

MEETING MINUTES

Plan Sponsor: Virginia Tech
Plan Name(s): VT Optional Retirement and VT Cash Match Plans
Advisory Committee Members: John Cusimano- Co-Chairperson
Leisa Shelor Co-Chairperson
Ellen Banks (via video conference)
Marie Bliss
Steve Capaldo, Counsel
Bryan Garey
Greg Kadlec
Art Keown
Dwayne Pinkney
Dwight Shelton (absent)
Other Attendees: Debbie Greer
Mary Fandel (Fidelity)
Andy Daigneault (Fidelity)
Jeremy Harris (Fidelity)
Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Meeting Topic: Administrative Plan, Investment Review and Investment Policy Statement
Date: November 20, 2019
Time: 3:30 PM (EST) – 5:00 PM (EST)
Location: 2470 North End Center
Documentation Referenced: 9/30/19 CAPTRUST Plan Investment Report, 2nd quarter 2019 minutes, Fidelity Plan Review, Fidelity Investment Report, and Investment Policy Statement

FIDELITY PLAN AND INVESTMENT REVIEW

Mary Fandel, Vice President, Managing Director with Fidelity, highlighted components in the Fidelity Plan Review as of September 30, 2019:

- Fidelity's higher education peer group includes 103 retirement plans with 242,000 participants
- 76% of active employees with a balance at Fidelity are contributing to the plan on a voluntary basis.
- Average total (employer plus employee) savings rate is \$8,590.
- 12% of active employees with a balance at Fidelity have engaged in an advice and planning session. 23% of that population acted including exchanging funds and consolidating assets.
- \$440 million in assets (Fidelity) as of September 30, 2019.
- There are 3,195 active participants. 58% of active plan participants have a beneficiary on file with Fidelity. Fidelity can send out update beneficiary letter to plan participants.

- 31% of Gen X and 30% of Boomers are deeply unengaged (no contact with Fidelity over the past two years). **Fidelity discussed offering workshops to the unengaged to increase engagement.**
- Fidelity's outcomes analysis shows that there is a direct correlation between engagement and savings rates. For example, highly engaged participants have a higher average savings rate of \$13,214 versus the deeply unengaged participants who have an average savings rate of \$5,320 .
- Fidelity will also make a concerted effort to encourage participants to update beneficiary information.

The Committee requested that Fidelity increase engagement with employees that are in remote locations.

Andy Daigneault, Director, Institutional Investment Strategist, provided the Committee with an overview of the Fidelity investments offered across all Virginia Tech plans.

Items discussed:

- Fidelity's focus has been on retirement income/retirement readiness. There are three former portfolio managers focused on distribution strategy.
- Target date fund adoption rates range from 60% to 70%.
- VA Tech participants take on more risks than peers (10.5% vs 9.7%)
- Fidelity US Bond Index (FXNAX). Fidelity reduced expense ratio to 2.5 bps.
- Fidelity Contrafund fee is 73 bps.

The Committee discussed the importance of educating plan participants about fees.

The Committee and its advisor discussed having both Fidelity and TIAA run Retirement Income Analysis for the Virginia Tech Plans so the Committee could assess the overall retirement readiness of their entire employee population.

OLD BUSINESS

The Advisory Committee approved the minutes of the August 21, 2019 meeting of the Advisory Committee.

INDUSTRY UPDATE/OVERVIEW

CAPTRUST's industry update can be found in the quarterly investment review document.

CAPTRUST provided information in the following areas:

- There is increasing interest in how service providers protect and use participant information. Some recent settlements prevent recordkeepers from using participant information to market products or services unrelated to the plan. Fiduciaries should continue to monitor activity and developments surrounding this topic.
- Savings rates over time tend to determine retirement readiness. Plan sponsors should continue to evaluate their plan designs and savings rates by demographics to ensure their employees are on track for retirement.
- Recent Department of Labor retirement plan investigations have focused on the timeliness of the remittance of participant contributions. Participant contributions are

treated as plan assets and should be deposited into the plan as soon as reasonably possible. Informally, the DOL has stated it expects contributions to be made as quickly as other benefits are processed.

ECONOMIC/MARKET UPDATE

CAPTRUST provided the economic and market overview. CAPTRUST's economic and market commentary can be found in the quarterly investment review document including the following key themes:

- US Stocks added to their gains and closed out their best first three quarters since 1997 despite slowing economic growth and the ongoing trade dispute with China.
- International stocks posted slight losses for the quarter, weighed down by emerging markets and a strong dollar, but remain positive for the year.
- Emerging market stocks were down 4.2% for the quarter due to a strong dollar.
- Bonds rallied again this quarter, building on their year-to-date gains, as interest rates hit multi-year lows.
- Public real estate held onto strong gains due to a low interest rate environment and favorable market demand.

Other market topics discussed were elevated consumer confidence, low unemployment, rising wages, and a strong housing market (on the positive side), and continued trade tensions, slow economic growth, impeachment talks, presidential election and Brexit uncertainty (on the negative side).

Major indices performed as follows for the 3rd quarter 2019:

- U.S. Stocks: 1.7%
- U.S. Bonds: 2.3%
- International Stocks: (1.1%)
- Emerging Markets: (4.2%)
- Real Estate: 7.3%

INVESTMENT REVIEW

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

Assets as of September 30, 2019, totaled \$788.5mm broken down as follows:

- VT ORP Plan- Fidelity- \$197.1mm (including non-approved assets of \$18.6 mm)
- VT Cash Match Plan- Fidelity- \$18.2mm (including non-approved assets of \$2mm)
- VT ORP Plan- TIAA-CREF- \$546.5mm (including non-approved assets of \$7.8mm)
- VT Cash Match Plan- TIAA-CREF- \$26.7mm (including non-approved assets of \$348k)

There is approximately \$3.7 million in the Self-Directed Brokerage Accounts (SDBA) across both Fidelity and TIAA.

Performance Review

The Advisory 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 Marked for Review

Invesco Small Cap Growth (score of 78 with approximately \$2.4 million)- The fund passes the internal overlay, so no action is needed.

TIAA Review

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

TIAA-CREF Mid Cap Value Premier (score of 73 with approximately \$5.3 million) (Marked for Review) - This fund passes the internal overlay, so no action is needed.

TIAA-CREF Large Cap Value (score of 59 with assets of approximately \$8.9 million) (Considered for Termination) – This fund passes the internal overlay, so no action is needed.

TIAA-CREF International Equity Premier (score of 68 with assets of approximately \$6.3 million) (Considered for Termination) – This fund was replaced with the Europacific Growth Funds on November 14, 2019 for new contributions only.

Other fund items:

- Thornburg International Value was frozen to new contributions with those contributions moving to American Beacon International Equity.
- Vanguard Institutional index was moved (accumulations and future contributions) to Vanguard 500 Index due to insufficient assets to retain the lower priced option.

INVESTMENT POLICY STATEMENT (IPS)

Leisa and John updated the Committee on the changes made to the IPS. The changes, almost exclusively, were updates to such items as benchmarks, universes used to compare funds, and minimums/maximums from a market capitalization perspective and technical corrections. In addition, there were several updates to plan governance matters.

The purpose of the IPS is to be used as a guide in the decision-making process. It is not intended to be restrictive.

The final IPS was presented to the Committee for final review. If no additional comments were received by Committee members by COB on November 27, the IPS will be deemed approved and presented for signature.

Other items discussed and/or topics for future meetings

- Excess revenue. Virginia Tech will work with CAPTRUST, TIAA, and Fidelity, to credit accumulated excess revenues back to participants. Fidelity's approach will be pro-rata based on account balance. TIAA's approach will be pro-rata based on participant balances in funds that share revenue.

- **Volume Submitter Plan Document** is under legal counsel review.
- **Closing and mapping frozen funds.** CAPTRUST will present mapping strategy on all remaining frozen funds in the ORP and Cash Match Plans to be discussed at the next Committee meeting. CAPTRUST will provide the funds (and minimums) available in brokerage of the affected funds.
- **403(b) oversight-** as part of the ORP and Cash Match item above, CAPTRUST will provide a visual on what the investments and fees might look like if the 403b was migrated into the same structure as the ORP and Cash Match Plans.
- **Fee Policy.** This will be part of the discussions on closing and mapping along with 403b oversight.
- **Small balance payouts** for termed participants
- **Managed accounts discussion**
- **Retirement income analysis.** The Committee will consider doing a retirement income analysis soon. This will allow a 360-degree view of the retirement plans. Both Fidelity and TIAA offer this no fee service.

Having no other discussion items, The Advisory Committee meeting was adjourned.