

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 - absent
Steve Capaldo, Counsel
Bryan Garey
Debbie Greer
Greg Kadlec - absent
Art Keown - absent
Ken Miller
Other Attendees: Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Karren Gorney (CAPTRUST)
Meeting Topic: Investment Review
Date: August 18, 2022
Time: 3:30 PM (EST) - 5:00 PM (EST)
Location: Microsoft Teams Meeting
Documentation Referenced: 6/30/22 CAPTRUST Investment Report, Future State Fund Menu, and Prior Meeting Minutes

OLD BUSINESS

The minutes of the May 19, 2022, Committee meeting were approved.

INDUSTRY UPDATE/OVERVIEW

Qualified default investment alternatives (QDIA) and target-date funds (TDFs) became core retirement plan offerings following the Pension Protection Act (PPA) in 2006. Plan sponsors are starting to reassess what's next for QDIAs which may include adding managed accounts and/or incorporating guaranteed annuities.

ECONOMIC/MARKET UPDATE

Investors realized tense times were likely to be followed by more difficult times going forward. The result was a broad-based repricing of risk, sending stocks and bonds lower during the second quarter.

- U.S. large-cap stocks posted double-digit declines and briefly entered bear market territory. Despite a late-quarter bounce, they ended the second quarter down more than 16%.
- International stocks fared mostly better than domestic stocks. The dollar's continued strength offset this advantage.
- Commodities weakened in the second quarter. Ongoing inflation pressures were offset by increasing economic growth concerns.

- Bond prices remained under pressure as interest rates continued to rise. For the quarter, the Bloomberg U.S. Aggregate Bond Index lost another 4.7%.

Tailwinds Facing The Market

- Index valuations are in line with longer-term averages
- Estimates for corporate revenue and earnings continue to climb for 2022 and 2023
- Consumer and investor sentiment are near all-time lows. Low expectations set the stage for positive surprises.

Headwinds Facing The Market

- Russia/Ukraine crisis continues
- Fed has minimal tools to combat supply-driven inflation and risks
- Consumer spending is under pressure with shifting budgets and housing affordability

Major indices performed as follows for the 2nd quarter:

- U.S. Stocks (16.1%)
- U.S. Bonds (4.7%)
- International Stocks (14.3%)
- Emerging Markets (11.3%)
- Real Estate (14.5%)
- Commodities (5.7%)

INVESTMENT REVIEW

Plan Level Review

Assets as of June 30, 2022, totaled \$1.67 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$261.5 mm
- VT Cash Match Plan - Fidelity- \$21.5 mm
- VT 403(b) Plan - Fidelity - \$263.9 mm
- VT Select DC Plan - Fidelity - \$2.1 mm
- VT Incentive Plan - Fidelity - \$8,188
- VT ORP Plan - TIAA - \$627.1 mm
- VT Cash Match Plan - TIAA - \$30.5 mm
- VT 403(b) Plan - TIAA - \$464.5 mm
- VT Incentive Plan - TIAA - \$329,528
- VT Select DC – TIAA - \$2.1 mm

There is approximately \$18.3 million in the Self-Directed Brokerage Accounts (SDBA) across both Fidelity and TIAA.

Performance Review (ORP and Cash Match only)

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.

Commented [AF1]: Does Fidelity 403(b) plan balance include both EE and ER plan assets? If not, VT does have separate ER 403(b) plans with both.

Commented [SF2R1]: The 403(b) plan is for voluntary employee contributions only.

Commented [AF3R1]: Should bullets be added to include the employer 403(b) plan totals for Fidelity and TIAA? If so, this could be implemented for the next retirement meeting.

Commented [AF4]: Does TIAA 403(b) plan balance include both EE and ER assets? If not, VT does have separate ER 403(b) plans with both.

Commented [SF5R4]: Same as noted above.

Commented [AF6R4]: Should bullets be added to include the employer 403(b) plan totals for Fidelity and TIAA? If so, this could be implemented for the next retirement meeting.

Fidelity Review (Cash Match and ORP Plans)

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

Marked for Review:

Fidelity Real Estate Investment Portfolio (score of 78 with approximately \$2 million total assets – Fidelity only) From 2017-2020, broad-based selection issues drove underperformance relative to the strategy's benchmark and the real estate category. Since then, however, performance has stabilized. **The fund passes the internal overlay, so no action is needed. This fund will not be included as a fund offering in the “future state” fund menu.**

Invesco Small Cap Growth R5 (score of 78 with approximately \$5 million total assets – Fidelity and TIAA) Due to the pending retirement of Invesco Listed Real Assets co-CIO Joe Rodriguez, the Gold and Special Minerals team is being realigned under George Evans, CIO of Global Equities. The strategy will continue to be led by senior portfolio manager Shanquan Li. **The fund passes the internal overlay, so no action is needed. This fund will not be included as a fund offering in the “future state” fund menu.**

CREF Growth R3 (score of 79 with approximately \$19.75 million total assets – TIAA) The CREF Growth Account is an actively managed variable annuity that seeks a favorable long-term rate of return, mainly through capital appreciation. The strategy has not outperformed the benchmark in the 1-, 3-, 5- or 10 - year timeframe. **The fund passes the internal overlay, so no action is needed. This fund will not be included as a fund offering in the “future state” fund menu.**

CREF Money Market Account (assets of approximately \$5.9 million – TIAA) CREF Money Market's expense ratio waiver expired at the end of 2021. Participants saw negative returns in the CREF Money Market Account earlier in the year. Virginia Tech moved to TIAA's Retirement Choice/Retirement Choice Plus Contracts in September. **CREF Money Market assets will remain in the individual contracts until participants make an election to move those assets.**

T Rowe Price Growth Stock Adv (score of 59 with approximately \$14 million total assets - TIAA) - Portfolio Manager Joe Fath focuses on high-growth businesses that can grow revenue or earnings at a double-digit rate. This often leads him to invest in cyclical companies, turnarounds, private companies, and international stocks. **The fund passes the internal overlay, so no action is needed. This fund will not be included as a fund offering in the “future state” fund menu.**
TIAA-CREF Large Cap Value Premier (score of 70 with approximately \$10.2 million total assets – TIAA only) - The investment seeks a favorable long-term total return, mainly through capital

appreciation, by investing primarily in a portfolio of equity securities of large domestic value companies based on a market index. **The fund passes the internal overlay, so no action is needed. This fund will not be included as a fund offering in the “future state” fund menu.**

Considered for Termination:

American Beacon International Eq (score of 69 with approximately \$1.7 million total assets - Fidelity and TIAA) - Portfolio Manager Gene Needles has been removed from American Beacon. There are no changes to the sub-advisors or portfolio managers responsible for the day-to-day management of this fund because of his departure. **The fund passes the internal overlay, so no action is needed. This fund will not be included as a fund offering in the “future state” fund menu.**

TIAA-CREF Mid Cap Value Premier (score of 59 with approximately \$10.2 million total assets - TIAA) – Future contributions were redirected to JPMorgan Mid Cap Value Fund effective September 9, 2021. Current accumulations will not be moved. **This fund will not be included as a fund offering in the “future state” fund menu.**

The **American Century Focused Large Cap Value Fund** and the **T Rowe Price Mid-Cap Growth** funds which were previously marked for review are meeting policy guidelines.

The Committee took oversight of all retirement plans excluding the 415(m) plan. There are several funds in the 403(b) Plan, Select DC Plan, and the Incentive Plan 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 Summer 2023 (estimated time frame).

FUTURE STATE FUND MENU

With the approval of the Plan Fiduciary to take 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. **After a robust discussion, CAPTRUST recommended, and the Committee agreed to the following fund menu:**

On the Fidelity Platform, the following funds will be offered across all plans:

- Allocation Tier:
 - Fidelity Freedom K Series
- Passive Tier:
 - Fidelity® Inflation-Protection Bd Index
 - Fidelity® Short-Term Bond Index
 - Fidelity® US Bond Index
 - Fidelity® Large Cap Value Index
 - Fidelity® 500 Index
 - Fidelity® U.S. Sustainability Index"
 - Fidelity® Large Cap Growth Index
 - Fidelity® Mid Cap Value Index

- Fidelity® Extended Market Index
- Fidelity® Mid Cap Growth Index
- Fidelity® Total International Index
- Fidelity® Small Cap Value Index
- Fidelity® Small Cap Growth Index
- Fidelity® Emerging Markets Index
- Fidelity® Real Estate Index
- Active Tier:
 - Vanguard Treasury Money Market Inv
 - Fidelity MIP II: Class II
 - Fidelity® Total Bond K6
 - MFS Value R6
 - Hartford Equity Income R6
 - Fidelity® Contrafund® K6
 - Fidelity® Growth Company K6
 - Fidelity® Blue Chip Growth K6"
 - JPMorgan Mid Cap Value R6
 - T. Rowe Price Mid-Cap Growth I
 - Fidelity® Worldwide
 - Dodge & Cox International Stock X
 - Fidelity® Diversified Intl K6
 - Fidelity® International Small Cap
 - American Beacon Small Cap Value R6
 - Vanguard Explorer Adm
 - Cohen & Steers Realty Shares L

On the TIAA Platform, the following funds will be offered across all plans:

- Allocation Tier:
 - TIAA-CREF Lifecycle Institutional Series
 - CREF Social Choice R3
 - CREF Stock R3
- Passive Tier:
 - Vanguard Short-Term Bond Index Adm
 - Vanguard Total Bond Market Index I
 - Vanguard Value Index I
 - Vanguard Institutional Index I
 - Vanguard FTSE Social Index I
 - Vanguard Growth Index Institutional
 - Vanguard Mid-Cap Value Index Adm
 - Vanguard Extended Market Index Instl
 - Vanguard Mid-Cap Growth Index Adm
 - Vanguard Total Intl Stock Index I
 - Vanguard Small Cap Value Index Admiral
 - Vanguard Small Cap Growth Index Adm
 - Vanguard Total World Stock Index Adm
 - Vanguard Emerging Mkts Stock Index Instl
 - Vanguard Real Estate Index Admiral

- Active Tier:

- Vanguard Treasury Money Market Inv
- TIAA Traditional
- Vanguard Inflation-Protected Secs Adm
- JP Morgan Core Plus Bond R6
- MFS Value R6
- Hartford Equity Income R6
- MainStay Winslow Large Cap Growth R6
- JPMorgan Large Cap Growth R6
- JPMorgan Mid Cap Value R6
- T. Rowe Price Mid-Cap Growth I
- Dodge & Cox International Stock X
- American Funds Europacific Growth R6
- American Beacon Small Cap Value R6
- Vanguard Explorer Adm
- TIAA Real Estate
- Cohen & Steers Realty Shares L

Most eliminated funds would be available in the Self-Directed Brokerage at the same or higher expense. The only exception would be certain CREF variable annuities that will be frozen in this process. Additional details, mapping guidelines, and the fund fact sheets are available in the embedded document:



VT 1st Quarter 2022
Future State Fund M

Commented [AF7]: Should the embedded document be accessible? If so, it would need to be included as a separate exhibit since we publish the minutes as a pdf.

The Committee agreed with the fund menu recommendations. The Committee is considering recommending, including adding a self-directed brokerage window for all existing retirement plans (note: the Cash Match plan would require amendment and brokerage is already available for ORP and both 403(b) plans). Bryan Garey and Ken Miller will present recommendation to Chris Kiwus, Interim Senior Vice President and Chief Business Officer, for final approval. CAPTRUST will provide sample presentations for use in this process.

FOLLOW-UP/OTHER ITEMS:

- The payment of small/de minimis plan balances for terminated participants. This project will take place in late Fall 2022/January 2023. A request will be made to Legal to confirm that the current plan document allows for forced distributions. Consideration is being given to exclusion of the ORP from this process.
- Implementing a flat dollar per head fee in 2023 as part of the new fund menu realignment. **Fidelity proposed lowering the per head fee from \$79 (average current fee per unique participant) to \$64 per unique participant. TIAA proposed lowering the per head fee from \$78 (average current fee per unique participant) to \$56 per unique participant.** 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.**

- Decide on a lead communicator for this process.

ACTION ITEMS:

- CAPTRUST will conduct Fiduciary Training at a future Committee Meeting.
- Explore lead recordkeeping services in 2023.

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