

## 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-Absent  
Greg Kadlec-Absent  
Art Keown-Absent  
Dwayne Pinkney-Absent  
Other Attendees: Barry Schmitt (CAPTRUST)  
Fran Slacum (CAPTRUST) (via conference call)  
Meeting Topic: Administrative Plan, Investment Review and Investment Policy Statement  
Date: February 20, 2020  
Time: 3:30 PM (EST) – 5:00 PM (EST)  
Location: 2470 North End Center  
Documentation Referenced: 12/31/19 CAPTRUST Plan Investment Report, 3<sup>rd</sup> quarter 2019 minutes, Fund and fee analysis, Brokerage analysis, and ORP Overview

### OLD BUSINESS

The Advisory Committee approved the minutes of the November 20, 2019 meeting of the Advisory Committee.

The investment Policy Statement has been approved.

Most excess revenue was paid out to participants with a residual balance remaining to pay certain plan related expenses.

### INDUSTRY UPDATE/OVERVIEW

CAPTRUST's industry update can be found in the quarterly investment review document. CAPTRUST provided information on the SECURE Act:

SECURE Act - In December, as a part of the government's spending bill, Congress passed—and the president signed into law legislation that includes the most comprehensive changes to private retirement plans in more than a decade. The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 is a combination of several bills that were introduced in the last Congress with bipartisan support and is expected to make it easier for employers to sponsor retirement plans for their employees.

### IMPACT TO 403(b) RETIREMENT PLANS

- Extends the current required minimum distribution requirements to age 72 (effective for anyone turning 70.5 (after 1.1.2020)
- Allows penalty-free withdrawals for birth or adoption
- Raises auto-enrollment safe harbor cap to 15%
- Provides a safe harbor for lifetime-income provider selection
- Expands portability of lifetime income options
- Allows plans more time to adopt a safe harbor provision

### OUTCOMES

- Plan documents will likely need to be amended to comply with certain new regulations.

## **ECONOMIC/MARKET UPDATE**

All asset classes posted solid results for 2019. U.S. and international stocks and bonds performed well as the Federal Reserve and other central banks implemented policies to counter fears of slowing global economic growth. Despite distracting headlines along the way, patient investors were rewarded with generous gains during this news-driven year.

- While the economy grew only modestly in 2019, U.S. stocks posted their best year since 2013, aided by easing U.S.-China trade tensions and a boost from the Fed. The technology sector was especially strong.
- International developed and emerging market stocks also posted strong gains last year despite headwinds created by sluggish economic growth in Europe and China and a strong U.S. dollar.
- Bonds recorded their best year in more than a decade as interest rates fell significantly during the calendar year.
- Public real estate benefited from the helpful combination of low interest rates and favorable market demand.

Major indices performed as follows for the 4<sup>th</sup> quarter:

- U.S. Stocks +9.1%
- U.S. Bonds + 0.2%
- International Stocks +8.2%
- Emerging Markets +11.8%
- Real Estate +0.8%

## **INVESTMENT REVIEW**

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

Assets as of December 31, 2019, totaled \$839.5mm broken down as follows:

- VT ORP Plan- Fidelity- \$214.9mm (including non-approved assets of \$19.3 mm)
- VT Cash Match Plan- Fidelity- \$19.7mm (including non-approved assets of \$2.1mm)
- VT ORP Plan- TIAA-CREF- \$576.6mm (including non-approved assets of \$16.1mm)
- VT Cash Match Plan- TIAA-CREF- \$28.3mm (including non-approved assets of \$721k)

There is approximately \$4.6 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 \$2.3 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 are two funds marked for review and two funds marked considered for termination.

#### **Marked for Review**

**JPMorgan Short Duration Bond (score of 79 with approximately \$1.6 million)** - The fund passes the internal overlay, so no action is needed.

**Invesco Small Cap Growth (score of 78 with approximately \$1.8 million)** - The fund passes the internal overlay, so no action is needed.

#### **Considered for Termination**

**TIAA-CREF Mid Cap Value Premier (score of 67 with approximately \$5.7 million)** - This fund passes the internal overlay, so no action is needed.

**TIAA-CREF Large Cap Value (score of 53 with assets of approximately \$9.4 million)** - This fund passes the internal overlay, so no action is needed.

## **FEE FAIRNESS/ORP OVERVIEW/FUND ANALYSIS**

John and Barry led a discussion in several areas pertaining to:

- Current revenue sharing across the plans.
- Current fund structure and how different funds have different revenue sharing (0 to .40% depending on the fund) which creates a fee disparity across the plans and vendors.
- Different ways recordkeepers and fund companies can assess fees.
- Nuances of the TIAA fund structure (individual contracts)

A robust discussion took place. John suggested the following program goals:

- All fees associated with the plans should be paid by plan participants including recordkeeping, administration, and advisory fees.
- Any excess funds should be credited back to the participants that generated the excess.
- Ideally, participants should contribute the same amount (or percentage) towards plan costs with revenue share assessed at the same rate for all participants and credits returned to those participants that generated the excess revenue. This can be accomplished through a “fee leveling” approach.
  - For TIAA annuities, exceptions will apply including
    - Holding back a certain portion of excess revenue to pay their pro rata portion of plan related fees.

- How best to handle small balance participants?
- Strive for full fee transparency where all charges and reimbursements are shown on all account statements.

As part of this process, there are several considerations that were discussed that could impact how this is addressed:

- Migration to lowest share class of all funds offered
- Potential in paring down the fund menu and create a fully aligned fund structure across all plans and vendors (exceptions would apply for TIAA and Fidelity funds)
- How a \$per head fee would be implemented along with some nuances?
- How would an asset-based fee be implemented?

The Committee discussed what this could look like in terms of a pared down fund menu offering along with the introduction of a fee leveling approach. Barry will work with the recordkeepers to obtain fund size dispersion information which could be helpful to deciding how/if to pare down the fund offerings.

The next steps are to get more formal information from both TIAA and Fidelity on what the specifics would be for various approaches. This will be addressed at the May 2020 meeting. In concept, the Committee would like to implement the fee leveling approach in the fall of 2020 along with share class reductions and then close and map funds into the new and aligned fund menu in the spring of 2021 (this would entail all plans conforming to the same fund menu including the 403b plan). This would provide a better user experiences and a much simpler approach to communication and education.

#### **Other items discussed and/or topics for future meetings**

- **Volume Submitter Plan Document** has been completed.
- **Small balance payouts** for termed participants
- **Managed accounts discussion**
- **Retirement income analysis.**

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