

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

Financial Statements and Supplemental Schedule
December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KS&Co

Kieckhafer Schiffer & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

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Independent Auditors' Report

To the Retirement Plan Committee
Pacific University Section 403(b) Plan:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Pacific University Section 403(b) Plan (the Plan) which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 9 which was certified by Teachers Insurance and Annuity Association – College Retirement Equities Fund and Variable Annuity Life Insurance Company, the custodians of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the custodians hold the Plan's investment assets and execute investment transactions. The Plan Administrator has obtained certifications from the custodians as of December 31, 2012 and 2011 and for the years then ended, that the information provided to the Plan Administrator by the custodians is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2012 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

KIECKHAFFER SCHIFFER & COMPANY LLP

September 30, 2013
Portland, Oregon

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

Statements of Net Assets Available for Benefits

December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|-------------------|
| Investments, at fair value: | | |
| Shares in registered investment company funds without publicly quoted market prices | \$ 30,866,801 | 28,735,224 |
| Shares in registered investment company funds with publicly quoted market prices | 15,468,127 | 11,820,574 |
| Pooled separate accounts | 12,384,837 | 10,484,331 |
| Investment contracts | <u>24,373,070</u> | <u>23,222,992</u> |
| Total investments at fair value | 83,092,835 | 74,263,121 |
| Other assets | <u>3,610</u> | <u>—</u> |
| Net assets available for benefits | <u>\$ 83,096,445</u> | <u>74,263,121</u> |

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2012 and 2011

| | 2012 | 2011 |
|--|---------------|-------------|
| Investment income: | | |
| Dividend and interest income | \$ 1,411,874 | 1,180,847 |
| Net appreciation (depreciation) in fair value of investments | 6,641,694 | (1,028,406) |
| Total investment income | 8,053,568 | 152,441 |
| Contributions: | | |
| Employer contributions | 3,514,011 | 3,463,344 |
| Employee contributions | 2,509,920 | 2,470,355 |
| Rollover contributions | 513,909 | 650,608 |
| Total contributions | 6,537,840 | 6,584,307 |
| Deductions: | | |
| Benefit payments | (5,740,451) | (3,559,641) |
| Administrative expenses | (17,633) | (16,910) |
| Total deductions | (5,758,084) | (3,576,551) |
| Net increase | 8,833,324 | 3,160,197 |
| Net assets available for benefits, beginning of year | 74,263,121 | 71,102,924 |
| Net assets available for benefits, end of year | \$ 83,096,445 | 74,263,121 |

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**PACIFIC UNIVERSITY
SECTION 403(B) PLAN**

Notes to Financial Statements

December 31, 2012 and 2011

(1) Description of the Plan

The following description of the Pacific University Section 403(b) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan is a 403(b) defined contribution plan covering all employees of Pacific University (Pacific) except for students performing services that are enrolled at Pacific and regularly attending classes and temporary faculty and staff, as defined in the Plan document. The Plan has an effective date of January 1, 1947 and was amended and restated effective January 1, 2009. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Pacific is the Plan's sponsor and serves as the Plan administrator. The custodians of the Plan are Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC).

(b) Eligibility

Employees are eligible to participate in the Plan on the first day of employment, provided they are not a student. Eligible employees, except adjunct faculty, are eligible to receive employer contributions after completing one year of service with Pacific. An eligible employee will receive a year of service if the individual worked at least half time for an educational institution during the entire 12 month period preceding employment with Pacific.

(c) Contributions

Eligible employees can defer up to 100% of their eligible compensation into the Plan, up to the maximum allowed by the Internal Revenue Code (IRC). Participants are allowed to make additional catch-up contributions to the Plan if they are 50 years of age or older as of the end of the Plan year. Pacific will make an employer contribution equal to 9% of the employee's eligible compensation. Contributions are made to the Plan each pay period. Additionally, participants are permitted to make rollover contributions to the Plan from an individual retirement account or annuity.

(d) Participant Accounts

Each participant's account is credited with employee contributions, Pacific's contributions, Plan earnings and an allocation of administrative expenses. Allocations are based on compensation or account balances, as defined by the Plan document. Participants may direct their account balances into a variety of investment options offered by TIAA-CREF and VALIC. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The participant accounts are valued daily.

(e) ***Vesting***

Participants are immediately vested in their employee and employer contributions and earnings thereon.

(f) ***Plan Loans***

Loans are available to participants through TIAA-CREF, subject to certain limitations. Plan loans are issued directly from the funds owned by TIAA-CREF and loan proceeds are not removed from a participant's account balance. However, a portion of a participant's TIAA Traditional Annuity account balance is reserved, or held in collateral, to cover the outstanding loan amount for the period of time the loan is outstanding. For active loans, investments equal to 110% of the outstanding loan amount serve as collateral for the loan. Investments underlying defaulted loan balances are reflected in the statements of net assets available for benefits until a distribution event occurs.

At December 31, 2012 and 2011, participants had outstanding plan loan balances due to TIAA-CREF of \$439,078 and \$489,348, respectively.

Loans are also available to participants through VALIC, subject to certain limitations. Plan loans are issued directly from the funds owned by VALIC. At December 31, 2012 and 2011, participants had outstanding plan loan balances due to VALIC of \$359,742 and \$396,521, respectively. Issuance of these plan loans has no impact on the statements of net assets available for benefits.

(g) ***Payment of Benefits***

Participants may receive all or a portion of their account balances upon termination of employment. Benefits may be paid in the form of a single lump sum or may be paid under optional forms, including the following: payments over a fixed time period; life annuity with or without a term certain; or joint and survivor annuity. If a participant dies or becomes disabled before distributions to the participant begin, the distribution of benefits may be elected at any time commencing no later than the month in which the participant would have attained age 70½.

(h) ***Hardship Withdrawals***

Under certain conditions, participants, while still employed by Pacific, are permitted to withdraw, in a single sum, the employee contribution portion of their account balance. These conditions include unreimbursed medical expenses, the purchase of the participant's principal residence, the payment of postsecondary education tuition, the payment of burial or funeral costs of immediate family members, the payment of natural disaster clean-up on the participant's principal residence, or to prevent eviction or foreclosure from the participant's principal residence. A participant's right to make deferrals to the Plan will be suspended for six months after the receipt of a hardship withdrawal.

(2) **Summary of Significant Accounting Policies**

(a) ***Basis of Accounting***

The accompanying financial statements of the Plan are prepared on the accrual basis of accounting.

(b) ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the Plan's management to make estimates and assumptions that affect the reported

amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) *Investment Valuation and Income Recognition*

The Plan follows the fair value measurement and disclosure requirements of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value as the exchange price that would be received for the asset or paid to transfer a liability in an orderly transaction between market participants. See Note 6 for the discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes the gains and losses on investments bought and sold during the year as well as the change in the unrealized appreciation or depreciation on those investments during the year.

Investment contracts held by a defined contribution plan are required to be reported at fair value. Certain TIAA Traditional Annuity contract types, including the Supplemental Retirement Annuities (SRA) and the Group Supplemental Retirement Annuities (GSRA), are considered fully benefit-responsive, and contract value approximates fair value as of December 31, 2012 and 2011. However, other investment contracts are not considered fully benefit-responsive due to certain limitations or restrictions. See Note 3 for further discussion of the TIAA Traditional Annuity.

(d) *Risks and Uncertainties*

The Plan assets are invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

(e) *Payment of Benefits*

Benefits are recorded when paid.

(f) *Administrative Expenses*

Pacific pays certain administrative expenses of the Plan. Direct expenses totaling \$17,633 and \$16,910 were paid by the Plan during 2012 and 2011, respectively, and allocated to participants. Certain expenses are included in the transaction prices of investments bought and sold and are not separately quantifiable.

(g) *Subsequent Events*

Pacific has evaluated subsequent events with respect to the Plan through September 30, 2013, the date the financial statements were available for issuance.

(3) *TIAA Traditional Annuity*

The TIAA Traditional Annuity is an unallocated guaranteed fixed annuity contract available as an investment option to Plan participants. Each contract is fully and unconditionally guaranteed by TIAA-CREF and is a general obligation thereof. The Traditional Annuity is offered through a variety of contract types, including Retirement Annuities (RA), Group Retirement Annuities (GRA), SRA, GSRA, and Retirement Choice Plus (RCP). The type of contract through which a participant invests in the TIAA

Traditional Annuity determines the applicability of certain account features, such as the guaranteed minimum interest rate, additional interest declarations, the degree of liquidity of the participant's account, and the options for receiving income upon retirement.

When participants choose to allocate a portion of their retirement savings to the TIAA Traditional Annuity during the accumulation phase of the contract, their contributions purchase a specific amount of lifetime income based on the contractual rate schedule in effect at the time the premium is paid. The participant's principal, plus a specified minimum rate of interest, is guaranteed by TIAA-CREF's claims-paying ability. The TIAA Traditional Annuity also provides the potential for additional interest if declared by TIAA-CREF's Board of Trustees. Additional interest, when declared, remains in effect for the declaration year, which begins each March 1 for accumulating annuities, and January 1 for lifetime payout annuities. Additional interest is not guaranteed for future years. Together, the guaranteed minimum and additional amounts make up the crediting interest rate. For accumulating RA and GRA contracts, the crediting interest rate was 3.00% as of December 31, 2012 and 3.35% as of December 31, 2011. For accumulating SRA and GSRA contracts, the crediting interest rate was 3.00% as of December 31, 2012 and 2011. For accumulating RCP contracts, the crediting interest rate was 2.60% as of December 31, 2012 and 2011.

The RA contract does not allow lump-sum cash withdrawals and transfers must be spread over 10 annual installments. With the GRA, lump-sum withdrawals are available within 120 days of termination of employment and are subject to a 2.50% surrender charge. All other withdrawals and transfers from RA and GRA contracts must be spread over 10 annual installments (5 annual installments for withdrawals after termination of employment). The SRA, GSRA, and RCP contracts provide for full participant-directed liquidity. When a participant's accumulation in the TIAA Traditional Annuity is converted to a lifetime payout annuity, the present value of the stream of payments is equal to the accumulated balance, and the entire amount is recorded as a distribution in the statements of changes in net assets available for benefits.

(4) VALIC Fixed Account Annuity

The VALIC Fixed Accounts are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses as allowed by the Plan. Plan management has determined that contract value approximates fair value. Contract value, as determined by VALIC, represents contributions made under the agreement, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The minimum guaranteed interest rate varies by participant and depends on the date the participant established their account. For the year ended December 31, 2012, the minimum rate ranged from 1.50% to 2.25%. For the year ended December 31, 2011, the minimum rate ranged from 2.25% to 3.50%. The average yield to maturity at December 31, 2012 and 2011 was 2.76% and 2.72%, respectively.

(5) Investments

Investments representing more than 5% of the net assets available for benefits at December 31, 2012 and 2011 were as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------|---------------|-------------|
| CREF Stock Account | \$ 11,386,223 | 10,966,682 |
| TIAA Traditional Annuity | 21,333,615 | 20,308,588 |

Investments appreciated (depreciated) in fair value during the years ended December 31, 2012 and 2011 as follows:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|--------------------|
| Shares in registered investment company funds with publicly quoted market prices | \$ 1,569,905 | (741,660) |
| Shares in registered investment company funds without publicly quoted market prices | 3,660,320 | (285,917) |
| Pooled separate accounts | <u>1,411,469</u> | <u>(829)</u> |
| | <u>\$ 6,641,694</u> | <u>(1,028,406)</u> |

(6) Fair Value Measurements

ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Shares in registered investment company funds with publicly quoted market prices.

- These shares consist of TIAA-CREF registered investment company funds. The fair values are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Shares in registered investment company funds without publicly quoted market prices.

- These shares consist of CREF accounts (registered investment company funds). The fair values are determined based on each account's daily net asset value (NAV), which is considered by Plan management to be the best approximation of fair value. CREF accounts are not exchange traded and are classified within Level 2 of the fair value hierarchy. Data for NAVs are available daily to Plan administrators and client investors on TIAA-CREF's website, and provides sufficient corroborative evidence to ascertain the relationship between each fund's NAV and the values of individual underlying holdings. Underlying holdings are primarily valued using market quotations or prices obtained from independent pricing sources. There are no unfunded commitments from participants in the Plan who invest in these accounts.

Pooled separate accounts

Pooled separate accounts consist of the TIAA Real Estate Account and VALIC variable accounts.

- The fair value of the Plan's interest in the TIAA Real Estate Account (a pooled separate account) is based on the fund's daily NAV, which is considered by Plan management to be the best approximation of fair value. This investment is classified within Level 2 of the fair value hierarchy. The unit value of the fund is calculated daily and available to Plan administrators and client investors on TIAA-CREF's website. Underlying holdings are primarily valued using independent appraisals or independent pricing sources. There are no unfunded commitments from participants in the Plan who invest in this account.
- The fair values of accumulation units held by the Plan in VALIC variable accounts (pooled separate accounts) are managed by individual investment advisers for each fund. VALIC variable accounts are not exchange traded and are classified within Level 2 of the fair value hierarchy. Data for NAVs are changed daily and are available to Plan administrators and client investors on VALIC's website, and provides sufficient corroborative evidence to ascertain the relationship between each fund's NAV and the values of individual underlying holdings. Underlying holdings are primarily mutual funds. There are no unfunded commitments from participants in the Plan who invest in these accounts.

Investment contracts

Investment contracts consist of TIAA Traditional Annuity contracts and VALIC Fixed Accounts.

- Investments in TIAA Traditional Annuity contracts are reported at contract value, which approximates fair value. As these investments are contract-based, observable prices for identical or similar investments do not exist, and accordingly, these investments are valued using unobservable inputs (Level 3). The contract value equals the accumulated cash contributions and interest credited to the contract, less any withdrawals. Liquidity restrictions apply to certain types of contracts that could impact the value realized upon exiting the contract. See also Note 3 for discussion of the TIAA Traditional Annuity.
- Investments in VALIC Fixed Accounts are reported at contract value, which approximates fair value. As these investments are contract-based, observable prices for identical or similar investments do not exist, and accordingly, these investments are valued using unobservable inputs (Level 3). Also see Note 4 for discussion of the VALIC Fixed Accounts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation

methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2012:

| | Investments at fair value | | | Total |
|--|----------------------------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Shares in registered investment company funds with publicly quoted market prices: | | | | |
| Index | \$ 434,519 | — | — | 434,519 |
| Mixed asset | 8,765,292 | — | — | 8,765,292 |
| Growth | 5,951,160 | — | — | 5,951,160 |
| Other | 317,156 | — | — | 317,156 |
| Shares in registered investment company funds without publicly quoted market prices: | | | | |
| Mixed asset | — | 3,502,499 | — | 3,502,499 |
| Growth | — | 19,839,593 | — | 19,839,593 |
| Fixed income | — | 7,524,709 | — | 7,524,709 |
| Pooled separate accounts: | | | | |
| Index | — | 2,027,181 | — | 2,027,181 |
| Mixed asset | — | 1,723,579 | — | 1,723,579 |
| Growth | — | 4,637,475 | — | 4,637,475 |
| Fixed income | — | 1,009,257 | — | 1,009,257 |
| International | — | 508,043 | — | 508,043 |
| Real estate | — | 2,479,302 | — | 2,479,302 |
| Investment contracts | — | — | 24,373,070 | 24,373,070 |
| | <u>\$ 15,468,127</u> | <u>43,251,638</u> | <u>24,373,070</u> | <u>83,092,835</u> |

The following table sets forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2011:

| | Investments at fair value | | | Total |
|--|----------------------------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Shares in registered investment company funds with publicly quoted market prices: | | | | |
| Index | \$ 514,542 | — | — | 514,542 |
| Mixed asset | 6,543,759 | — | — | 6,543,759 |
| Growth | 4,608,146 | — | — | 4,608,146 |
| Other | 154,127 | — | — | 154,127 |
| Shares in registered investment company funds without publicly quoted market prices: | | | | |
| Mixed asset | — | 3,366,076 | — | 3,366,076 |
| Growth | — | 18,507,043 | — | 18,507,043 |
| Fixed income | — | 6,862,105 | — | 6,862,105 |
| Pooled separate accounts: | | | | |
| Index | — | 1,677,047 | — | 1,677,047 |
| Mixed asset | — | 1,440,411 | — | 1,440,411 |
| Growth | — | 4,196,169 | — | 4,196,169 |
| Fixed income | — | 1,023,029 | — | 1,023,029 |
| Real estate | — | 2,147,675 | — | 2,147,675 |
| Investment contracts | — | — | 23,222,992 | 23,222,992 |
| | <u>\$ 11,820,574</u> | <u>39,219,555</u> | <u>23,222,992</u> | <u>74,263,121</u> |

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2012 and 2011:

| | Level 3 assets year ended | |
|--|----------------------------------|-------------------|
| | December 31, | |
| | 2012 | 2011 |
| Balance at beginning of year | \$ 23,222,992 | 21,989,312 |
| Realized losses | — | — |
| Unrealized losses relating to instruments still held at the reporting date | — | — |
| Purchases | 3,969,404 | 3,965,699 |
| Sales | (3,548,975) | (3,824,683) |
| Other | 729,649 | 1,092,664 |
| Balance at end of year | <u>\$ 24,373,070</u> | <u>23,222,992</u> |

The following table presents information about significant unobservable inputs related to the Plan's investment in the TIAA Traditional Annuity at December 31, 2012:

| <u>Type</u> | <u>Fair Value</u> | <u>Valuation Technique</u> | <u>Significant Unobservable Inputs</u> | <u>Range</u> |
|--------------------------|-------------------|-----------------------------------|--|--|
| TIAA Traditional Annuity | \$ 21,333,615 | Discounted Cash flow | Risk-adjusted Discount rate applied | RA - 3.00% - 5.00% SRA - 3.00% - 4.25% GRA - 3.00% - 5.00% |
| | | Theoretical transfer (exit value) | | GSRA - 3.00% - 4.25% RCP - 2.55% - 4.60% |

The following table provides information regarding redemption of investments where NAV has been used as a practical expedient to measure fair value at December 31, 2012:

| | <u>Fair value</u> | <u>Redemption frequency</u> | <u>Redemption period</u> |
|---|-------------------|-----------------------------|--------------------------|
| Shares in registered investment company funds without publicly quoted market prices | \$ 30,866,801 | Daily | 1 day |
| Pooled separate accounts | 12,384,837 | Quarterly | 1 day |

The following table provides information regarding redemption of investments where NAV has been used as a practical expedient to measure fair value at December 31, 2011:

| | <u>Fair value</u> | <u>Redemption frequency</u> | <u>Redemption period</u> |
|---|-------------------|-----------------------------|--------------------------|
| Shares in registered investment company funds without publicly quoted market prices | \$ 28,735,224 | Daily | 1 day |
| Pooled separate accounts | 10,484,331 | Quarterly | 1 day |

The investments in CREF registered investment company funds without publicly quoted market prices had a fair value of \$30,866,801 and \$28,735,224 at December 31, 2012 and 2011, respectively, have a lock-up period of 90 days if a purchase, sale and repurchase within that account is made within a 60-day period, other than for the CREF Money Market Account.

Investments of pooled separate accounts in TIAA Real Estate account had a fair value of \$2,479,302 and \$2,073,355 at December 31, 2012 and 2011, respectively. Other pooled separate accounts in VALIC variable accounts had a fair value of \$9,905,535 and \$8,410,976 at December 31, 2012 and 2011, respectively.

(7) Income Tax Status

The Plan is intended to comply with the applicable requirements of Section 403(b) of the IRC. A tax determination letter program is not yet available for IRC Section 403(b) plans through the Internal Revenue Service (IRS); however, the Plan administrator believes that the Plan is currently designed and being operated in compliance with applicable requirements of the IRC and as such is exempt from federal income taxes.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

(8) Related-Party Transactions

Certain Plan investments are managed by TIAA-CREF and VALIC. TIAA-CREF and VALIC are the custodians as defined by the Plan, and therefore, these investments and investment transactions qualify as party-in-interest transactions.

Additionally, the Plan sponsor, Pacific University, is a party-in-interest to the Plan; however, there were no transactions with the Plan sponsor other than the funding of contributions to the Plan and payment of certain administrative expenses of the Plan.

(9) Information Certified by the Custodians

The Plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosures under ERISA. Accordingly, TIAA-CREF and VALIC, the custodians of the Plan, have certified as being complete and accurate the following information as of December 31, 2012 and 2011 and for the years then ended:

- Investments, at fair value
- Investment income
- Investments, Note 5
- Schedule of assets (held at end of year)

(10) Plan Termination

Although it has not expressed any intent to do so, Pacific has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

EIN # 93-0386892

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan #: 001

December 31, 2012

| (a) | (b) Identity of issuer, borrower, lessor, or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost (1) | (e) Current value |
|-------|---|--|-------------------|---------------------------|
| | | Shares in registered investment company funds without publicly quoted market prices: | | |
| * | CREF | Stock Account | \$ | 11,386,223 |
| * | CREF | Money Market Account | | 1,556,481 |
| * | CREF | Social Choice Account | | 3,502,499 |
| * | CREF | Bond Market Account | | 3,825,353 |
| * | CREF | Global Equities Account | | 2,910,600 |
| * | CREF | Growth Account | | 2,935,481 |
| * | CREF | Equity Index Account | | 2,607,289 |
| * | CREF | Inflation-linked Bond Account | | 2,142,875 |
| | | Total shares in registered investment company funds without publicly quoted market prices | | 30,866,801 |
| | | Shares in registered investment company funds with publicly quoted market prices: | | |
| * | TIAA-CREF | Lifecycle 2010 – Retirement Fund | | 235,833 |
| * | TIAA-CREF | Lifecycle 2015 – Retirement Fund | | 697,106 |
| * | TIAA-CREF | Lifecycle 2020 – Retirement Fund | | 683,162 |
| * | TIAA-CREF | Lifecycle 2025 – Retirement Fund | | 1,133,802 |
| * | TIAA-CREF | Lifecycle 2030 – Retirement Fund | | 1,219,051 |
| * | TIAA-CREF | Lifecycle 2035 – Retirement Fund | | 1,615,700 |
| * | TIAA-CREF | Lifecycle 2040 – Retirement Fund | | 1,863,512 |
| * | TIAA-CREF | Lifecycle 2045 – Retirement Fund | | 518,075 |
| * | TIAA-CREF | Lifecycle 2050 – Retirement Fund | | 239,335 |
| * | TIAA-CREF | Lifecycle 2055 – Retirement Fund | | 2,804 |
| * | TIAA-CREF | Lifecycle Retirement Income - Retirement Fund | | 131,394 |
| * | TIAA-CREF | Equity Index – Retirement Fund | | 301,840 |
| * | TIAA-CREF | Growth & Income – Retirement Fund | | 517,859 |
| * | TIAA-CREF | International Equity - Retirement Fund | | 442,200 |
| * | TIAA-CREF | Large-Cap Value - Retirement Fund | | 757,534 |
| * | TIAA-CREF | Mid-Cap Growth - Retirement Fund | | 369,531 |
| * | TIAA-CREF | Mid-Cap Value - Retirement Fund | | 806,800 |
| * | TIAA-CREF | Real Estate Securities - Retirement Fund | | 317,156 |
| * | TIAA-CREF | Small-Cap Equity - Retirement Fund | | 346,394 |
| * | TIAA-CREF | Social Choice Equity - Retirement Fund | | 425,518 |
| * | TIAA-CREF | International Equity Index - Retirement Fund | | 1,359,628 |
| * | TIAA-CREF | Large-Cap Growth Index - Retirement Fund | | 364,618 |
| * | TIAA-CREF | Large-Cap Value Index - Retirement Fund | | 205,446 |
| * | TIAA-CREF | S&P 500 Index - Retirement Fund | | 434,519 |
| * | TIAA-CREF | Small-Cap Balanced Index - Retirement Fund | | 479,310 |
| | | Total shares in registered investment company funds with publicly quoted market prices | | 15,468,127 |
| | | Pooled separate accounts: | | |
| * | TIAA | Real Estate Account | | 2,479,302 |
| * | VALIC | Aggressive Growth Lifestyle Fund | | 135 |
| * | VALIC | American Beach Holland Large Cap Growth | | 10,373 |
| * | VALIC | Ariel Appreciation Fund | | 90,488 |
| * | VALIC | Ariel Fund | | 170,718 |
| * | VALIC | Blue Chip Growth Fund | | 170,307 |
| * | VALIC | Broad Cap Value Income Fund | | 4,456 |
| * | VALIC | Capital Conservation Fund | | 15,860 |

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

EIN # 93-0386892

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan #: 001

December 31, 2012

| (a) | (b) Identity of issuer, borrower, lessor, or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost (1) | (e) Current value |
|-------|---|--|-------------------|---------------------------|
| * | VALIC | Conservative Growth Lifestyle Fund | \$ | 64,402 |
| * | VALIC | Core Bond Fund | | 217,191 |
| * | VALIC | Core Equity Fund | | 24,398 |
| * | VALIC | Dividend Value Fund | | 57,326 |
| * | VALIC | Emerging Economies | | 399,405 |
| * | VALIC | Foreign Value Fund | | 370,245 |
| * | VALIC | Global Real Estate Fund | | 108,638 |
| * | VALIC | Global Social Awareness Fund | | 140,918 |
| * | VALIC | Global Strategy Fund | | 97,410 |
| * | VALIC | Government Securities Fund | | 6,087 |
| * | VALIC | Growth & Income Fund | | 444 |
| * | VALIC | Growth Fund | | 440,432 |
| * | VALIC | Health Sciences Fund | | 77,151 |
| * | VALIC | High Yield Bond Fund | | 98,357 |
| * | VALIC | Inflation Protected Fund | | 126,187 |
| * | VALIC | International Equities Fund | | 376,075 |
| * | VALIC | International Government Bond Fund | | 9,775 |
| * | VALIC | International Growth I Fund | | 32,662 |
| * | VALIC | International Opportunities Fund | | 257,930 |
| * | VALIC | Large Cap Core Fund | | 35,188 |
| * | VALIC | Large Cap Value Fund | | 25,979 |
| * | VALIC | Large Capital Growth Fund | | 76,929 |
| * | VALIC | Mid Cap Growth Fund | | 46,969 |
| * | VALIC | Mid Cap Index Fund | | 951,751 |
| * | VALIC | Mid Cap Strategic Growth Fund | | 73,078 |
| * | VALIC | Mid Cap Value Fund | | 346,866 |
| * | VALIC | Moderate Growth Lifestyle | | 7,850 |
| * | VALIC | Money Market I Fund | | 259,969 |
| * | VALIC | Money Market II Fund | | 14,358 |
| * | VALIC | NASDAQ-100® Index Fund | | 35,449 |
| * | VALIC | Science & Technology Fund | | 295,840 |
| * | VALIC | Small Cap Aggressive Growth Fund | | 39,244 |
| * | VALIC | Small Cap Fund | | 23,186 |
| * | VALIC | Small Cap Index Fund | | 159,935 |
| * | VALIC | Small Cap Special Value Fund | | 371,082 |
| * | VALIC | Small Cap Value Fund | | 228,071 |
| * | VALIC | Small-Mid Growth Fund | | 15,064 |
| * | VALIC | Socially Responsible Fund | | 317,154 |
| * | VALIC | Stock Index Fund | | 880,046 |
| * | VALIC | Strategic Bond Fund | | 25,501 |
| * | VALIC | Value Fund | | 10,535 |
| * | VALIC | Vanguard Lifestrategy Growth Fund | | 10,962 |
| * | VALIC | Vanguard Lifestrategy Moderate Fund | | 2,399 |
| * | VALIC | Vanguard Long-Term Treasury Fund | | 225,858 |
| * | VALIC | Vanguard Long-Term Investment Grade Fund | | 25,974 |
| * | VALIC | Vanguard Wellington Fund Inc. | | 1,539,977 |
| * | VALIC | Vanguard Windsor II Fund | | 492,951 |
| | | Total pooled separate accounts | | <u>12,384,837</u> |

**PACIFIC UNIVERSITY
SECTION 403(b) PLAN**

EIN # 93-0386892

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan #: 001

December 31, 2012

| (a) | (b) Identity of issuer, borrower, lessor, or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value | (d) Cost (1) | (e) Current value |
|-------|---|--|-------------------|---------------------------|
| | | Investment contracts: | | |
| * | VALIC | Fixed Account Plus | \$ | 2,995,381 |
| * | VALIC | Short Term Fixed Account | | 44,074 |
| * | TIAA | TIAA Traditional Annuity | | <u>21,333,615</u> |
| | | Total investment contracts | | <u>24,373,070</u> |
| | | | \$ | <u><u>83,092,835</u></u> |

* Represents a party-in-interest at December 31, 2012.

(1) Cost is not required for participant-directed investments

The accompanying notes and independent auditors' report are an integral part of this supplemental schedule.