

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
Marie Bliss
Steve Capaldo, Counsel
Bryan Garey-Absent
Greg Kadlec
Art Keown
Dwayne Pinkney-Absent
Other Attendees: Greg Diagonale (TIAA)
Tom Carmody (TIAA)
Jay Cobak (TIAA)
Ciaran Murphy (TIAA)
Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Drew Battle (CAPTRUST)
Meeting Topic: Pricing and Investment Review
Date: May 21, 2020
Time: 3:30 PM (EST) – 5:00 PM (EST)
Location: Microsoft Teams Meeting
Documentation Referenced: 3/31/20 CAPTRUST Plan Investment Report, 4th quarter
2019 minutes, TIAA Fee Design Deck

TIAA FEE DISCUSSION

TIAA reviewed two fee collection methodologies that institutions utilize - Basis point (Virginia Tech's current structure) and per participant (per capita) structure. Under the current basis point structure:

- Asset-based fees charged as percentage of assets
- Proportional fee charges to participants based on balance.
- Fees paid by participants grows as account balance grows.

Some institutions are moving away from a basis point arrangement to a per participant fee structure where:

- Fixed dollar amount charged per participant. Smaller balances that can't pay the fee will be subsidized by the other participants that can pay the fee.
- Same fee paid regardless of balance
- Fees by participants decreases as account balance grows

Virginia Tech's current recordkeeping fee is 7.3 bps. There are 72 plan participants that pay less than the current required revenue requirement. Most plan participants pay more than the current revenue requirement (17.2 bps is the average paid by participants prior to the recapture of excess revenue given back to participants). Most of the excess revenue is generated from the annuity funds. Last fall Virginia Tech authorized TIAA to returned excess to plan participants who produced revenue above the current requirement.

The Committee had a robust discussion on the pro and cons of the two fee structures, including fee leveling where plan participants pay their "fair share" of the fees required to maintain the plan (this was either asset based or on a fixed per participant fee). Fee deductions are not available on the annuity investment options. TIAA would return excess revenues to plan participants that generated the excess.

Other levers that could be utilized include paying out small balances, distributing fees across plans or group "like plans" together. The Committee also discussed the current plan design of the Cash Match Plan which affect the overall price of the plan. The Committee would like to explore the different options available.

CAPTRUST will get more formal information from both TIAA and Fidelity on what the specifics would be for various approaches. The Committee will present recommendations to the Vice President of Human Resources and the Senior Vice President, Chief Business Officer.

Ciaran Murphy gave the Committee an update on TIAA-CREF's Large Cap Value Fund and TIAA-CREF Mid-Cap Value Fund. Both funds had a change in Portfolio Managers.

OLD BUSINESS

The Advisory Committee approved the minutes of the February 20, 2020 meeting of the Advisory Committee.

INDUSTRY UPDATE/OVERVIEW

CAPTRUST discussed the impact COVID 19 and the significant decline in the market have had on recordkeepers (increase in call volumes, significantly longer wait times, "work from home" business continuity plans, and 100% virtual meetings) and on participants (increase in trading volumes, some movement away from equities, more calls about investments, and a small percentage that lowered or stopped contributing).

CAPTRUST reviewed the optional retirement provisions available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

- Penalty-free withdrawals up to \$100,000 for eligible participants.
- Loan limits raised from \$50,000 to \$100,000
- Delay on existing loan repayments for 12 months.
- Suspension of Required Minimum Distributions (RMDs) for 2020

After conferring with legal counsel, Virginia Tech opted to allow the CARES Act provisions for all plans.

Plan amendments can be made up until the last day of the plan year beginning January 1, 2024 (for non-ERISA plans). Each participant will self-certify they qualify for a distribution.

ECONOMIC/MARKET UPDATE

CAPTRUST provided the economic and market overview for 1st Quarter 2020. CAPTRUST's economic and market commentary can be found in the quarterly investment review document. The following were key themes through March 31, 2020:

- US stocks fell from all-time high as the coronavirus took root across the U.S.
- International developed and emerging market stocks lagged U.S. Stocks.
- Bond performance was mixed - U.S. Treasuries benefited from the flight to safety, and the 10-year Treasury's yield hit an all-time low due to aggressive Fed action.
- While public real estate typically performs well when interest rates decline, investors concerned about slow economy and falling demand pushed prices lower.
- Significant oil/energy price declines due to decreased demand and Russia/OPEC dispute
- Technology sector and why they underperformed less than other sectors.
- Why Value stocks did significantly worse than growth stocks.
- The speed of the market downturn during this economic full stop
- Signs of recovery in China

Major indices performed as follows for the 1st quarter:

- U.S. Stocks (19.6%)
- U.S. Bonds +3.1%
- International Stocks (22.8%)
- Emerging Markets (23.6%)
- Real Estate (24.4%)

INVESTMENT REVIEW

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

Assets as of March 31, 2019, totaled \$725mm broken down as follows:

- VT ORP Plan- Fidelity- \$179.8mm (including non-approved assets of \$12.6mm)
- VT Cash Match Plan- Fidelity- \$16.4mm (including non-approved assets of \$1.6mm)
- VT ORP Plan- TIAA-CREF- \$504.4mm (including non-approved assets of \$11.5mm)
- VT Cash Match Plan- TIAA-CREF- \$24.4mm (including non-approved assets of \$521k)

There is approximately \$4 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 are two funds marked for review.

Marked for Review:

American Beacon International Equity (score of 77 with approximately \$28,471)- The fund passes the internal overlay, so no action is needed.

Fidelity International Small Cap (score of 72 with approximately \$1.9 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.

Marked for Review

American Beacon International Equity (score of 77 with approximately \$274,296)- The fund passes the internal overlay, so no action is needed.

Considered for Termination

TIAA-CREF Mid Cap Value Premier (score of 66 with approximately \$3.6 million) - This fund passes the internal overlay, so no action is needed.

TIAA-CREF Large Cap Value (score of 60 with assets of approximately \$6.5 million) - This fund passes the internal overlay, so no action is needed.

Other Fund Discussed

CREF Money Market Account (assets of approximately \$10.6 million) – Given the significant reduction in the federal funds rate, many money market funds are facing the possibility of having to waive management fees to prevent yields from going negative. The CREF Money Market fund recently received a fee waiver from the NY Department of Financial Services (NYDFS) to avoid the potential of having a negative yield on this fund. TIAA will send out a communication to plan participants. **The Committee agreed to send a communication to CREF Money Market plan participants later this year.**

Other items discussed and/or topics for future meetings

- **Closing and mapping frozen funds.**
- **Migration to group contracts on the Fidelity platform.**
- **Small balance payouts** for termed participants
- **Strategy on legacy assets**
- **403(b) oversight**
- **Managed accounts discussion**
- **Retirement income analysis.**
- **Fee Policy** – How to pay plan expenses? (Fidelity)

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