

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
Ken Miller
Dwayne Pinkney - absent
Other Attendees: Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Meeting Topic: Investment Review
Date: November 18, 2021
Time: 3:30 PM (EST) - 4:30 PM (EST)
Location: Microsoft Teams Meeting
Documentation Referenced: 9/30/21 CAPTRUST Investment Report, Fund Totals, and Prior Meeting Minutes

OLD BUSINESS

The minutes of the August 19, 2021, Committee meeting were approved.

INDUSTRY UPDATE/OVERVIEW

Thoughtful Governance: Committee Design

Effective retirement programs are anchored in prudent and thoughtful governance. Following a process, maintaining records, understanding responsibilities, and assigning duties can help minimize the risk of litigation. When setting up a governance structure, ensure that the Committee is actionable and properly trained. **The Committee discussed adding a staff member to the Advisory Committee.**

On April 13, 2021, the Department of Labor (DOL) issued clarifying guidance for Prohibited Transaction Exemption (PTE) 2020-02, Improving Investment Advice for Workers & Retirees, which became effective on February 16, 2021. PTE 2020-02 allows investment advice fiduciaries to receive compensation as a result of providing fiduciary investment advice if that advice meets the DOL's "Impartial Conduct Standards," which include (1) a best interest standard, (2) a reasonable compensation standard, and (3) a

requirement to make no materially misleading statements about recommended investment transactions and other relevant matters.

Fiduciary Training Highlight: Understanding Fiduciary Roles – Fiduciary training provides a way to minimize risk through education and governance and serves as a critical component to managing a retirement plan.

ECONOMIC/MARKET UPDATE

Asset classes posted mixed results in the third quarter, as the delta variant raised concerns about the sustainability of the economic reopening. Despite a rocky quarter, U.S. and international stocks, real estate, and commodities remain in positive territory for the year.

- U.S. large-cap stocks rose slightly and small-cap stocks fell in the third quarter.
- International developed market stocks continue to trail U.S. stocks for the year. Emerging market stocks are now slightly negative for the year, driven by slower growth and regulatory actions in China.
- Bonds treaded water in the third quarter as interest rates remained relatively unchanged.
- Commodities were the standout performers fueled by a rebound in oil prices.
- Public real estate had a small gain.

Major indices performed as follows for the 3rd quarter:

- U.S. Stocks +0.6%
- U.S. Bonds +0.1%
- International Stocks (0.4%)
- Emerging Markets (8.0%)
- Commodities +6.6%
- Real Estate +0.9%
- Commodities +13.3%

INVESTMENT REVIEW

Plan Level Review

Assets as of September 30, 2021, totaled \$1.89 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$304.4 mm
- VT Cash Match Plan - Fidelity- \$25.7 mm
- VT 403(b) Plan - Fidelity - \$317.4 mm
- VT Select DC Plan - Fidelity - \$2.4 mm
- VT Incentive Plan - Fidelity - \$10,480

- VT ORP Plan - TIAA - \$701.6 mm
- VT Cash Match Plan - TIAA - \$35.1 mm
- VT 403(b) Plan - TIAA - \$503.7 mm
- VT Incentive Plan - TIAA - \$376,325
- VT Select DC – TIAA - \$2.3 mm

There is approximately \$19.2 million in the Self-Directed Brokerage Accounts (SDBA) across both Fidelity and TIAA.

Performance Review

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 four funds marked for review.

TIAA Review

Out of the 27 funds in the plans (Target date counted as one) there are five funds marked for review and one fund considered for termination, although the Committee has already made a fund change per below.

Marked for Review:

Fidelity Real Estate Investment Portfolio (score of 78 with approximately \$2.8 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 \$2.77 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. The overall strategy benefits when value comes back into favor. However, the fund passes the internal overlay, so no action is needed.

American Beacon Small Cap Value (score of 78 with approximately \$1.87 million total assets - Fidelity and TIAA) - This fund seeks long-term capital appreciation and current income primarily through investments in small market capitalization U.S. stocks. Based on its strategy, their approach has faced headwinds in the current market, but long-term performance is near the benchmark. However, the fund passes the internal overlay, so no action is needed.

T Rowe Price Mid-Cap Growth (score of 78 with approximately 4.89 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 73 with assets of approximately \$15.14 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 \$9.67 million)** - CREF Money Market's expense ratio waiver is set to expire at the end of the year. The expense waiver reduces the possibility of negative net returns for the fund in the short-term. After the waiver expires, participants may see negative returns in the CREF Money Market Account if interest rates do not rise sufficiently to cover the Account's expenses. Virginia Tech moved to TIAA's Retirement Choice/Retirement Choice Plus Contracts in September. The CREF Money Market Account is not offered in the group contracts. **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 \$10.2million) – Future Contributions have been redirected to JPMorgan Mid Cap Value Fund effective 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 Fall 2022 (estimated time frame).

OTHER FUNDS DISCUSSED

- Fidelity moved the following funds to the lowest share class on the Fidelity platform:
 - Fidelity Blue Chip Growth K6 Fund
 - Fidelity Contrafund K6 Fund
 - Fidelity Growth Company K6 Fund
 - Fidelity Total Bond K6 Fund
 - Fidelity Diversified International K6 Fund
 - American Beacon Fund Small Cap Value Fund, R6
 - American Beacon Fund International Equity, R6
 - MFS Value Fund, R6
 - JP Morgan Mid-Cap Value Fund, R6
- TIAA moved the following funds to the lowest share class on the TIAA platform:
 - CREF Growth R3
 - CREF Equity Index R3
 - CREF Stock R3
 - CREF Bond Market R3
 - CREF Inflation Linked Bond R3

- CREF Money Market R3

FOLLOW UP/OTHER ITEMS

- The payment of small/de minimis plan balances for terminated participants. This project will take place Spring 2022. The current plan document allows for forced distributions. Virginia Tech will need to select a Rollover IRA provider for the small balances. **CAPTRUST sent a copy of their Rollover IRA Provider RFI that was completed earlier this year.**
- 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 on the 403(b) and fund expansion on the ORP/Cash Match Plans will be accomplished during the Fall 2022. The Committee is interested in mapping select funds available in the 403(b) to the brokerage window.

ACTION ITEMS:

- 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.