

MEETING MINUTES

Plan Sponsor:	Virginia Tech
Plan Name(s):	VT Optional Retirement and VT Cash Match Plans
Committee Members:	Dwight Shelton- Trustee- absent John Cusimano- Co-Chairperson Angela King- Co-Chairperson Greg Kadlec Monica Mathena Maxine Lyons - absent Steve Capaldo Yohna Chambers - absent Brian Murphy Savita Sharma
Other Attendees:	Barry Schmitt (CAPTRUST) Patrick Warner (Fidelity) Andy Daigneault (Fidelity)
Meeting Topic:	Plan Investment Review
Date:	May 18, 2015
Time:	2:30 PM (EST) – 4:30 PM (EST)
Location:	North End Center, Suite 2300
Documentation Referenced:	3/31/2015 Plan Investment Report, , Flash Report, Non-approved asset report, , Fidelity Investment Review, and Fidelity Retirement Plan review and Assessment

OLD BUSINESS

The committee approved the minutes of the December 5, 2014 meeting of the Committee.

ECONOMIC/MARKET UPDATE

Mr. Andy Daigneault delivered a review of the economy and market along with Fidelity's outlook including the recent trend of active equity investing outperforming passive investing over the past quarter. Fidelity's economic and market commentary can be found in the annual investment review document. Andy then discussed the current fund lineup with specific comments relating to the following funds:

- Money Market- Andy explained the recent money market legislation and the impact that it will make in this sector of the market, including decisions Fidelity has made in their approach going forward. This will include the merger of several funds that are currently available to Faculty/staff at Virginia Tech, as well as ensure that the Fidelity money market funds are all government funds with stable NAV's.
- Fidelity Total Bond and its strong performance
- Fidelity Contrafund K
- Fidelity Low Priced Stock
- Fidelity Freedom K- Andy discussed the changes that were made to the glide path and fund structure last year and the positive short term results based on those changes.

Andy also discussed the competitiveness of Fidelity funds' fees that are part of the available funds within Virginia Tech.

Greg asked that Fidelity respond to the use of soft dollar arrangements within their funds today. Andy will follow up.

Retirement Plan Assessment

Patrick presented a summary of some key demographics on the plans:

- Plan statistics and transactions
 - 3,496 unique participants
 - \$279 mm in assets
 - Average account balance of \$79,800
- Engagement & Guidance
 - 53% contact rate
 - 37,000 Net Benefits interactions
 - 14% guidance usage with a 7% "take action" rate
- Asset allocation and investment design
 - 57% of participants are within a percentage of their age appropriate target date fund.
- Retirement readiness
 - 71% of employees are voluntarily participating
 - Average annual savings rate of \$6,734

INDUSTRY UPDATE/OVERVIEW

Barry delivered a review of recent focus areas relevant to retirement plan sponsors. CAPTRUST's industry update can be found in the quarterly investment review.

The following are the key themes:

- Continued focus on retirement readiness.
- Impact of participant advice
- Health savings accounts and the convergence with retirement planning strategies
- Discretionary consulting
- Fee awareness
- Continued vendor consolidation
- Tax reform
- Fiduciary regulation including the expansion of the definition of an ERISA Fiduciary.

INVESTMENT REVIEW

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

Assets as of March 31, 2015 totaled \$554.1mm broken down as follows:

- VT ORP Plan- Fidelity- \$111.2mm (including non-approved assets of \$13.6mm)
- VT Cash Match Plan- Fidelity- \$12.6m (including non-approved assets of \$1.5mm)
- VT ORP Plan- TIAA-CREF- \$411.4mm (including non-approved assets of \$8.1mm)
- VT Cash Match Plan- TIAA-CREF- \$18.9mm (including non-approved assets of \$297k)

Performance Review (CAPTRUST)

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

Fidelity Review

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

Considered for Termination

- **PIMCO Total Return (Score of 69)**- Given the recent events surrounding founder and longtime manager Bill Gross' departure from the PIMCO Total Return Fund and the uncertainty of this strategy going forward, **CAPTRUST continues to recommend the "freezing" of PIMCO Total Return on the Plan.** The Committee felt that the majority of the cash flow exodus, and corresponding negative impact of the fund, had already occurred, so now would be a bad time to freeze the fund. Also, the fund is passing the Virginia Tech overlay, so no action is required at this time. **CAPTRUST will continue to monitor the fund closely.**

Marked for Review

- **Thornburg Intl Value (Score of 78)** – While CAPTRUST continues to recommend the Committee consider an alternative, performance has improved. This fund is passing the Virginia Tech overlay so no action is required at this time. **CAPTRUST will continue to monitor the fund closely.**
- **Artisan Mid Cap Value (Score of 73)** – Despite the tenured management team of James Kieffer and Scott Satterwhite, both at the helm of this strategy since its inception in 2001, relative outperformance has been hard to come by in the last several years. The strategy finished both 2012 and 2014 in the bottom quartile of its peer group. We recommend our clients switch to a manager with a more consistent track record. Mr. Cusimano noted that Artisan had removed a third fund PM's to address this underperformance, and that the fund's Mar-2015 peer ranking had improved over the previous quarter in both the 3-year and 5-year periods. This fund is passing the Virginia Tech overlay, so no action is required at this time. **CAPTRUST will continue to monitor the fund closely.**

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

- **PIMCO Total Return (Score of 69)**- see above comments.

Marked for Review

- **Thornburg Intl Value (Score of 78)** – see above comments.
- **CREF Bond Market Account (Score of 78)** - 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.

- **Artisan Mid Cap Value (Score of 73)** – see above comments.

Other items discussed

CREF Share Class Changes- All CREF variable annuities changed their fee structure in April 2015. While the full effect will not be recognized until the third quarter, it would result in a reduction of the excess revenue.

TIAA-CREF fee negotiations- CAPTRUST and Virginia Tech worked with TIAA-CREF in reviewing the current fee arrangement. As a result of this process, TIAA-CREF lowered their required revenue on all assets from .18% (18 basis points) to .145% (14.5 basis points). Based on assets as of March 31, 2015 of approximately \$675mm, the net cost savings achieved will be over \$235,000/year. This will more than offset the reduction of revenue as a result of the CREF share class changes discussed above.

Brokerage Window on ORP and Cash Match

The Committee continues its discussion on the offering of a brokerage window. In concept, the Committee would like to offer a self-directed brokerage account on all assets. Stephen Capaldo will continue to evaluate with the goal of reaching a decision at the next Committee meeting. It is important to note that the state VRS ORP program has discussed and given approval for the use of a brokerage window. In addition, the types of vehicles that would be utilized within this window would only be 1940 Act mutual funds.

Closing and mapping of funds

Depending on the outcome of the brokerage window the Committee will explore closing and mapping in a future meeting.

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