

## 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  
Lisa Wilkes Co-Chairperson  
Kirk Wehner- Interim HR Director - absent  
Greg Kadlec- absent  
Art Keown - absent  
Steve Capaldo  
Brian Murphy  
Savita Sharma - absent  
Other Attendees: Andy Daigneault- Fidelity  
Rick Hart- Fidelity  
Barry Schmitt- CAPTRUST  
Meeting Topic: Plan Investment and Administrative Review  
Date: May 25, 2017  
Time: 1:00 PM (EST) – 3:00 PM (EST)  
Location: North End Center, Suite 2300  
Documentation Referenced: Fidelity Annual investment and Administrative review,  
3/31/17 CAPTRUST Plan Investment Report

## OLD BUSINESS

The committee approved the minutes of the February 22, 2017 meeting of the Committee.

## ECONOMIC/MARKET UPDATE

Andy from Fidelity discussed the current market environment. Andy focused on the following areas:

- )] Global market and synchronized reacceleration and reflation
- )] U.S. economy in later stages of business cycle
- )] International market and the global tailwind supporting equities
- )] The risks of trade policy over the global landscape
- )] Policy uncertainty
- )] US equity valuations and all US sectors showing positive performance for the 1<sup>st</sup> qtr

Andy then discussed specific Fidelity funds:

- )] Fidelity Total Bond and its strong performance
- )] Fidelity Inflation protected Bond Fund. This fund is “closed” to new investors. Because of the lack of product, an index fund could be considered.
- )] Fidelity 500 index and its 3.5bpts fee
- )] Fidelity Contrafund and its strong 1<sup>st</sup> quarter performance

- J Fidelity Low priced Stock- while this fund struggles during 2016, performance has been strong of late as the fund has benefited from its international exposure.
- J Fidelity Freedom Funds- Andy discussed the changes that were made several years ago and how those changes have improved the overall performance of this series.
- J Introduction of a no revenue share class series for certain funds

## ADMINISTRATIVE REVIEW

Rick Hart from Fidelity led a discussion on various items relating to the Fidelity relationship with Virginia Tech. Rick focused on the following items:

- Retirement Readiness- 74% of active participants contributing with an average annual savings of \$7,671. This is an area of opportunity
- Asset allocation- 65% of participants exhibit age-appropriate allocations. Fidelity would like to see this number above 80%
- 54% of participants engaged in some manner with Fidelity over the past year. Most occurred through net benefits. 162 individual consultations onsite
- 17% of participants use Fidelity for some level of personal investing.
- 2,911 unique participants on the Fidelity platform
- 26% of participants are not deferring anything.
- \$333.7 million in total assets (\$285.1 million represent active employees)
- Recent enhancements to the web experience
- Communication and education calendar

## INDUSTRY UPDATE/OVERVIEW

Barry delivered a review of recent industry trends. CAPTRUST's industry update can be found in the quarterly investment review document.

CAPTRUST discussed several topical items including:

- )] Combatting Defined Contribution leakage including loans, distributions, and changes to deferral rates when a distributable event occurs.
- )] Cyber Security and the opportunities to “shore up” internal policies and procedures
- )] Addressing financial stress in the workplace, effectively measuring financial stress, workforce challenges, and considerations in building an effective and sustainable wellness solution.
- )] The Fiduciary rule and the delay to June 9, 2017- what to expect from Fidelity/TIAA
- )] Other items:
  - Recent U.S. Chamber of Commerce request to raise the requirement minimum distribution to 75 from 70 ½.
  - IRS additional guidance on hardship documents.
  - Continue fee and related litigation

## ECONOMIC/MARKET UPDATE

CAPTRUST delivered a review of the economy and market along with CAPTRUST's outlook. CAPTRUST's economic and market commentary can be found in the quarterly investment review document including key themes on the improving economic environment, business and consumer confidence remains high, continued discussion on monetary and fiscal policy, elevated U.S. Stock valuations, regulatory reform, stimulus, increased pressure to fulfill campaign rhetoric, and current geopolitical risk prevalent in the marketplace.

## **INVESTMENT REVIEW**

### **Plan Level Review (does not include 403b plan or various other supplemental plans)**

Assets as of March 31, 2017 totaled \$633.4mm broken down as follows:

- J VT ORP Plan- Fidelity- \$138.9mm (including non-approved assets of \$13.3)
- J VT Cash Match Plan- Fidelity- \$14.6mm (including non-approved assets of \$1.5mm)
- J VT ORP Plan- TIAA-CREF- \$458.2mm (including non-approved assets of \$7.4mm)
- J VT Cash Match Plan- TIAA-CREF- \$21.7mm (including non-approved assets of \$276k)

### **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:

**Artisan Mid Cap Value (Score of 59)** – this fund will be frozen to new investments effective May 26<sup>th</sup> and JPMorgan Mid Cap Value will be added at the same time.

All other funds are meeting policy guidelines.

#### **TIAA Review**

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

#### **Considered for Termination**

**Artisan Mid Cap Value (Score of 59)** – see above comments.

#### **Marked for Review**

**Mainstay Large Cap Growth I (Score of 74)** – Mainstay had a strong first quarter, handily beating both their benchmark and the peer group universe averages. However, long-term performance is still below our expectations so this fund will remain marked for review. More recent performance is encouraging.

**TIAA-CREF Life Cycle Funds (score of 78)**- Due to several manager changes on this fund along with the addition of direct real estate, this fund has been marked for review.

**JPMorgan Short Duration Bond (score of 79)** – This fund is being marked for review due to a new Portfolio manager being assigned to this fund after the departure of the former PM.

**Other items discussed**

- ) **Brokerage window.** The brokerage window will be made available on the ORP plan over the next month. This window will only allow mutual funds.
- ) **Revenue credit accounts.** Lisa led a discussion on the current revenue credit amounts within the ORP plans. Currently, Fidelity's revenue credit account has a balance of \$74,614.07 and TIAA's revenue credit account has a balance of \$134,376.30. Per the direction from the plan administrator, the revenue credit is used to fund the university's investment consultant (CAPTRUST); funds in excess of the annual CAPTRUST costs are distributed back to plan participants. The summary schedule that was shared with the Committee summarized the revenue credit account allocations and vendor payments and confirmed the use of the revenue credit account is in accordance with the direction provided by the plan administrator. The Committee discussed the amount of revenue credit and whether the fee structure is at the appropriate level. As part of this, CAPTRUST will prepare a fee benchmarking/analysis for the next committee meeting.

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