

## 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 -absent  
Michael Walsh  
Other Attendees: Barry Schmitt (CAPTRUST)  
Fran Slacum (CAPTRUST)  
Karren Gorney (CAPTRUST)  
Meeting Topic: Investment Review and Fiduciary Training  
Date: May 18, 2023  
Time: 3:30 PM (EST) - 5:00 PM (EST)  
Location: Microsoft Teams Meeting  
Documentation Referenced: 3/31/23 CAPTRUST Investment Report, Fiduciary Training – Roles and Responsibilities, and Prior Meeting Minutes

### OLD BUSINESS

The minutes of the April 3, 2023, will be approved by the Committee via e-mail.

### INDUSTRY UPDATE/OVERVIEW

#### Stable Value vs. Money Market Funds

In response to high levels of inflation, the Federal Reserve rapidly increased its overnight lending rate with a series of eight rate hikes starting in March 2022. Through these hikes, the target fed funds rate increased from 0.00%-0.25% to 4.75%-5.00% as of March 2023. Short-term bonds have been most impacted by this shift in this market environment, warranting an assessment of capital preservation options in retirement plans.

CAPTRUST continues to recommend stable value funds for defined contribution plans over Money Market funds. Over longer periods, they have delivered a higher return with less volatility than money market Funds. Stable value funds track interest rate movements over time but their movements up and down are slower by design. A return to a normal yield curve—where longer-term bonds yield more than shorter-term bonds—will reestablish the structural advantage for stable value funds over money market funds.

### Stable Value and General Account Products

When considering a stable value vs. a general account product, it is important to consider the pros and cons of each offering from items, including, but not limited to liquidity, interest rate sensitivity, trading constraints, portability, and withdrawal restrictions.

### **FIDUCIARY UPDATE**

The Internal Revenue Service issued proposed regulations on forfeitures that clarify the following:

- Forfeitures incurred under a defined contribution plan must be used within 12 months following the close of the plan year which is less restrictive than the prior informal guidance that stated forfeitures should generally be utilized in the plan year in which they occurred.
- To ensure that forfeitures are properly utilized, recordkeepers should ideally maintain separate forfeiture accounts by plan year.

### **FIDUCIARY TRAINING – COMMITTEE EDUCATION:**

The DOL views fiduciary training as an important element to managing a retirement plan and frequently looks for evidence of formal training during plan investigations. A sound fiduciary curriculum covers a range of topics—from an overview of ERISA to best practices for monitoring investments.

### **ECONOMIC/MARKET UPDATE**

After a strong start to 2023, the first quarter ended on a high note despite a rapid-fire array of troubling news. In early March, two large banks failed, and policymakers stepped in to keep isolated problems from becoming a systemic crisis. Despite the headlines, stock and bond markets were surprisingly calm.

- In the U.S., large-cap stocks floated upward, with their small-cap counterparts trailing behind.
- International developed and emerging markets saw modest but steady gains. The post-pandemic reopening of China, stabilizing energy prices across Europe, and a weakening U.S. dollar contributed.
- Skeptical of future Fed actions, bond investors drove prices higher as yields slipped lower.
- Real estate posted a modest gain for the quarter, although many of the same challenges of last year remain as headwinds.
- 2022 standout performer, commodities, was the only major asset class in negative territory for the quarter as oil prices slipped.

### Tailwinds Facing The Market

- The cost of key consumer goods, like food, gas, and housing, is gradually abating. Warmer weather, conservation, and the use of energy reserves have benefited oil and gas prices.
- While wage pressures have eased, job growth remains robust. A stronger labor market provides greater household confidence, supporting consumer spending across goods and services.
- Supported by a higher risk-free rate, the new year has shown hints of more normal diversification relationships between asset classes, with stock and bond prices reacting differently to economic data.

### Headwinds Facing The Market

- Although inflation remains elevated, prices have descended. The Fed now faces the task of achieving price stability while avoiding strain on the financial system.
- Regional and community banks risk losing cash deposits to the perceived safety of larger institutions. Such moves may lead to tighter lending conditions across several economic sectors.
- Certain sectors of the market could see margins squeezed.
- Congress will be battling on the pending debt ceiling by mid-summer which could have serious consequences.

Major indices performed as follows for the 1<sup>st</sup> quarter:

- U.S. Stocks 7.5%
- U.S. Bonds 3.0%
- International Stocks 8.6%
- Emerging Markets 4.0%
- Real Estate 1.6%
- Commodities (5.4%)

## **INVESTMENT REVIEW**

### Plan Level Review

Assets as of March 31, 2023, totaled \$1.8 Billion broken down as follows:

- VT ORP Plan - Fidelity - \$294 mm
- VT Cash Match Plan - Fidelity- \$23.3 mm
- VT 403(b) Plan - Fidelity - \$287.1 mm
- VT Select DC Plan - Fidelity - \$2.4 mm
- VT Incentive Plan - Fidelity - \$9,189
- VT ORP Plan - TIAA - \$663.6 mm
- VT Cash Match Plan - TIAA - \$32.2 mm
- VT 403(b) Plan - TIAA - \$496.5 mm
- VT Incentive Plan - TIAA - \$338,998
- VT Select DC – TIAA - \$2.5 mm

There is approximately \$20.3 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 three funds marked for review and two funds considered for termination.

#### **Marked for Review:**

**Fidelity Government Income (score of 78 with approximately \$1 million total assets – Fidelity only).**

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

**PIMCO Total Return (score of 70 with approximately \$5.3 million total assets - Fidelity and TIAA)**

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

**Invesco Small Cap Growth (score of 74 with approximately \$5.2 million total assets - Fidelity and TIAA)**

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

### **TIAA-CREF Lifecycle Funds (Approximately \$125.9 million in assets with a score of 77)**

Nuveen recently changed its glidepath for the target date suite. Nuveen has increased the equity allocation in the glidepath section that is 20 – 15 years away from retirement. This change is a result of Nuveen’s human capital model research. Previously, the glidepath began rolling down 8% every 5 years starting at age 40 until age 65. The glidepath has been adjusted to better align with the gradual decline of participants’ human capital from age 40 to 50. To reflect this, the glidepath has been smoothed out to decrease equity by 4% every 5 years at 40 and 45. There were no changes to the near retirement vintages or the beginning of the glidepath.

**CAPTRUST recommends that clients currently holding the strategy continue to do so.**

#### **Consider for Termination**

**TIAA-CREF Mid Cap Value Premier (score of 62 with approximately \$5.5 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 \$14.4 million total assets – TIAA only)**

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

The American Beacon International Eq Fund and the CREF Growth Account which were previously marked for review are 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 September 26, 2023.

## FIDUCIARY TRAINING

CAPTRUST conducted Fiduciary Training. The presentation was designed to provide an overview of best practices using ERISA as a guide in this process. Topics covered:

- Who is a Fiduciary?
- What is their role?
- Duty to be Prudent,
- Duty of Loyalty and Impartiality,
- Duty to Diversify,
- Duty to Monitor and Supervise,
- Duty to Ensure Reasonable Costs,
- Duty to Avoid Prohibited Transactions

**Ken Miller will confirm Fiduciary Liability Insurance and Fiduciary bonding coverage for the Investment Committee.**

## FOLLOW-UP/OTHER ITEMS:

- **Self-Directed Brokerage Window** – The Committee agreed to add fixed income securities in the self-directed brokerage window for the 401(a) ORP Plan and the Select Plan subject to internal Counsel Review. **Virginia Tech will confirm the next steps after Counsel review.**
- **Lead Communicator** - Virginia Tech selected TIAA as lead communicator for the pending fund menu realignment. The Virginia Tech Team, CAPTRUST, Fidelity and TIAA meet bi-weekly to discuss the fund menu realignment.
- **Small Balance/De-Minimis Payments** – Virginia Tech is working with Procurement and Internal Counsel on the Millennium Trust Agreement. The payment of small/de minimis plan balances for terminated participants will take place in Summer 2023.
- **Fund Menu Realignment** - The new fund menu and the self-directed brokerage window will be added to all plans August 10, 2023 with closing and mapping of assets taking place on September 26, 2023. 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 expected timeframe is early 2024. 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:

- Explore lead recordkeeping services in 2024.

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