

## 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: Leisa Shelor Co-Chairperson  
Simon Allen  
Ellen Banks  
Steve Capaldo, Counsel - absent  
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: May 23, 2024  
Time: 4:00 PM (EST) - 5:00 PM (EST)  
Location: Zoom Meeting  
Documentation Referenced: 3/31/24 CAPTRUST Investment Report, TIAA and Fidelity's Pricing Proposals, and Prior Meeting Minutes

## INTRODUCTIONS

CAPTRUST and Committee members introduced themselves and welcomed Simon Allen (Vice President of Finance and CFO) to the Committee.

## OLD BUSINESS

The minutes of the February 28, 2024, Committee meeting were approved.

## INDUSTRY UPDATE/OVERVIEW

### RETIREMENT INCOME SOLUTIONS

Retirement income is a holistic planning concept that focuses on meeting the needs of people near or in retirement through a combination of tools, investments, and resources. It is important for plan sponsors to understand their retirement income options, which options their plan providers can support, and the fiduciary implications of each. As a first step, plan sponsors should identify which option, or options will best meet participant needs while helping to achieve one or more organizational goals. **CAPTRUST will meet with the Virginia Tech Team to discuss the organization's goals for retirees.**

### FIDUCIARY TRAINING – DOCUMENT RETENTION:

As part of their fiduciary responsibilities, it is important that plan sponsors retain documents to support all plan activities, safeguard participant information, and comply with legal requirements, including IRS and DOL audits and examinations and financial statement audits.

- Participant records & records to determine plan benefits: retain indefinitely.
- Plan fiduciary records & plan documents: retain indefinitely.

## ECONOMIC/MARKET UPDATE

Equity markets finished the first quarter with an impressive run, despite a rapid repricing in the number of expected Federal Reserve interest rate cuts, which fell to three. While the rally benefited mega-cap growth companies first, by March, participation expanded as the consensus narrative refocused from a soft landing with waning inflation and weak economic growth to a *no-landing scenario* where inflation slows, and growth accelerates.

- All major U.S. stock indexes posted gains, with the growth style outperforming the value style across market capitalization tiers. Small-cap stocks lagged, as they tend to be the most sensitive to Fed rate cut expectations.
- Bond investors faced headwinds as prices moved lower and rates moved higher.
- Oil prices rose by double digits, pushing the energy sector, a 2023 laggard, to a top spot. Gold reached a new high.
- Real estate slipped modestly, adversely impacted by higher interest rates.
- Outside the U.S., international developed and emerging markets saw modest gains with Japan being the exception. Chinese markets continue to struggle.

### Tailwinds Facing The Market

- Businesses and consumers continue to show resilience. Expectations for a soft landing have pivoted to a no-landing outlook where inflation fears continue to subside while economic growth reaccelerates.
- Mega-cap technology companies have been early AI investors and adopters, reaping the benefits of operational efficiency and revenue enhancement. Increasing AI adoption should expand these benefits across the market, providing a significant productivity tailwind.
- Election years have historically been favorable for markets, especially when incumbents are running for reelection. The U.S. Treasury will soon have full coffers, after higher-than-average expected tax collection. This should provide ample liquidity to maintain market stability.

### Headwinds Facing The Market

- The prospect of lower interest rates and AI-fueled productivity gains for corporations has inspired high optimism among investors. This translates to high valuations and may create volatility if reality falls short of elevated expectations.
- Credit card balances continue to rise while excess savings have been mostly depleted. Higher interest expenses will eventually weigh on discretionary consumer spending.
- Multiple global elections and ongoing conflicts create a heightened period of uncertainty with a wide range of potential outcomes.

Major indices performed as follows for the 1st quarter:

- U.S. Stocks 10.6%
- U.S. Bonds (0.8%)
- International Stocks 5.8%
- Emerging Markets 2.4%

- Real Estate (1.2%)
- Commodities 2.2%

## **INVESTMENT REVIEW**

### **Plan Level Review**

Assets as of March 31, 2024, totaled \$2.11 Billion broken down as follows:

- VT 403(b) Plan - Fidelity - \$345.6 mm
- VT 403(b) Plan - TIAA - \$571 mm
- VT Cash Match Plan - Fidelity- \$26 mm
- VT Cash Match Plan - TIAA - \$35 mm
- VT Incentive Plan - Fidelity - \$13,414
- VT Incentive Plan - TIAA - \$367,859
- VT ORP Plan - Fidelity - \$371.3 mm
- VT ORP Plan - TIAA - \$751.7 mm
- VT Select DC Plan - Fidelity - \$3.3 mm.
- VT Select DC – TIAA - \$2.8 mm.

There is approximately \$27.8 million in the Self-Directed Brokerage Accounts (SDBA) across both Fidelity and TIAA.

CAPTRUST provided an overview of how they evaluate the funds in the plan including their scoring methodology and how that scoring differs depending on the type of funds (active funds vs. passive funds, target date funds, and unique types of investments). CAPTRUST Monitoring Methodology scores funds based on colors - green (In Good Standing), yellow (Marked for Review) and red (Consider for Termination) scoring for the funds shown.

### **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 \$20 million total assets - TIAA only)**

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

## **FEE PAYMENT METHODOLOGY**

As a follow up to the last Committee meeting, CAPTRUST presented TIAA and Fidelity's revised 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 two or three level tiered approach with participants with lower balances paying approximately \$30-40 per head annually (\$7.50-\$10 quarterly) 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.

## **CONSIDERATIONS**

- Implementing fee leveling means all plan participants pay a fee to participate in the plan.
- There has been a trend in the marketplace to assess fees on a per head basis as opposed to an asset-based approach which takes market dynamics out of the equation.
- The fixed per head fee approach offers an easy way for participants to know how much they are paying each vendor to administer their plans.

## **RECOMMENDATION**

**CAPTRUST recommended the Committee adopt moving to a per unique participant (per capita) fee. After a robust discussion, the Committee agreed to move to the two-tiered pricing structure.**

### **Fidelity's Fee (includes payment of CAPTRUST's fee):**

- \$0-\$20,000 - \$40 per participant annually (\$10 per quarter)
- \$20,001 or more - \$96 per participant annually (\$24 per quarter)

### **TIAA's Fee (includes CAPTRUST's fee):**

- \$0-\$20,000 - \$40 per participant annually (\$10 per quarter)
- \$20,001 or more - \$98 per participant annually (\$24.50 per quarter)

**Bryan and Simon will present the Committee's recommendation to the Executive Vice President for final approval.**

## **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.

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