investments

➤ Example: | Fund Name               | Exp. Ratio |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CREF Bond Market</td>
<td>0.44%</td>
</tr>
<tr>
<td>PIMCO Total Return</td>
<td>0.71%</td>
</tr>
<tr>
<td>Category Average</td>
<td>0.92%</td>
</tr>
</tbody>
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• We would not include a fund with fees higher than category average
Specific Changes to Fund Lineup Composition

• Eliminated duplication within asset classes
  – e.g. 6 Large Cap Blend funds – reduced these down to 2

• Removed some funds that were highly correlated to each other
  – e.g. TIAA-CREF Equity Index is 99% correlated to CREF Stock
  – Retained most appropriate investment in each of the above scenarios
    o TIAA-CREF’s Traditional Annuity is considered one of the best guaranteed interest accounts in the marketplace
  – Retained investments containing over 82% of current assets
    o Additional 14% of assets in closed funds not being mapped
    o Only 4% of assets being mapped to other funds

• Added funds from the following fund management companies to improve on overall investment metrics
  - AllianceBernstein
  - Allianz
  - American Century
  - BlackRock
  - ING
  - JPMorgan
  - MFS
  - Vanguard
  - Victory