

## MEETING MINUTES

Plan Sponsor: Virginia Tech  
Plan Name(s): VT Optional Retirement Plan, VT Cash Match Plan, VT 403(b) Employee Plan, VT 403(b) Employer Plan, VT Select DC Plan, and the VT Incentive Plan  
Advisory Committee Members: Ken Miller Co-Chairperson  
Leisa Shelor Co-Chairperson  
Amy Sebring - absent  
Ellen Banks  
Marie Bliss - absent  
Steve Capaldo, Counsel - absent  
Bryan Garey  
Debbie Greer  
Greg Kadlec - absent  
Art Keown  
Michael Walsh  
Other Attendees: Barry Schmitt (CAPTRUST) - absent  
Fran Slacum (CAPTRUST)  
Karren Gorney (CAPTRUST)  
Meeting Topic: Investment Review  
Date: April 3, 2023  
Time: 9:00 AM (EST) - 10:30 AM (EST)  
Location: Microsoft Teams Meeting  
Documentation Referenced: 12/31/22 CAPTRUST Investment Report, Default Funds Analysis for Millennium IRA, and Prior Meeting Minutes

### OLD BUSINESS

The minutes of the December 1, 2022, Committee meeting were approved.

### INDUSTRY UPDATE/OVERVIEW

#### **SECURE ACT 2.0 OF 2022:**

President Biden signed the SECURE Act 2.0 as part of the Consolidated Appropriations Act of 2023. With more than 90 provisions, much of the legislation focuses on increasing retirement savings and coverage.

#### **REQUIRED PROVISIONS:**

- Increase in the required minimum distribution (RMD) age to 73 for those who attain age 72 between January 1, 2023, and December 31, 2032, and age 75 for those who attain age 74 after December 31, 2032.
- Catch-up contribution limit increased to the greater of \$10,000 or 50% more than the regular catch-up amount for ages 60 to 63. For taxable years beginning after December 31, 2024.
- Catch-up contributions made after December 31, 2023, must be made as Roth contributions with an exception for employees earning \$145,000 or less (dollar amount is indexed).
- The SECURE Act of 2019 required employers with 401(k) plans to permit employees with at least 500 hours of service in three consecutive years to participate in their plans. SECURE 2.0 reduced the years of service

requirement from three years to two, effective for plan years beginning after December 31, 2024. The requirement is also extended to ERISA 403(b) plans.

- Saver's Credit modified to Saver's Match program. Taxpayers meeting gross income requirements with qualified retirement contributions can receive a government match contribution of up to \$2,000 to an eligible IRA or retirement plan, which does not count toward the annual plan contribution limit. This provision applies to taxable years beginning after December 31, 2026.
- RMDs removed for Roth money held in employer plans, effective beginning after December 31, 2023.
- Paper benefit statements must be provided at least once per year, effective for plan years beginning after December 31, 2025.

#### **OPTIONAL PROVISIONS:**

- Employers can allow matching contributions to be made as Roth contributions, effective immediately.
- Student loan repayments can be treated as elective deferrals for the purpose of matching contributions for plan years beginning after December 31, 2023.
- Employers can offer an emergency savings distribution option of \$1,000 per year that can be repaid to the plan. For distributions made after December 31, 2023.
- Employers can offer an emergency savings account linked to a defined contribution plan for non-highly compensated employees. Participants can be automatically enrolled at up to 3% of salary for a total contribution amount of \$2,500. Participating employees may take tax- and penalty-free distributions at least once per calendar month. Effective for plan years beginning after December 31, 2024.
- Automatic small balance cash-out maximum increased from \$5,000 to \$7,000. For distributions made after December 31, 2023.
- 403(b) plans can join a pooled employer plan (PEP), effective immediately.
- Employers may accept written certification by the employee for hardship distributions, effective immediately.
- De minimis financial incentives (not paid by plan assets) can be provided to employees to encourage retirement plan participation, effective immediately.

Plan amendments pursuant to SECURE 2.0 must be made on or before the last day of the first plan year beginning on January 1, 2025 (2027 for governmental plans).

#### **IMPACT OF THE ESG FINAL RULE**

On November 22, the Department of Labor (DOL) released its final rule designed to clarify a path forward for retirement plan fiduciaries to incorporate environmental, social, and governance (ESG) factors into their investment selection and monitoring process. The DOL made it clear that fiduciaries may consider ESG factors when making investment decisions and exercising shareholder rights. Plan participants have access to ESG funds through the Self-Directed Brokerage window.

#### **ECONOMIC/MARKET UPDATE**

Investors grew optimistic over the first half of the fourth quarter, anticipating the Federal Reserve was near the end of its tightening cycle. However, the excitement faded as Chairman Powell cautioned that conditions would need to remain restrictive for some time.

- Gains early in the quarter were more than enough to offset December declines, leading to positive quarterly results across nearly all asset classes.
- U.S. stock market gains were broad based with the energy sector at the top, posting a 25% quarterly return.
- Outside the U.S., investors benefited from both rising stock prices and a weakening U.S. dollar.
- Bond markets posted a modest return for the quarter.
- Public real estate lost approximately one-quarter of its value in 2022.
- Commodities were the sole bright spot for the year.

#### Tailwinds Facing The Market

- With interest rates near zero for the last decade, investors have been forced to take more risk. With the re-establishment of a positive risk-free rate, investors can approach risk more out of conviction.
- While the labor market's strength contributes to inflation pressures, it also protects economic activity in the face of the Fed's tightening programs.
- Subsiding supply-chain constraints, declining gas prices, easing COVID-related restrictions in China, and lowering inflation could improve consumer sentiment and spending.

#### Headwinds Facing The Market

- Ongoing uncertainty about rate hikes is driving volatility.
- The financial pain of surging interest rates will transition from the investor to the issuer as coupon payments reset higher.
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Major indices performed as follows for the 4th quarter 2022:

- U.S. Stocks 7.6%
- U.S. Bonds 1.9%
- International Stocks 17.4%
- Emerging Markets 9.8%
- Real Estate 4.4%
- Commodities 2.2%

## **INVESTMENT REVIEW**

### **Plan Level Review**

Assets as of December 31, 2022, totaled \$1.71 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$270.4 mm
- VT Cash Match Plan - Fidelity- \$21.8 mm
- VT 403(b) Plan - Fidelity - \$265.8 mm
- VT Select DC Plan - Fidelity - \$2.3 mm
- VT Incentive Plan - Fidelity - \$8,277
- VT ORP Plan - TIAA - \$637 mm
- VT Cash Match Plan - TIAA - \$30.8 mm
- VT 403(b) Plan - TIAA - \$476.7 mm

- VT Incentive Plan - TIAA - \$328,167
- VT Select DC – TIAA - \$2.5 mm

There is approximately \$19.1 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 three funds marked for review and two funds considered for termination.

Marked for Review:

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

This fund will not be included as a fund offering in the “future state” fund menu.

**American Beacon International Eq (score of 75 with approximately \$1.8 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 \$5.5 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 \$19.1 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.

Consider for Termination

**TIAA-CREF Mid Cap Value Premier (score of 59 with approximately \$5.7 million total assets – TIAA only)**

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.**

**T Rowe Price Growth Stock Adv (score of 59 with approximately \$12.5 million total assets – TIAA 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.**

The TIAA-CREF Large Cap Value Premier fund which was previously marked for review is meeting policy guidelines.

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:**

- **Lead Communicator** - Virginia Tech selected TIAA as lead communicator for the pending fund menu realignment. CAPTRUST will notify Fidelity and TIAA of the Committee’s decision.
- **Small Balance/De-Minimis Payments** – Virginia Tech is working with Procurement and Internal Counsel on the Millennium Trust Agreement. The Advisory Committee reviewed the default analysis prepared by CAPTRUST and selected The Standard Insurance Company’s Fixed Stable Value Account as the default for terminated participant’s assets that are rolled over into the Millennium IRA. The crediting rate as of December 31, 2022, is 1.7%. The payment of small/de minimis plan balances for terminated participants will take place in late Spring 2023.
- **Fund Menu Realignment** - The new fund menu and the self-directed brokerage window will be added to all plans in June with the closing and mapping of assets taking place this Fall. 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.
- **Per Head Fee** - Implementing a flat dollar per head fee will be explored after the new fund menu realignment and small balances are removed from the plan. 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.

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