

## 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  
Debbie Greer  
Greg Kadlec  
Art Keown - absent  
Ken Miller  
Dwayne Pinkney  
Other Attendees: Barry Schmitt (CAPTRUST)  
Fran Slacum (CAPTRUST)  
Meeting Topic: Investment Review and Project Timeline  
Date: August 19, 2021  
Time: 3:30 PM (EST) - 4:30 PM (EST)  
Location: Microsoft Teams Meeting  
Documentation Referenced: 6/30/21 CAPTRUST Investment Report, Fund Totals and Prior Meeting Minutes

## OLD BUSINESS

The minutes of the May 20, 2021, Committee meeting were approved.

## INDUSTRY UPDATE/OVERVIEW

Several provisions of the CARES, SECURE, and Miners Acts may require plan sponsor action:

- Plan sponsors may reduce the minimum age for in-service distributions for governmental 457(b) and money purchase plans to 59.5.
- Plan sponsors may permit qualified birth or adoption distributions (QBADs), which are penalty-free distributions for birth or adoption expenses, of up to \$5,000 per child.
- Plan sponsors should ensure their recordkeepers are prepared for the resumption of required minimum distributions (RMDs).

Fiduciary Training Highlight: Ensuring Reasonable Fees – A fiduciary is responsible for understanding fees associated with the plan’s investments and services. Having the least expensive is not required. Fiduciaries are responsible for ensuring that costs associated with the services provided are reasonable.

The proposed Securing a Strong Retirement Act (SECURE 2.0) allows certain 403(b) plans access to collective investment trusts (CITs), which are considered more cost-effective vehicles. While

CITs are like mutual funds, these investment vehicles are regulated differently and carry their own considerations.

## **ECONOMIC/MARKET UPDATE**

All major asset classes posted gains last quarter, fueled by fiscal and monetary policy support and optimism about economic reopening. Investors continue to watch for signs that inflation pressures are temporary or persistent.

- U.S. stocks added to gains. Both large- and small- cap stocks had double-digit returns.
- International developed and emerging market stocks are also positive.
- Bonds are in negative territory for the year but posted a small gain in the second quarter as interest rates eased.
- Commodities were the standout performers for the second quarter (and year to date) as oil prices reached their highest level since 2018. Other commodities, including lumber and precious metals also surged during the quarter.

Major indices performed as follows for the 2nd quarter:

- U.S. Stocks +8.5%
- U.S. Bonds +1.8%
- International Stocks +5.4%
- Emerging Markets +5.1%
- Commodities +13.3%

## **INVESTMENT REVIEW**

### **Plan Level Review**

Assets as of June 30, 2021, totaled \$1.88 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$302.1 mm (including non-approved assets of \$18.2 mm)
- VT Cash Match Plan - Fidelity- \$25.7 mm (including non-approved assets of \$2.8 mm)
- VT 403(b) Plan - Fidelity - \$309.1 mm
- VT Select DC Plan - Fidelity - \$2.3 mm
- VT Incentive Plan - Fidelity - \$10,434
- VT ORP Plan - TIAA - \$702.9 mm (including non-approved assets of \$14.6 mm)
- VT Cash Match Plan - TIAA - \$35.2 mm (including non-approved assets of \$699k)
- VT 403(b) Plan - TIAA - \$503.2 mm
- VT Incentive Plan - TIAA - \$376,923
- VT Select DC – TIAA - \$2.3 mm

There is approximately \$11.5 million in the Self-Directed Brokerage Accounts (SDBA) across both Fidelity and TIAA.

### **Performance Review (only on ORP and Cash Match Plans)**

The Advisory Committee and its advisor, CAPTRUST 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 three funds marked for review.

#### **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:**

**Fidelity Real Estate Investment Portfolio (score of 74 with approximately \$2.74 million)** - The current real estate environment has been challenging with certain sectors facing challenges due to business closures and its impact on commercial real estate. However, the fund passes the internal overlay, so no action is needed.

**American Beacon International Eq Y (score of 75 with approximately \$1.68 million total assets - Fidelity and TIAA)** - The manager has struggled over the past three and five-year periods as the funds value bias approach has not been rewarded. However, the fund passes the internal overlay, so no action is needed.

**T Rowe Price Mid-Cap Growth (score of 75 with approximately \$10.2 million total assets - Fidelity and TIAA)** - The manager employs a growth at a reasonable price approach which has been out of favor in the current market. However, the fund passes the internal overlay, so no action is needed.

**TIAA-CREF Large Cap Value (score of 78 with assets of approximately \$15.28 million)** - The manager has struggled over the past three and five-year periods but has improved over the past year. However, the fund passes the internal overlay, so no action is needed.

**CREF Money Market Account (assets of approximately \$10.07 million)** - The fund seeks high current income consistent with maintaining liquidity and preserving capital. CREF Money Market received approval by the state of New York to extend its expense waiver through the end of June. Now that TIAA's waiver has expired, participants may see negative returns in the CREF Money Market Account if interest rates do not rise sufficiently to cover the Account's expenses.

In September, Virginia Tech will be moving to TIAA's Retirement Choice/Retirement Choice Plus Contracts including retirement plan loans. The CREF Money Market Account will not be offered in the group contracts. Contributions to this fund will be redirected to Vanguard Treasury Money Market Fund once the implementation is complete. **CREF Money Market assets will remain in the individual contracts until participants make an election to move those assets.**

#### **Considered for Termination:**

**TIAA-CREF Mid Cap Value Premier (score of 59 with approximately \$10.6 million)** – Future Contributions will be redirected to JPMorgan Mid Cap Value Fund after September 9, 2021. Current accumulations will not be moved.

The Committee took oversight of all retirement plans excluding the 415(m) plan. There are several funds in these plans that are marked for review and consider for termination. The funds will be addressed when the plan and fund menu consolidation is completed Spring 2022.

#### **FOLLOW UP/OTHER ITEMS**

- TIAA Settlement - TIAA agreed to settle with both the SEC and New York Attorney General for a total of \$97 million. Both entities investigations focused on rollovers and other transfers/movement of assets made by TIAA retirement plan participants to a TIAA managed account called Portfolio Advisor from 2012 to 2018. Approximately 50 Virginia Tech participants were affected. Settlement proceeds will be awarded to the participants based on the amount of managed account fees paid. Generally, those with larger managed account balances will receive more money. These funds will be distributed to participants over the next seven months.
- TIAA and Fidelity lowered recordkeeping fees retroactive to January 1, 2021. Fidelity's fee is 7.5 basis points (bps) or \$79 per unique participant. TIAA's fee is 5.3 bps or \$78 per unique participant. The per head fee approach will be implemented in 2022. **CAPTRUST will provide a fee analysis at the next Committee Meeting.**
- Fidelity will migrate ten funds to a lower share class fund on August 20, 2021.
- Migration to TIAA Group Contracts - TIAA will be migrating current plan participants and former plan participants with assets in mutual funds to group contracts – Retirement Choice/Retirement Choice Plus September 2021. Notification letters were mailed to impacted participants on August 9, 2021. The minimum guarantee for TIAA Traditional under the RC/RCP is 1% versus 3% in the legacy contracts.
- TIAA will be migrating Virginia Tech to their R3 share class of funds on September 9, 2021. The R3 share class is less expensive than the R2 share class of funds currently offered on Virginia Tech's fund menu.
- The payment of small/de minimis plan balances for terminated participants. This project will take place after the migration to group contracts is complete. Internal Counsel is updating Plan Documents.
- Implementing flat dollar per head fee in 2022. The Committee is interested in tiering fees. The Committee could use revenue credits to offset participant fees. **CAPTRUST will work with Fidelity and TIAA on the tiered fee approach after small balances are removed from the plan.**
- Fund menu consolidation will be accomplished during the spring of 2022.

#### **ACTION ITEMS:**

- The fund menu and fee payment methodology will be discussed at the next Committee Meeting.
- The Investment Policy Statement and the Committee Charter will be updated.
- CAPTRUST will conduct Fiduciary Training at a future Committee Meeting.

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