

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
Steve Capaldo, Counsel
Bryan Garey
Debbie Greer
Greg Kadlec
Art Keown - absent
Dwayne Pinkney - absent
Other Attendees: Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Drew Battle (CAPTRUST)
Karren Gorney (CAPTRUST)
Meeting Topic: Investment Review, fund menu alignment, and Fee Policy
Date: November 19, 2020
Time: 3:30 PM (EST) – 5:00 PM (EST)
Location: Microsoft Teams Meeting
Documentation Referenced: 9/30/20 CAPTRUST Plan Investment Report and Fee Analysis
and Fund Menu Deck

OLD BUSINESS

The minutes of the August 20, 2020 Committee meeting were approved.

INDUSTRY UPDATE/OVERVIEW

The SECURE Act eliminated barriers to the adoption of guaranteed retirement income investments in defined contribution plans, including fiduciary liability concerns for annuity provider selection and portability of these products at the participant level. Plan Sponsors are reviewing options to help their plan participants in the decumulation stage of retirement, including but not limited to:

- Participant Education and Advice
- Systematic or periodic withdrawal options
- Managed account programs
- Guaranteed and non-guaranteed investments

Fiduciary Update:

The IRS and DOL have provided additional guidance for plan sponsors regarding the SECURE Act and the CARES Act.

- The DOL has provided the assumptions to be used by parties producing benefit statements for lifetime income disclosure.

- Qualified Birth or Adoption Distributions (QBADs) in the amount of \$5,000 per parent or adoption. Distributions are exempt from the 10% early withdrawal penalty.
- CARES Act increased loan amounts ended September 23. Penalty-free distributions end December 30, 2020.

Fiduciary Training Highlight:

Duty of Prudence - The duty of prudence is linked to the processes used to evaluate options, make decisions, and document actions. Fiduciaries should strive for a strong, consistent, and defined process that focuses on making sound fiduciary decisions in the best interest of participants.

ECONOMIC/MARKET UPDATE

All major asset classes rallied from March's market lows. Historic levels of fiscal and monetary stimulus support buoyed market's mid-year.

- U.S. stocks posted strong gains in the third quarter and are now in positive territory.
- International developed and emerging stocks rallied in the third quarter but trail U.S. stocks by a wide margin for the year.
- Bonds outpaced stocks so far this year and played stabilizer role as interest rates have fallen to historically low levels.
- While real estate typically benefits for falling interest rates, that has not been the case due to the impact of COVID-19 related office closures and economic shutdown on the office and retail sectors.

Major indices performed as follows for the 3rd quarter:

- U.S. Stocks +8.9%
- U.S. Bonds + 0.6%
- International Stocks +4.8%
- Emerging Markets +9.6%
- Real Estate +2.1%

INVESTMENT REVIEW

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

Assets as of September 30, 2020, totaled \$881 mm broken down as follows:

- VT ORP Plan- Fidelity- \$233mm (including non-approved assets of \$15.4mm)
- VT Cash Match Plan- Fidelity- \$21mm (including non-approved assets of \$2.2mm)
- VT ORP Plan- TIAA-CREF- \$597mm (including non-approved assets of \$12.9mm)
- VT Cash Match Plan- TIAA-CREF- \$30mm (including non-approved assets of \$630k)

There is approximately \$5.2 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 75 with approximately \$81,400)- The fund passes the internal overlay, so no action is needed.

T Rowe Price Mid-Cap Growth (score of 78 with approximately \$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 are four funds marked for review and one fund considered for termination.

Marked for Review

American Beacon International Equity (score of 75 with approximately \$695,700)- The fund passes the internal overlay, so no action is needed.

T Rowe Price Mid-Cap Growth (score of 78 with approximately \$16.8 million)- The fund passes the internal overlay, so no action is needed.

TIAA-CREF Large Cap Value (score of 75 with assets of approximately \$7.8 million) - This fund passes the internal overlay, so no action is needed.

TIAA-CREF Quant Small-Cap Equity Premier (score of 78 with assets of approximately \$3.5 million) - This fund passes the internal overlay, so no action is needed.

Considered for Termination

TIAA-CREF Mid Cap Value Premier (score of 58 with approximately \$4.3 million) - This fund passes the internal overlay, so no action is needed.

Other Fund Discussed

CREF Money Market Account (assets of approximately \$11.3 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. There are 876 participants with money in the CREF Money Account. **TIAA will send a notification to participants in December. The Committee agreed to send an additional communication to CREF Money Market plan participants.**

FEE FAIRNESS/ORP OVERVIEW/FUND ANALYSIS

Barry discussed the current fee structure of the plan including how fees are generated, how fees are being charged today, and how to assess fees in a more equitable manner (“fee leveling/fee fairness”). The overall goal would be for participants to pay the same amount (or percentage)

towards plan administrative costs with fees assessed at the same rate for all participants and credits returned to those participants that generated the excess revenue which can be accomplished through a “fee leveling”.

As part of the fee analysis, CAPTRUST incorporated oversight of the 403(b) plan (and all executive plans) and the effect it would have on overall fees and the funds being offered. It was noted that once the 403(b)-plan fund menu aligns (mapping of assets into the new fund structure included) with the ORP and Cash Match plans, overall investment and administrative costs would be lower on both the Fidelity and TIAA platforms - ranging from \$288,000 to \$292,000 based on June 30, 2020 data. CAPTRUST noted there would be a slight increase in advisory fees with the addition of the 403(b) and Excess plans.

Barry provided the Committee with the results of recent fee discussions with both Fidelity and TIAA as part of this process. TIAA proposed \$78/per unique participant. As part of their proposal, TIAA committed to absorbing any shortfall for participants that cannot pay the per participant fee based on the participant’s account balance in annuities. Fidelity proposed \$79/per unique participant. The Committee prefers a tiered approach to assessing fees where participants with smaller plan balance pay a smaller fee. The Committee agreed to eliminate small balances before moving to a per participant fee. **CAPTRUST will confirm if Virginia Tech can move to a bundled fee approach in the near term.**

It was noted that the Committee makes recommendations to Dr. Pinkney who was delegated authority over retirement programs by the Board of Visitors.

PROPOSED PROJECT TIMELINE:

CAPTRUST reviewed the proposed project timeline and suggested the Committee implement changes using a phased approach. Phase 1 includes accepting pricing proposals, payout small/“de-minimus” balances (less than \$5,000) for terminated participants, modernizing the plan by migrating to TIAA’s group contracts and industry standard retirement plan loans. Phase 2 includes fund menu consolidation (includes oversight of all plans including 403b) and implementing fixed and transparent pricing.

Legal Counsel is in the process of updating the plan document. Amendments will include small balance payouts for the ORP and Cash Match Plans, updating language to include SECURE Act and CARES Act required amendments.

The HR Team will discuss how to pay plan related expenses out the excess revenue generated in the 403(b) Plan.

Other items discussed and/or topics for future meetings

- **CAPTRUST will coordinate a call with TIAA to discuss migration to group contracts.**

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