

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 - absent
Ellen Banks
Steve Capaldo, Counsel
Bryan Garey
Debbie Greer
Greg Kadlec
Michael Walsh

Other Attendees: Barry Schmitt (CAPTRUST)
Fran Slacum (CAPTRUST)
Karren Gorney (CAPTRUST)
Mary Fandel (Fidelity)
Andy Daigneault (Fidelity)
Sarah O'Toole (Fidelity)
Stacy Golden (Fidelity)

Meeting Topic: Investment Review, Fidelity Annual Review (including Target date funds and Cybersecurity), and Share Class Changes

Date: September 9, 2024

Time: 3:00 PM (EST) - 4:30 PM (EST)

Location: Zoom Meeting

Documentation Referenced: 6/30/24 CAPTRUST Investment Report, Fidelity Strategic Planning Deck, Fidelity Cybersecurity Presentation, Fidelity Freedom K Presentation, and Prior Meeting Minutes

OLD BUSINESS

The minutes of the May 23, 2024, Committee meeting were approved.

FIDELITY PLAN REVIEW

Sarah O'Toole, Fidelity's Institutional Portfolio Manager for the Freedom Funds provided a high-level overview of the Fidelity Freedom Funds. Key factors shared:

- Fidelity manages over \$604 Billion in assets under management for target date funds with 16,000 plan sponsors and 6.8 million investors in a target date fund.
- Fidelity's Target Date Funds encompasses three components – glidepath construction, active management, and specialized research. The target date goal is to help participants maintain their standard of living in retirement by balancing risk and return throughout their lifetime.
- Based on Fidelity's research, participants in target date strategies have exhibited disciplined behavior. Fidelity's believes participants can benefit from higher equity allocation during their saving years.
- There are eight strategic asset classes in the glide path. At retirement (age 65), the allocation is 50% equity and 50% income. Within the equity allocation, they are 60% U.S. and 40% non-U.S.

- Sarah also touched on things Fidelity is doing to address retirement income including web tools, annuity based solutions (Guaranteed Income Direct), managed retirement funds, as well as researching the placement of annuities within the target date funds.

Andy noted that all Fidelity funds offered on the investment menu are performing well.

Cybersecurity Update:

- Fidelity has over 1,000 technologists dedicated to cybersecurity and invests over \$300 million to cybersecurity and fraud.
- Fidelity has cybersecurity certifications with the ISO 27001, which is recognized globally for the highest standards for managing risks to the security of information.
- Under Fidelity’s Customer Protection Guarantee, Fidelity will reimburse participants’ losses from unauthorized activity in participant accounts.
- 84% of Virginia Tech participants signed up for multi-factor authentication. 95% of all participants are eligible to receive real-time security alerts. Stacy shared multi-factor authentication will be required for all plan participants.

Mary Fandel, Managing Director, presented the current plan information. Below are some key items and stats discussed:

Plan demographics through June 30, 2024:

- 90% of eligible employees voluntarily participate in the retirement plan.
- Total annual savings rate is \$12,722.
- 74% of plan participants have an age-appropriate equity allocation.
- 1.1% of active participants have at least one loan outstanding.
- There are 5,280 total plan participants.

The Fidelity Team left the meeting.

INDUSTRY UPDATE/OVERVIEW

IRS GUIDANCE ON DISASTER RELIEF DISTRIBUTION/LOANS

On May 3, 2024, the Internal Revenue Service (IRS) issued a fact sheet explaining the rules for distributions and loans for certain individuals impacted by federally declared major disasters under section 331 of SECURE Act 2.0 which includes:

- The \$22,000 limit is per person, per disaster, across all plans and IRAs. There is no annual limit.
- Distributions and loans are available only to individuals who have experienced an economic loss due to a qualified disaster, and whose principal residence is in the disaster area.
- For qualified individuals impacted by a qualified disaster, plan loan limits may be increased to 100% of the vested benefit, or \$100,000. Additionally, loan repayments may be suspended if due within 180 days of a qualified disaster and extended up to one year.

Virginia Tech *is exploring options* to allow distributions for disaster relief and for domestic abuse.

DOL LOST AND FOUND PROPOSAL

On April 15, 2024, the Department of Labor (DOL) released a proposed procedure regarding the Retirement Savings Lost and Found database, through which individuals can search for missing retirement plan benefits. The DOL was directed by SECURE 2.0 Act to create such a database by December 29, 2024.

- In the newly proposed procedure, the DOL places the data collection and reporting burden on plan administrators, who would be required to provide necessary data, including names, Social Security numbers, addresses, and beneficiary information, to the DOL via Form 5500s each year, perhaps starting with the 2023 5500.

ECONOMIC/MARKET UPDATE

In the second quarter, a solid global economic backdrop supported equities, although euphoria around big tech and artificial intelligence continued to drive relative performance in U.S. favor. The disinflation narrative gained momentum, with many central banks starting to reduce policy rates, a positive for markets, especially those most rate sensitive.

- U.S. equity results were mixed with large tech stocks driving outsized returns. Interest rate- sensitive small-cap stocks felt the most pressure.
- Bond yields moved moderately higher as expectations eased for multiple 2024 Fed interest rate cuts.
- Commodities advanced. Long-term significant infrastructure needs, and the ongoing renewable energy transition are expected to drive demand.
- Real estate sagged, although relative valuations and rate cut expectations drove improvement.
- Outside the U.S., performance varied by region. Currency weakness weighed on Japan, and political uncertainty hampered Europe. Conversely, emerging market stocks kept pace with U.S. equities. China was a top performer, although potential trade and geopolitical tensions remain a key risk.

Tailwinds Facing The Market

- The Fed continues to make progress in its fight against inflation.
- Election years are usually good for markets, especially when incumbents are running for reelection. The U.S. Treasury tends to keep liquidity flowing, while the administration uses all the tools at its disposal to stimulate consumer spending.
- Like consumers, corporations have been surprisingly resilient in the face of higher interest rates. While initial strength has been concentrated with the mega-cap cash-flow giants, market strength is expected to broaden out over the coming quarters.

Headwinds Facing The Market

- Real yields are the primary measure of the Fed's policy actions. Today, they're at levels that have proven restrictive over the past 25 years.
- The amount of stimulus required to support markets during election years can cause a hangover in inauguration years with an increasingly wide range of historical market outcomes. The next administration will face immediate fiscal, geopolitical, and monetary policy challenges.
- Borrowing costs on government debt have nearly doubled in the last three years, mostly due to rising interest rates and higher issuance. With most of the debt maturing in the next three years, refinancing costs will be a key variable in future fiscal activity.

Major indices performed as follows for the 2nd quarter:

- U.S. Stocks 4.3%
- U.S. Bonds 0.1%
- International Stocks (0.2%)
- Emerging Markets 5.1%
- Real Estate (1.6%)
- Commodities 2.9%

INVESTMENT REVIEW

Plan Level Review

Assets as of June 30, 2024, totaled \$2.15 Billion broken down as follows:

- VT 403(b) Plan - Fidelity - \$352.5 mm
- VT 403(b) Plan - TIAA - \$583 mm
- VT Cash Match Plan - Fidelity- \$26.5 mm
- VT Cash Match Plan - TIAA - \$35.5 mm
- VT Incentive Plan - Fidelity - \$14,310
- VT Incentive Plan - TIAA - \$370,668
- VT ORP Plan - Fidelity - \$385.8 mm
- VT ORP Plan - TIAA - \$764 mm
- VT Select DC Plan - Fidelity - \$2.9 mm.
- VT Select DC – TIAA - \$2.9 mm.

TIAA has approximately \$1.4 billion in assets and Fidelity has \$768 million.

Assets are allocated as follows:

- U.S Equities - 29%
- Target date funds - 27%
- Fixed income - 22%
- International equities- 18%
- Real estate- 3%
- Brokerage - 1%
- Loans - <.10%

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 (score of 73 with approximately \$21.1 million total assets - Fidelity and TIAA)

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

American Funds Euro pacific Growth R5 (score of 72 with approximately \$19 million total assets - TIAA only)

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

SHARE CLASS ANALYSIS

CAPTRUST reviewed the Share Class Analysis Report that showed three funds are eligible for a lower share class. It was noted that the funds will have the same strategy but a lower fee, resulting in better performance at the fund level.

Investment Name	Assets	Expense Ratio %	Revenue Share %	Net Cost %
Vanguard Short-Term Bond Index Adm	\$8,896,485	0.07%	0.00%	0.07%
Vanguard Short-Term Bond Idx I		0.05%	0.00%	0.05%
Vanguard Growth Index Admiral	\$7,844,130	0.05%	0.00%	0.05%
Vanguard Growth Index Institutional		0.04%	0.00%	0.04%
Vanguard Inflation-Protected Secs Adm	\$6,125,865	0.10%	0.00%	0.10%
Vanguard Inflation-Protected Secs I		0.07%	0.00%	0.07%

The anticipated participant savings is approximately \$4,400. **CAPTRUST recommended and the Committee approved moving to the lowest share class for the funds noted above. These fund changes will be coordinated with proposed future fund changes.**

CAPTRUST noted that CIT's are allowed in the 401(a) plan. The Committee would like to explore the opportunity to lower expenses by offering CITs. CITs are not currently available for 403(b) plans. **CAPTRUST will present the share class/CIT analysis at the next Committee meeting.**

FOLLOW-UP/OTHER ITEMS:

- **Fee Leveling** – The Committee's recommendation to move to a fixed per-head fee will be presented to the Executive Vice President for final approval. **CAPTRUST will request a proposed timeline from TIAA and Fidelity for implementing the fixed per head fee.**
- **CIT/Share Class Analysis** - CAPTRUST will present the share class/CIT analysis at the next Committee meeting.
- **Small Balance Payouts** – Approximately 600 terminated participants with small balances (less than \$7,000) will be paid out by the end of September.
- **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 2025.

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