

## 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  
Michael Walsh  
Other Attendees: Barry Schmitt (CAPTRUST)  
Fran Slacum (CAPTRUST)  
Karren Gorney (CAPTRUST)  
Meeting Topic: Investment Review and Fee Payment Methodology Discussion  
Date: February 28, 2024  
Time: 3:30 PM (EST) - 4:30 PM (EST)  
Location: Zoom Meeting  
Documentation Referenced: 12/31/23 CAPTRUST Investment Report, TIAA and Fidelity's Pricing Proposals, and Prior Meeting Minutes

## OLD BUSINESS

The minutes of the November 16, 2023, Committee meeting were approved.

## INDUSTRY UPDATE/OVERVIEW

CAPTRUST updated the group on developments related to their organization with some key metrics on growth, assets under advisement/management, and their service offering.

### 2024 Predictions

Financial wellness and plan design will be key topics for plan sponsors as they began to adopt some of the optional provisions under Secure Act 2.0 including:

- Provisions and guidance around student loans, emergency savings, and auto portability.
- Continued evaluation of retirement income products and solutions including managed account offerings.
- Cybersecurity protocols and plan documents aligning with policies and procedures.
- Fiduciary rule finalization, particularly around rollovers.
- Collective investment Trusts on 403b plans.

Service providers will be rolling out new processes and services to comply with the Secure Act.

SECURE Act 2.0 increases the mandatory distribution limit from \$5,000 to \$7,000 effective January 1, 2024. Mandatory distributions are used for small balance force-outs of terminated employees. Small account balances

must be rolled over to an IRA that the plan sponsor has chosen if a participant does not select an alternative option (i.e., rollover to a new employer's plan). Virginia Tech adopted the higher \$7,000 threshold.

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

- Ensure the service provider is following DOL guidelines.
- Review service providers contract for provisions for information sharing and confidentiality.
- Plan sponsors should confirm that they have implemented internal processes and controls to restrict access to plan data and other sensitive information.

Virginia Tech will review their recordkeeping agreements for cybersecurity provisions.

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

The higher-for-longer interest rate message reiterated by the Federal Reserve through the first three quarters of 2023 was essentially dismissed by investors late last year as inflation data showed continued easing. Consequently, expectations for future interest rate changes were reset significantly lower. Nearly all asset classes performed well.

- The small-cap value segment of the market benefited most from the decline in rate expectations, driven by sizable exposure to regional banks. Broader large-cap equities also surged, and multiple sectors within the index ended the quarter with double-digit gains.
- Bond investors also captured the value of falling rate expectations, with fixed income markets recouping their modest year-to-date losses.
- Outside the U.S., international stock market gains were more minimal, but a weakening U.S. dollar filled the gap.
- The interest-rate-sensitive real estate was the end of quarter market leader.

#### Tailwinds Facing the Market

- As inflation wanes to pre-pandemic levels without having spurred a recession, a soft landing seems likely. Fed rate cuts and a lower inflationary environment could drive economic growth.
- Real wage growth remained positive in 2023, leaving consumers better positioned to tackle rising debt.
- The potential for operational efficiency and revenue enhancement has driven heavy investment in artificial intelligence across industries. Widespread implementation over the next decade has the potential to boost productivity growth above long-term averages, thereby increasing gross domestic product (GDP).
- Funds from programs targeting infrastructure and clean energy will be deployed in 2024, adding liquidity to the economy.

#### Headwinds Facing the Market

- Credit card balances remain high, and excess savings have been mostly depleted. Despite higher borrowing costs, consumers continue to spend and are now facing high interest rate payments on loans.
- In 2023, higher interest rates created an inventory shortage and pushed home prices higher. Although mortgage rates have declined, it will take time for housing affordability to return to historical norms.
- The prospect of lower interest rates has inspired high optimism, which may drive volatility if reality falls short of expectations.

Major indices performed as follows for the 4th quarter:

- U.S. Stocks 11.7%
- U.S. Bonds 6.8%
- International Stocks 10.5%
- Emerging Markets 7.9%
- Real Estate 18.0%
- Commodities (4.6%)

## **INVESTMENT REVIEW**

### **Plan Level Review**

Assets as of December 31, 2023, totaled \$1.98 Billion broken down as follows:

- VT 403(b) Plan - Fidelity - \$318.6 mm
- VT 403(b) Plan - TIAA - \$540 mm
- VT Cash Match Plan - Fidelity- \$24 mm
- VT Cash Match Plan - TIAA - \$33 mm
- VT Incentive Plan - Fidelity - \$11,394
- VT Incentive Plan - TIAA - \$353,777
- VT ORP Plan - Fidelity - \$340.6 mm
- VT ORP Plan - TIAA - \$715 mm
- VT Select DC Plan - Fidelity - \$3.1 mm.
- VT Select DC – TIAA - \$2.7 mm.

There is approximately \$26.7 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) all funds are meeting policy guidelines.

### **TIAA Review**

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

Marked for Review:

**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.**

The JP Morgan Mid-Cap Value Fund, which was previously marked review, meets policy guidelines.

## **FEE PAYMENT METHODOLOGY**

CAPTRUST presented TIAA and Fidelity's fee proposals which include proposed pricing based on Virginia Tech's unique participant counts. Fidelity and TIAA both proposed an overall fee of \$63 per unique participant. Both proposals included a four level tiered approach with participants with lower balances paying approximately \$30 per head and participants with higher balances paying a proportionately higher fixed fee.

The overall goal would be for participants to pay a fixed per participant fee which 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.

It was noted that historically, TIAA annuity plan participants paid for administrative fees which means a significant number of participants are not contributing to the cost of the plan. For Fidelity, the majority of the fees are borne by participants invested in the Fidelity Freedom Series. Fees paid based on revenue sharing in certain funds creates a fee disparity across plans and vendors. Fees assessed today are less transparent to participants.

After a robust discussion, the Committee would like to adopt a two (or three) tiered approach – participants with balances below \$20,000 pay a base fee, and participants with balances over \$20,000 pay a proportionately higher fee. Alternatively, \$0-\$5,000 pay zero, \$5,000-\$20,000 pay between \$30-40, and over \$20,000 pay the remainder. CAPTRUST will ask each recordkeeper to include two scenarios, one without CAPTRUST's fee built in and one with their fee built in. **CAPTRUST will follow up Fidelity and TIAA on revising their proposal utilizing two (or three) tiers and present at the next Committee Meeting.**

## **BROKERAGE ANALYSIS**

CAPTRUST and the Committee reviewed the top funds utilized in the brokerage window and noted that there were no funds that needed to be added to the core investment menu.

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

- **Financial Wellness and Advice** – Virginia Tech will explore the possibility of adding CAPTRUST's Financial Wellness and Advice Services which is a comprehensive financial advice and wellness program that provides high-quality investment advice and information designed to help employees plan, save, invest, and retire successfully. CAPTRUST provides unbiased and unconflicted advice.

## **ACTION ITEMS:**

- Explore lead recordkeeping services in 2024.

This was Ken Miller's last Committee Meeting due to his upcoming retirement. Bryan Garey and CAPTRUST thanked Ken for his work on the Committee and wished him the best in retirement.

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