

MEETING MINUTES

Plan Sponsor: Virginia Tech
Plan Name(s): VT Optional Retirement and VT Cash Match Plans
Committee Members: Dwight Shelton- Trustee- absent
John Cusimano- Co-Chairperson
Angela King- Co-Chairperson
Greg Kadlec - absent
Monica Mathena
Maxine Lyons - absent
Steve Capaldo - absent
Yohna Chambers - absent
Brian Murphy
Savita Sharma

Other Attendees: Barry Schmitt (CAPTRUST)
Drew Battle (CAPTRUST)
Jeff Overweg (TIAA-CREF)
Andrew Gradus (TIAA-CREF)

Meeting Topic: Plan Investment and Administrative Review
Date: August 5, 2015
Time: 2:30 PM (EST) – 4:30 PM (EST)
Location: North End Center, Suite 2300
Documentation Referenced: 6/30/2015 Plan Investment Report, , Flash Report, Non-approved asset report, , TIAA-CREF Investment Review, and TIAA-CREF Retirement Plan review and Assessment

OLD BUSINESS

The committee approved the minutes of the May 18, 2015 meeting of the Committee. Also, Fidelity provided their soft dollar policy as requested by Mr. Kadlec at the last meeting.

Retirement Plan Assessment

Jeff presented a summary of some key metrics and demographics on the plans:

- Average income replacement ratio compared to benchmark- according to TIAA-CREF's analysis, the average income replacement ratio for Virginia Tech participants that have money at TIAA-CREF, based on assumptions detailed in the review, is approximately 95%. This compares to the peer benchmark of 93% and an 80% target income replacement ratio.
- Last year, TIAA-CREF paid out over \$2.3 million in payouts on behalf of retired Virginia Tech Faculty/staff. Jeff also mentioned the Retiree health care credit as a discussion item with participants when they are getting ready to retire.
- As of March 31, 2015, total assets and contributions at TIAA-CREF were \$695.6 million broken down as follows:
 - ORP- \$411.4mm (\$16mm for the for the past 12 months)
 - TDA- \$265.3mm (\$21.3mm for the for the past 12 months)
 - Cash Match- \$18.9mm (\$1.1mm for the for the past 12 months)

- TIAA Traditional, while representing 30% of the assets, is receiving 24% of the contributions.
- Communication and education
 - TIAA-CREF discussed the communication and education strategy based on a person's category along with the number of participants within each category-dollar stretchers, life builders, accumulators, transitioners, and established.
 - The current multi-faceted core campaign, workshop opportunities, counseling sessions, and plan and event communications
 - 1,367 unique participants have signed onto the web year to date.
 - TIAA-CREF conducted 159 counseling sessions during the first quarter 2015 with the average age of 58.
 - Web-site enhancements for easier navigation and action including "are you on track" guidance, pre-recorded messages, and women and investing series.
- Plan fees- TIAA-CREF discussed the recent fee reduction to 14.5basis points
- CREF share class changes to affirm Virginia Tech's R2 share class migration.

ECONOMIC/MARKET UPDATE

Mr. Andrew Gradus delivered a review of the economy and market along with TIAA-CREF's outlook. Andy discussed a few key themes:

- Across the board, most funds have been doing well, beating benchmarks in most periods with few exceptions.
- Various awards including the Lipper award for the third year in a row that recognizes TIAA-CREF in the large company category for investments.
- TIAA Real Estate and real estate activity including the purchase of Henderson Real Estate
- TIAA traditional rates
- CREF Stock performance and the uniqueness of this fund
- CREF Social choice- recent performance and the "social screens" surrounding this fund.
- CREF Bond Market and why performance is lagging its peers.
- TIAA-CREF Lifecycle funds and solid performance across all vintages

INDUSTRY UPDATE/OVERVIEW

Barry delivered a review of recent focus areas relevant to retirement plan sponsors. CAPTRUST's industry update can be found in the quarterly investment review.

The following are the key themes:

- Recent ABB V. Tussey case
- Lifetime income and the inclusion in DC plans
- Tibble V. Edison case and the responsibilities in review of funds and fees
- Auto features and how they can impact retirement readiness.
- Millennial as the largest workforce population and how best to engage them in DC plans
- Money market reform (**Fidelity will be migrating several funds to a Government money market fund to avoid a floating NAV and gates/fees**)

INVESTMENT REVIEW

Plan level Review (does not include 403b plan or various other supplemental plans)

Assets as of June 30, 2015 totaled \$560.7mm broken down as follows:

- VT ORP Plan- Fidelity- \$113.9mm (including non-approved assets of \$13.3mm)
- VT Cash Match Plan- Fidelity- \$12.7mm (including non-approved assets of \$1.5mm)
- VT ORP Plan- TIAA-CREF- \$414.9mm (including non-approved assets of \$7.9mm)
- VT Cash Match Plan- TIAA-CREF- \$19.2mm (including non-approved assets of \$295k)

Performance Review (CAPTRUST)

The committee and its advisor reviewed the investments in a manner consistent with the standards and approach defined in the Investment Policy Statement.

Fidelity Review

Out of the 26 funds in the plan (Target date funds counted as one) there is one Fund Considered for Termination and one fund Marked For Review:

Considered for Termination

Artisan Mid Cap Value (Score of 69) – Despite the tenured management team of James Kieffer and Scott Satterwhite, both at the helm of this strategy since its inception in 2001, relative outperformance has been hard to come by in the last several years. The strategy finished both 2012 and 2014 in the bottom quartile of its peer group and has shown no signs of improvement through the first half of 2015. CAPTRUST recommended consideration on switching to a manager with a more consistent track record. This fund is passing the Virginia Tech overlay, so no action is required at this time. **CAPTRUST will continue to monitor the fund closely.**

Marked for Review

PIMCO Total Return (Score of 76)- Given the recent events surrounding founder and longtime manager Bill Gross’ departure from the PIMCO Total Return Fund and the uncertainty of this strategy going forward, **CAPTRUST continues to recommend the “freezing” of PIMCO Total Return on the Plan.** The Committee felt that the majority of the cash flow exodus, and corresponding negative impact of the fund, had already occurred, so now would be a bad time to freeze the fund. Also, the fund is passing the Virginia Tech overlay, so no action is required at this time. **CAPTRUST will continue to monitor the fund closely.**

TIAA-CREF Review

Out of the 27 funds in the plans (Target date counted as one) there is one fund Considered for Termination and three funds Marked for Review:

Considered for Termination

Artisan Mid Cap Value (Score of 69) – see above comments.

Marked for Review

PIMCO Total Return (Score of 76)- see above comments.

Other items discussed

Plan Amendments- Angie, Steve, and Barry will discuss changes to TIAA-CREF's proposed amendments and will proceed accordingly.

Brokerage Window on ORP and Cash Match

The Committee continued its discussion on the offering of a brokerage window. In concept, the Committee would like to offer a self-directed brokerage account on all assets. Angie provided the Committee with recent discussions with other public, higher educational institutions along with VRS' intention to offer brokerage on the State ORP in 2016. The Committee discussed how it would be rolled out, the necessary disclosures and "warnings" about brokerage, and the timing. It was discussed that currently Fidelity doesn't offer brokerage services to 415m plans so this would need to be addressed if Virginia Tech offers brokerage to all retirement plans. This will be a topic of discussion at the next Committee meeting with the intention of coming to a decision point.

Closing and mapping of funds

Depending on the outcome of the brokerage window the Committee will explore closing and mapping in a future meeting along with how the plans ought to be aligned and the pros/cons of a more integrated and aligned structure.

Having no other discussion items, the Committee meeting was adjourned.