

## 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- absent  
Susan Hughes  
Ashley Jewel  
Greg Kadlec  
Art Keown - absent  
Steve Capaldo, Counsel  
Brian Murphy- absent  
Savita Sharma  
Other Attendees: Barry Schmitt- CAPTRUST  
Meeting Topic: Plan Investment and Administrative Review  
Date: January 16, 2018  
Time: 3:00 PM (EST) – 4:30 PM (EST)  
Location: North End Center, Suite 2300  
Documentation Referenced: 9/30/17 CAPTRUST Plan Investment Report

### OLD BUSINESS

The committee approved the minutes of the May 25, 2017 meeting of the Committee.

### 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:

- ) Employer contributions trending upward
- ) Plans needing to address the option to receive plan installments instead of only lump-sums. *American's Plan has this feature already*
- ) The many flavors of financial wellness and the growing trend to offer these programs to employees either through the employer's healthcare company, their retirement plan vendor/vendors, or through a third party. *American discussed the role PriceWaterhouseCoopers has played in the past.*
- ) Fiduciary update including:
  - o Several states adopting fiduciary requirements and the current status of the Fiduciary rule
  - o Fee litigation
  - o Loan payments

## ECONOMIC/MARKET UPDATE

CAPTRUST delivered a review of the economy and markets 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 economic environment, driven by positive corporate earnings and contained inflation. Business and consumer confidence remain high with continued wage growth and low interest rate environment. Headwinds remain political risks, a short supply of skilled labor and gasoline prices trending higher.

Major indices performed as follows for the 3<sup>rd</sup> quarter:

- ) U.S. Stocks - 4.5%
- ) U.S. Bonds – 0.9%
- ) International Stocks - 5.5%
- ) Emerging Markets – 8.0%
- ) Real Estate – 1.1%

## INVESTMENT REVIEW

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

Assets as of September 30, 2017 totaled \$683.1mm broken down as follows:

- ) VT ORP Plan- Fidelity- \$154.7mm (including non-approved assets of \$15.9 million)
- ) VT Cash Match Plan- Fidelity- \$15.9mm (including non-approved assets of \$1.7mm)
- ) VT ORP Plan- TIAA-CREF- \$489.2mm (including non-approved assets of \$8.8mm)
- ) VT Cash Match Plan- TIAA-CREF- \$23.3mm (including non-approved assets of \$370k)

### **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) all funds are meeting policy guidelines.

**Fidelity Freedom Funds lowered the expenses from .02% to .05%**

### **TIAA Review**

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

**TIAA-CREF Mid Cap Value (score of 78)**- Score is being affected by modestly below-median performance in 2015, 2016, and YTD 2017. The fund's overweight position to energy and consumer staples were a drag on performance in addition to stock selection to energy and consumer discretionary sectors.

### **Other items discussed**

**Status of updating the ORP Investment Policy Statement-** John led a discussion on the desire to update the Investment Policy Statement (IPS). CAPTRUST provided two versions to the Committee- the first was to simply update the current IPS to incorporate changes to benchmarks, indices, etc. The second, and more extensive version, was to modernize the IPS including the addition of the CAPTRUST methodology as an appendix to the IPS. The Committee agreed to update the current IPS with a more thorough review and update using the second version provided later in 2018. The IPS will be reviewed at the next Committee meeting.

**Submitted Concern by ORP participant regarding not offering low-cost index funds-** John and Barry led a discussion with the committee about the current index fund offering, the gaps that could be filled with index funds and the best way to round out the fund menu. After much discussion, the Committee would like CAPTRUST to recommend the addition of index funds in the following categories:

- )] Large cap U.S. – this is already offered
- )] Extended market U.S. which will cover small to mid-cap
- )] International index including emerging markets
- )] Bond index

Ashley Jewel will contact this person to let them know of our progress and will report back after the next committee meeting.

The Committee would also like to know the securities lending policies for the recommended fund options.

**Add ETF's to the platform-** John led a discussion with the committee on the prospects of offering certain "40 act" ETF funds within the brokerage accounts. While Fidelity has certain processes in place to accommodate this request, TIAA doesn't offer a solution. VT would like more details on the types and specific ETF's offered for consideration at the next Committee meeting.

**Plan fees-** Barry led a discussion on plan fees with specific emphasis on the following key topics:

- )] What are some different methods to pay fees and the pros/cons of each
  - o Asset based
  - o Per-head
  - o Fee leveling
- )] It is time to re-price the services from Fidelity and TIAA through a fee benchmarking that CAPTRUST will provide.
- )] Pros/cons of offering institutional funds on platform including fee disparity issues that arise.

**Fiduciary Training** to be considered for a future meeting.

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