

## 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  
Ellen Banks  
Steve Capaldo, Counsel  
Bryan Garey  
Debbie Greer  
Greg Kadlec -absent  
Michael Walsh  
Other Attendees: Barry Schmitt (CAPTRUST)  
Fran Slacum (CAPTRUST)  
Karren Gorney (CAPTRUST)  
Meeting Topic: Investment Review  
Date: November 16, 2023  
Time: 3:30 PM (EST) - 4:30 PM (EST)  
Location: Zoom Meeting  
Documentation Referenced: 9/30/23 CAPTRUST Investment Report and Prior Meeting Minutes

### OLD BUSINESS

The minutes of the August 17, 2023, Committee meeting were approved.

### INDUSTRY UPDATE/OVERVIEW

#### SECURE ACT 2.0

##### Mandatory Provisions:

- On August 25, the IRS announced a two-year delay in the implementation of the new mandatory Roth catch-up rule under SECURE Act 2.0.

##### Optional Provisions:

- The small balance force outs plan design option where plan sponsors can automatically distribute separated participant accounts with balances of \$5,000 or less without participant consent. The allowed threshold increases to \$7,000 after December 31, 2023.
- SECURE Act 2.0 provides legislative support for plan sponsors to automatically transfer small balances of former employees to a new employer's plan.
- SECURE Act 2.0 allows retirement plan sponsors to adopt permanent federal disaster withdrawal and loan procedures for their plan.

#### **FIDUCIARY TRAINING – COMMITTEE BEST PRACTICES:**

- Committee membership typically represents finance, human resources, and business affairs. In-house legal may attend in a non-voting capacity.
- Members should understand their role, compliance obligations, and associated liabilities.

- Formal fiduciary training should be part of the onboarding process for new members.

### **TARGET DATE FUND GLIDEPATHS:**

CAPTRUST discussed the evolution of target date funds since the Pension Protection Act of 2006. CAPTRUST examined the marketplace, both from an industry and market perspective. Over the past decade, the number of distinct glidepaths from Investment managers has diminished to around 59. At the same time, the average equity exposure variances have also diminished from a range from 30-48%, depending on the vintage year. Therefore, CAPTRUST is altering the peer groups used in its monitoring process. Instead of separating each vintage year strategy by Conservative, Moderate, or Aggressive, CAPTRUST will be using a broader, year-based peer group. The result was very little change in the scoring of each target date fund.

### **ECONOMIC/MARKET UPDATE**

Fed Chairman Jerome Powell has repeatedly stated that monetary policy will remain restrictive for an extended period to combat inflation. The result is a rare bear-steepening yield curve, when long-term interest rates rise faster than short-term rates. In the third quarter, this surge in longer maturity yields put pressure on nearly all asset classes, creating a reiteration of 2022.

- Large-cap U.S. equity markets were pinched this quarter. As in 2022, the energy sector took top honors, accompanied by communication services as the only two sectors in positive territory. The interest-rate-sensitive utilities sector felt the most pressure from the rise in yields. The broad large-cap benchmark is up double digits year-to-date.
- Bond investors, especially those holding longer-maturity instruments, felt the impact of rising rates. Bonds are now in negative territory for the year.
- Outside the U.S., equity markets across Europe and the Pacific were mixed; however, a strengthening U.S. dollar pulled dollar-based returns across those regions down for the quarter.
- Real estate markets ended the quarter deeply in the red while commodities were the standout (like 2022), supported by rising oil prices.

### Tailwinds Facing the Market

- The economy seems to be withstanding the Fed's aggressive rate-hike cycle, largely due to a robust labor market and steady wage growth.
- Despite rising debt levels, employed consumers benefit from strong employment and wage growth and retired consumers benefit from higher interest income and continue to confidently spend.
- Workforce productivity has been trending below average due to labor shortages and misaligned skillsets. The introduction of artificial intelligence (AI) promises a boost. Corporations are investing heavily, supporting economic growth even before AI technology reaches its full potential.

### Headwinds Facing the Market

- Some indicators, such as gross domestic product (GDP) and low unemployment, point to economic strength. Others, such as gross domestic income (GDI), suggest underlying weakness.
- Most consumers have depleted excess stimulus-related savings and are increasingly relying on credit cards to pay bills. As credit card debt and loans mount for borrowers, consumer spending may come under pressure.

- The federal deficit continues to grow as a percentage of GDP, with government officials at odds about how to curb spending. New and refinanced debt is now being issued at peak interest rates, adding to the government’s growing interest burden.

Major indices performed as follows for the 3rd quarter:

- U.S. Stocks (3.3%)
- U.S. Bonds (3.2%)
- International Stocks (4.0%)
- Emerging Markets (2.8%)
- Real Estate (8.6%)
- Commodities 4.7%

## **INVESTMENT REVIEW**

### **Plan Level Review**

Assets as of September 30, 2023, totaled \$1.83 Billion broken down as follows:

- VT 403(b) Plan - Fidelity - \$293 mm
- VT 403(b) Plan - TIAA - \$504 mm
- VT Cash Match Plan - Fidelity- \$22 mm
- VT Cash Match Plan - TIAA - \$30.7 mm
- VT Incentive Plan - Fidelity - \$10,232
- VT Incentive Plan - TIAA - \$337,525
- VT ORP Plan - Fidelity - \$306.6 mm
- VT ORP Plan - TIAA - \$667.8 mm
- VT Select DC Plan - Fidelity - \$2.7 mm.
- VT Select DC – TIAA - \$2.2 mm.

There is approximately \$22.5 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**

Out of the 33 funds in the plan (Target date funds counted as one) there is one fund marked for review.

### **TIAA Review**

Out of the 34 funds in the plans (Target date counted as one) there are two funds marked for review.

Marked for Review:

**JP Morgan Mid-Cap Value R6 (score of 78 with approximately \$20.6 million total assets – Fidelity and TIAA platforms).**

**The fund passes the internal overlay, so no action is needed.**

**American Funds Euro pacific Growth R5 (score of 78 with approximately \$18.4 million total assets - TIAA only)**

**The fund passes the internal overlay, so no action is needed.**

#### **FEE PAYMENT METHODOLOGY**

CAPTRUST discussed TIAA and Fidelity’s fee proposals which include proposed pricing based on Virginia Tech’s unique participant counts. The overall goal would be for participants to pay a fixed per participant fee. This per participant fee would cover plan administrative costs with revenue share assessed at the same rate for all participants and credits returned to those participants that generated excess revenue which can be accomplished through a “fee leveling” approach.

- Currently, fees are being paid based on revenue sharing in certain funds which creates a fee disparity across plans and vendors.
- Fees assessed today are less transparent to participants.

Fidelity and TIAA both proposed an overall fee of \$63 per unique participant. TIAA can assess the per participant fee using a tiered approach - participants with lower account balances are assessed a lower fee (i.e., \$27) and participants with higher balances pay, on average, a higher amount.

After a robust discussion, the Committee agreed in theory to move to a tiered approach in assessing a per head fee but wants to gain an understanding of the dispersion of participant account balances on the Fidelity platform. The Committee would like to see tiering based on a “natural” dispersion of those account balances.

**CAPTRUST will follow up Fidelity on this deliverable.**

#### **FOLLOW-UP/OTHER ITEMS:**

- **Payout small/de minimis balances (less than \$5,000) for terminated participants** –The project was completed at the end of September. Millennium opened 2,372 rollover IRA accounts (\$4.3 million in assets).
- **Revenue Credit Account** – A follow up internal call will be scheduled to discuss using the revenue credit account for other plan expenses.

#### **ACTION ITEMS:**

- Explore lead recordkeeping services in 2024.

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