

MEETING MINUTES

Plan Sponsor:	Virginia Tech
Plan Name(s):	VT Optional Retirement and VT Cash Match Plans
Committee Members:	John Cusimano Greg Kadlic Monica Mathena Angela King Steve Capaldo- absent Yohna Chambers Brian Murphy Savita Sharma
Other Attendees:	Barry Schmitt (CAPTRUST) Patrick Warner (Fidelity) Andy Daigneault (Fidelity)
Meeting Topic:	Plan Investment Review
Date:	March 12, 2014
Time:	3:00 PM (EST) – 5:00 PM (EST)
Location:	North End Center, Suite 2300
Documentation Referenced:	Fidelity Investment Management Review, Fidelity Annual Plan Review, 12/31/2013 Plan Investment Report, Flash Report, and Non-approved asset report

OLD BUSINESS

The committee approved the meeting minutes of the November 12, 2013 meeting.

ECONOMIC/MARKET AND FIDELITY UPDATE

Andy from Fidelity delivered a review of the economy and market along with Fidelity's outlook. Fidelity's economic and market commentary can be found in the annual investment review document. Andy focused on current capital market views as well as providing insight in the following areas:

- Money market reform and what that might mean
- Fidelity Freedom Fund changes- as the Committee has discussed these changes on several occasions, Andy provided additional insight on the reasons for the changes, focusing on three areas (Capital market assumptions, participant behavior, and risk capacity). He also discussed the recent manager change and the impact to the Funds.

ADMINISTRATIVE REVIEW

Patrick Warner, from Fidelity provided the Committee with an overview of the plan demographics as well as recent enhancements to their offerings.

Patrick's comments focused on the following areas:

- Solid growth of plans for 2013

- Number of participants in the 403(b) brokerage window (8 participants and approximately \$434,000)
- Number of single fund investors (non-Target date)
- Asset allocation amongst faculty and staff and performance relative to target date funds
- Cash flow
- Web enhancements
 - Income simulator
 - More tools and resources on web

INVESTMENT REVIEW

Plan level Review (does not include 403b plan or various other supplemental plans)

Assets as of December 31, 2013 totaled \$498.8mm broken down as follows:

- VT ORP Plan- Fidelity- \$93.1mm (including non-approved assets of \$11.5mm)
- VT Cash Match Plan- Fidelity- \$11mm (including non-approved assets of \$1.3mm)
- VT ORP Plan- TIAA-CREF- \$378.1mm (including non-approved assets of \$8.2mm)
- VT Cash Match Plan- TIAA-CREF- \$16.6mm (including non-approved assets of \$301k)

Performance Review (CAPTRUST)

The committee and its advisor reviewed the investments in a manner consistent with the standards and approach defined in the Investment Procedures Document.

Fidelity

Out of the 26 funds in the plan (Target date funds counted as one) there are two Funds Considered for Termination and three funds Marked For Review:

Considered for Termination

DWS Dreman Small Cap Value (Score of 54) - this attempts to achieve long term capital appreciation by utilizing a contrarian value investment strategy. They look for beaten down stocks where they believe have above average earnings prospects. This strategy has a tendency to be focused on financials and energy stocks. In addition, a new manager was placed on this fund in September 2013. For the three year and five year periods ended December 31, 2013, this fund ranks in the 80th and 84th percentile among its peer group. This fund does not fail the Virginia Tech overlay. **However, alternative options will be discussed at the next meeting.**

Fidelity Small Cap Stock (score of 62) - This fund has struggled in three of the past four years. As of December 31, 2013, this fund ranks in the 98th percentile on a three year basis and in the 82nd percentile on a five year basis. This performance has caused the fund to fail policy guidelines. This fund is now failing the three year performance guidelines within the Virginia Tech overlay. **Alternative options will be discussed at the next meeting.**

Marked for Review

PIMCO Total Return - (Score of 78) – exposure to TIPS hurt performance for the most recent quarter. Also, Mr. El-Elrain resigned recently which increases concern on this fund. In addition to this fund's appetite for riskier asset classes, the index by which we compare this fund now holds over 47% in US Government backed debt vs. around 20% for PIMCO. One year performance for the period ended December 31, 2013 ranks this fund in the 68th percentile among its peer group universe. Longer term performance is above median. *Discussion regarding the fund ensued, CAPTRUST recommended and the Committee agreed that no action is required at this time.* The Committee will continue to review the performance and management of the PIMCO Fund closely.

Thornburg Intl Value (Score of 71) - This fund invests in securities domiciled outside of the United States. In addition to investing primarily in developed countries, this fund has significant exposure in emerging market securities. Unfortunately, Thornburg has been wrong with their positioning in emerging markets (in particular, China) as well as missing or late to opportunities within Europe and Japan. **While this fund passes the Virginia Tech overlay, CAPTRUST recommended the Committee consider changes. This will be discussed at the next Committee meeting.**

Fidelity Freedom K Funds (Score of 76) – see Comments from Fidelity above.

TIAA-CREF Review

Out of the 27 funds in the plans (Target date counted as one) there is one fund Considered for Termination and three funds Marked for Review:

Considered for Termination

DWS Dreman Small Cap Value (Score of 54) - see above comments

Marked for Review

PIMCO Total Return (Score of 78) – see above comments

Thornburg International Value (Score of 71) - see above comments

CREF Bond Market (Score of 74) - The CREF Bond Market Fund employs a benchmark centric strategy. As a result of the current “risk on” market, this manager is lagging its peer group averages. However, the manager has beaten its benchmark over the last three year and five year periods measured. No action is required at this time.

Changes to Investment Policy Statement (IPS)

CAPTRUST discussed recommended changes to the IPS. The changes are the result of CAPTRUST revisions to their scoring methodology. Barry highlighted a number of areas that will be changed:

- Scoring between three year and five year performance.
- Evaluation of passively managed vehicles.
- Expenses
- Style (R-Squared)
- Confidence Rating (currently information ratio)

Other items discussed

Revenue credits on 401(a) and Cash Match Plans

To recap the prior committee meeting, TIAA-CREF agreed to lower its required administrative revenue target from the current .20% down to .18%. This resulted in a savings of approximately \$116,000/year (\$41,000 represented by the 403(b) Plan and **\$75,000** from the ORP and Cash Match Plans). For Fidelity the required administrative revenue rate of .13% results in a savings of approximately \$130,000/year (Approximately **\$57,000** on the ORP and Cash Match Plans and \$73,000 on the 403(b) Plan)

The Committee discussed various ways to capture this revenue (please note that excess revenue from 403(b) Plan will be credited back into participant accounts as this Committee doesn't oversee this plan):

- Lower share classes to lowest available
- Credit amounts back into participant accounts
- Pay plan related expenses out of the plan
- Offer more services
- Combination of any above items

The Committee will consider these items.

Brokerage Window on ORP and Cash Match

The Committee discussed a trend with other higher educational institutions in offering a brokerage window. While Virginia Tech offers a window on the 403(b), consideration should be given on the merits of offering a window on the ORP and Cash Match Plans. The State ORP currently doesn't offer this today and there is some concern as to whether the state would allow it on the ORP (more discussion to follow).

Closing and mapping of funds

The Committee discussed recent trends within the Virginia Opt out schools in this area and will consider this for a future meeting.

Having no other discussion items, the Committee meeting was adjourned.