

MEETING MINUTES

Plan Sponsor: Virginia Tech
Plan Name(s): VT Retirement Plans (excluding 415m)
Advisory Committee Members: John Cusimano Co-Chairperson
Leisa Shelor Co-Chairperson
Amy Sebring
Ellen Banks
Marie Bliss - absent
Steve Capaldo, Counsel
Bryan Garey
Debbie Greer
Greg Kadlec
Art Keown
Ken Miller
Michael Walsh
Other Attendees: Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Meeting Topic: Investment Review
Date: December 1, 2022
Time: 4:00 PM (EST) - 5:00 PM (EST)
Location: Virtual Meeting
Documentation Referenced: 9/30/22 CAPTRUST Investment Report, Future State Fund Menu, and Prior Meeting Minutes

Introductions were made for the two new Committee Members – Amy Sebring and Michael Walsh.

OLD BUSINESS

The minutes of the August 18, 2022, Committee meeting were approved.

INDUSTRY UPDATE/OVERVIEW

Auto-Portability:

There is a bi-partisan bill introduced in the Senate that encourages plan sponsors to adopt auto-portability features by offering a tax credit to offset the implementation cost. Auto-portability identifies a participant retirement account at a previous employer and automatically moves those assets to a new employer's plan for balances less than \$5,000.

ECONOMIC/MARKET UPDATE

Stocks and bonds climbed in the first half of the quarter as concerns about inflation subsided, but the Federal Reserve's aggressive interest policy and messaging brought investors back to reality, resulting in another challenging quarter.

- U.S. stocks ended the third quarter back near 2022 lows. Small-cap stocks fared a little better than large-cap stocks. Growth stocks outperformed value stocks for the quarter.
- International stocks continue to face economic, geopolitical, and currency headwinds.
- Bond prices remained under pressure as interest rates continued to rise which led to a third consecutive quarterly decline and added to the double-digit losses generated in the first half of the year.
- Rising interest rates and emerging recession concerns added to 2022 difficulties for public real estate.
- Commodities declined in the third quarter because of rising recession concerns but remained the only asset class in positive territory for the year.

Tailwinds Facing The Market

- Supply-chain constraints and rising gas prices have been key drivers of inflation.
- The U.S. labor market remains resilient.
- Widespread pessimism can provide attractive entry points.

Headwinds Facing The Market

- The Fed continues to aggressively fight inflation.
- Rising mortgage rates have the intended effect of slowing home sales.
- Historically, markets performed well under division of power. Election outcomes could create policy uncertainty.

Major indices performed as follows for the 3rd quarter 2022:

- U.S. Stocks (4.9%)
- U.S. Bonds (4.8%)
- International Stocks (9.3%)
- Emerging Markets (11.4%)
- Real Estate (10.4%)
- Commodities (4.1%)

INVESTMENT REVIEW

Plan Level Review

Assets as of September 30, 2022, totaled \$1.62 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$249.2 mm
- VT Cash Match Plan - Fidelity- \$20.4 mm
- VT 403(b) Plan - Fidelity - \$252.6 mm
- VT Select DC Plan - Fidelity - \$2 mm
- VT Incentive Plan - Fidelity - \$7,910
- VT ORP Plan - TIAA - \$607 mm
- VT Cash Match Plan - TIAA - \$29.4 mm
- VT 403(b) Plan - TIAA - \$452.8 mm
- VT Incentive Plan - TIAA - \$319,361

- VT Select DC – TIAA - \$2.2 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.

Fidelity Review (Cash Match and ORP Plans)

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

TIAA Review (Cash Match and ORP Plans)

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.

Marked for Review:

Fidelity Real Estate Investment Portfolio (score of 78 with approximately \$1.7 million total assets – Fidelity only).

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.

American Beacon International Eq (score of 70 with approximately \$1.4 million total assets - Fidelity and TIAA)

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.

PIMCO Total Return (score of 71 with approximately \$6 million total assets - Fidelity and TIAA)

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 73 with approximately \$18.6 million total assets – TIAA)

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 70 with approximately \$5.3 million total assets - TIAA)

Future contributions were redirected to JPMorgan Mid Cap Value Fund effective September 9, 2021. This fund will not be included as a fund offering in the “future state” fund menu.

TIAA-CREF Large Cap Value Premier (score of 73 with approximately \$10 million total assets – TIAA only)

Considered for Termination:

T Rowe Price Growth Stock Adv (score of 59 with approximately \$14 million total assets - TIAA)

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.

In 2021, 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. However, these funds will be addressed when the plan and fund menu consolidation is estimated to be completed by Fall 2023 (estimated time frame).

FOLLOW-UP/OTHER ITEMS:

- The new fund menu and the self-directed brokerage window will be added to all plans in March 2023. The closing and mapping of assets will take place in Fall 2023. CAPTRUST will work with Fidelity and TIAA on implementing the fund menu change. Fidelity and TIAA will have representatives available on campus to assist employees.
- Virginia Tech will select a lead communicator for the fund menu change. CAPTRUST will send Fidelity and TIAA’s lead communicator proposals.
- The payment of small/de minimis plan balances for terminated participants will take place in Spring 2023.
- Implementing a flat dollar per head fee will be explored after the new fund menu realignment. It was noted that based on the current market, moving to a per head fee would result in a price increase. The Committee will explore this option in the future. 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. CAPTRUST will work with Fidelity and TIAA on the tiered fee approach after small balances are removed from the plan.

ACTION ITEMS:

- CAPTRUST will conduct Fiduciary Training at the next Committee Meeting.
- Explore lead recordkeeping services in 2024.

This was John Cusimano’s last meeting due to his upcoming retirement. The Committee thanked John for his service to Virginia Tech and the Committee.

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