

Pepperdine Retirement Plan Committee Year-In-Review

2009 was a hallmark year for the Pepperdine Retirement Plan. In the midst of one of the most tumultuous times ever for financial markets the Retirement Plan Committee (the “Committee”) spent the year overseeing the implementation of fundamental changes to the ways in which our plan had traditionally operated. After extensive analysis of the impact of new federal regulations relating to the operation of 403(b) plans, the decision to consolidate the recordkeeping and administration to one vendor, Diversified Investment Advisors, was completed in the first quarter.

A comprehensive education campaign surrounding this change was delivered through various mediums, including on-site meetings, mailers, emails and through the internet. The University is committed to seeing that the same effort will be delivered in 2010 affording all participants timely and relevant information regarding their retirement plan account and retirement planning strategies.

On the investment front, the Committee held regular meetings throughout the year to monitor the core investment options offered in the plan. Following a strict Investment Policy, the committee reviewed each fund based upon several factors, including performance, risk, investment style consistency and fees. Other qualitative factors are also considered, such as manager changes or changes in a fund’s basic investment philosophy or strategy. In all, the core line-up finished the year either meeting or exceeding the Investment Policy criteria.

Specifically, for calendar year 2009, 74.3% and 68.6% of the actively managed funds returns exceeded the relevant mutual fund category averages and relevant market indexes, respectively. Over the past ten years, the actively managed funds included in the core investment options exceeded the relevant mutual fund category average (99% of the funds) and relevant market indexes (100% of the funds).

In addition to reviewing fund performance, the Committee also worked to see that the core fund menu was complete and offered participants funds in all relevant investment styles and classes. As a result there were several fund additions:

- Federated US Treasury Cash Reserves I
- Vanguard Inflation Protected Securities
- Vanguard Total Bond Market Index
- Vanguard GNMA
- Blackrock Equity Dividend A
- Perkins Small Cap Value T (to be added 2nd Qtr 2010)

The committee continues to carefully monitor fund expenses. 87% of the core fund expense ratios are below their category average, with the majority of the funds offered being among the lowest available in their respective universe. On an asset-weighted basis, the plan’s total expense ratio stood at 0.60% at year end.

The Committee extends its thanks to all those that gave input in this challenging year of transition and financial turmoil. As we look towards our work in 2010, we welcome your continued contributions and look forward to diligently working on behalf of all plan participants.