

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 - absent
Marie Bliss
Steve Capaldo, Counsel
Bryan Garey
Debbie Greer
Greg Kadlec - absent
Art Keown
Ken Miller
Other Attendees: Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Karren Gorney (CAPTRUST)
Meeting Topic: Investment Review
Date: March 24, 2022
Time: 3:30 PM (EST) - 5:00 PM (EST)
Location: Microsoft Teams Meeting
Documentation Referenced: 12/31/21 CAPTRUST Investment Report, Future State Fund Menu, and Prior Meeting Minutes

OLD BUSINESS

The minutes of the November 18, 2021, Committee meeting were approved.

INDUSTRY UPDATE/OVERVIEW

SECURE Act 2.0

Plan Sponsors can expect to see increased legislative activity around retirement plans with Secure Act 2.0. Key elements to expect in the final bill:

- A clearinghouse for lost retirement accounts
- Higher catch-up limits
- Another increase in the required minimum distribution (RMD) age, to age 75.
- Treatment of student loan repayments as elective deferrals

Benefit Solutions

With the tight labor market, plan sponsors are looking to add new and innovative benefits, which may include:

- Health Savings Accounts (HSAs), student loan assistance, and non-qualified plans
- Investment advice and financial wellness with a focus on more personalized solutions like managed accounts and one-on-one advice.

Plan Litigation

Retirement plan lawsuits are expected to remain elevated in 2022, which will continue to impact fiduciary liability insurance. Plan sponsors looking to alleviate fiduciary responsibilities may increase the utilization of both 3(38) and 3(16) discretionary services.

DOL Update

The Department of Labor (DOL) issued an Interim Final Rule in August 2020 that requires a new lifetime income illustration as part of second-quarter 2022 participant statements; thereafter, these statements will be delivered to participants on an annual basis.

Fiduciary Training Highlight

The Plan Sponsor is commonly named as both the plan fiduciary and plan administrator of a retirement plan. The role of a plan administrator is to ensure the plan is administered in accordance with the plan documents, overseeing and executing the day-to-day activities of the plan.

ECONOMIC/MARKET UPDATE

Despite volatility fueled by the COVID-19 virus and policy uncertainty, supply chain woes, and inflation worries, most asset classes posted solid returns in 2021, led by economically sensitive sectors that benefitted from reopening trends.

- U.S. large-cap stocks delivered solid returns for the quarter.
- International developed stocks posted positive returns for the year, even as China risks affect emerging markets.
- Fueled by oil prices, commodities advanced by more than 27% for the year.
- Public real estate added to gains in the fourth quarter despite continued virus concerns.
- Core bonds were flat in the fourth quarter.

Tailwinds Facing The Market

- Buying power of US consumer
- Strong fundamentals
- Tight labor market pushing wages higher

Headwinds Facing The Market

- Russia/Ukraine crisis
- Inflation fears
- Signaling of changes in monetary policy by central banks
- Supply chain issues

Major indices performed as follows for the 4th quarter 2021:

- U.S. Stocks +11%
- U.S. Bonds 0.0%
- International Stocks +2.7%

- Emerging Markets (1.2)%
- Real Estate +14.6%
- Commodities (1.6)%

INVESTMENT REVIEW

Plan Level Review

Assets as of December 31, 2021, totaled \$1.97 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$322.5 mm
- VT Cash Match Plan - Fidelity- \$27.1 mm
- VT 403(b) Plan - Fidelity - \$329.8 mm
- VT Select DC Plan - Fidelity - \$2.6 mm
- VT Incentive Plan - Fidelity - \$11,356
- VT ORP Plan - TIAA - \$730.3 mm
- VT Cash Match Plan - TIAA - \$36.5 mm
- VT 403(b) Plan - TIAA - \$523 mm
- VT Incentive Plan - TIAA - \$372,908
- VT Select DC – TIAA - \$2.5 mm

There is approximately \$20.5 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 (Cash Match and ORP Plans)

Out of the 26 funds in the plan (Target date funds counted as one) there are four funds marked for review and one fund considered for termination.

TIAA Review (Cash Match and ORP Plans)

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, although the Committee has already made a fund change per below.

Marked for Review:

Fidelity Real Estate Investment Portfolio (score of 73 with approximately \$5 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 78 with approximately \$2 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 \$6.4 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 its 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 76 with approximately \$10.6 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.

CREF Money Market Account (assets of approximately \$8.7 million) - CREF Money Market's expense ratio waiver expired at the end of 2021. 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 \$10.2 million total assets - TIAA) – Future Contributions have been redirected to JPMorgan Mid Cap Value Fund effective September 9, 2021. Current accumulations will not be moved.

American Century Focused Large Cap Value (score of 66 with approximately \$1 million total assets - Fidelity) The strategy has gone through a litany of changes since current lead PM took over in 2016 and significantly lagged the benchmark and peer group in 2021. However, the fund passes the internal overlay to avoid immediate replacement, but an internal review is warranted. Unless the internal review uncovers a concern that warrants immediate replacement, the fund will remain open until is it replaced in 9-12 months as part of the overall transition to a new fund lineup.

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 considered for termination. The funds will be addressed when the plan and fund menu consolidation is estimated to be completed by January 2023 (estimated time frame).

FUTURE STATE FUND MENU

With the Investment Committee taking oversight of all retirement plans, CAPTRUST based its recommendations on designing a fund menu that mirrors the current ORP and Cash Match Plan's investment menu with several additions. The intent is to provide enough choice without overwhelming participants. On the Fidelity Platform, CAPTRUST proposed the following:

- Allocation Tier – Map current allocation tier funds to the Fidelity Freedom Fund K Series
- Passive Tier – Reduce the number of investment options in the passive tier from 26 funds to 15 funds which include adding the Vanguard FTSE Social Index Fund.
- Active Tier – Mirror the current active tier funds held in the ORP and Cash Match plans with the addition of two funds - BlackRock Mid-Cap Growth Equity K and Vanguard Explorer Admiral.

Eliminated funds would be available in the Self-Directed Brokerage at the same or higher expense.

On the TIAA Platform, CAPTRUST proposed the following:

- Allocation Tier – Migrate to the TIAA-CREF Lifecycle Institutional Share Class
- Passive Tier – Eliminate certain Index funds that share revenue and replace them with Vanguard Index funds that share zero revenue.
- Active Tier – Consider replacing three funds that share revenue, migrating to a lower share class where available, and adding five new funds:
 - Vanguard Federal Money Market Investor
 - Vanguard Inflation-Protected Secs Adm
 - MFS Value R6
 - JHancock Disciplined Value Mid Cap R6
 - BlackRock Mid-Cap Growth Equity K

After a robust discussion, the Committee was in favor of the recommended fund menu as well as open to the idea of eliminating some of the CREF variable annuities (CREF Equity Index, CREF Money Market, CREF Inflation-Linked Bond, CREF Bond Market, CREF Growth, and CREF Global Equities). The eliminated CREF Annuity Fund options would be replaced with a “like” mutual fund option. **CAPTRUST will present the mutual fund/CREF Annuity fund comparisons at the next Committee Meeting for final Committee review and approval.**

FOLLOW UP/OTHER ITEMS:

- The payment of small/de minimis plan balances for terminated participants. This project will take place late Spring 2022. The current plan document allows for forced distributions. Virginia Tech may use UPMIFA to select an IRA provider.
- 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.**
- More research will need to be done on whether revenue credits on the 403b could be used to cover plan-related expenses. The Committee discussed the current revenue credits for the 403(b) plan.

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.