

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 Lisa Wilkes Co-Chairperson- absent Kirk Wehner- Interim HR Director Greg Kadlec- absent Art Keown Dan Cook Steve Capaldo Brian Murphy- absent Savita Sharma
Other Attendees:	Andrew Gradus- TIAA Jeff Overweg- TIAA Amanda Falcone- TIAA Barry Schmitt- CAPTRUST Drew Battle- CAPTRUST
Meeting Topic:	Plan Investment and Administrative Review
Date:	February 22, 2017
Time:	10:00 AM (EST) – 11:00 AM (EST)
Location:	North End Center, Suite 2300
Documentation Referenced:	TIAA Annual investment Review and Business planning presentation, 12/31/16 CAPTRUST Plan Investment Report, Non-approved asset report, and Mid Cap Value comparison

OLD BUSINESS

The committee approved the minutes of the January 12th 2017 meeting of the Committee.

ECONOMIC/MARKET UPDATE

Andrew Gradus from TIAA discussed the current market environment. Andrew focused on the following areas:

- Recession- based on historical trends, TIAA believes that a recession could happen within the next 2 years or so. However, some of the policies that President Trump wants to put in place could prolong this current economic period.
- Economy is healthy
- Fed will likely raise rates 2 to 3 times in 2017 if the current economic climate remains.

Other items discussed:

- Name Change from TIAA-CREF Asset Management to Nuveen Asset Management.
- Pre-retirement planning. TIAA continues to focus more attention to pre-retirement planning as baby boomers are retiring at an accelerated pace.

Andrew also discussed several funds including:

- TIAA Traditional- how it works, current rate, and the reserve requirements.
- Active vs. Passive and how TIAA provides both including their low tracking error philosophy in most asset classes.
- TIAA-CREF Life-Cycle funds- Andrew discussed several recent changes within the life-cycle funds:
 - o Direct real estate investment up to 5% of the portfolio
 - o Replacement of several underperforming managers:
 - Enhanced large cap value
 - Global natural resources
 - Emerging markets equities

ADMINISTRATIVE REVIEW

Jeff Overweg from TIAA led a discussion on various items relating to the TIAA relationship with Virginia Tech. Jeff began with the introduction of Amanda Falcone. Amanda will be replacing Jeff as the lead Relationship Manager for Virginia Tech as there has been a re-alignment of clients within TIAA.

In addition, Jeff went through a presentation on various data points including:

- The Team assigned to Virginia Tech and each of their roles.
- Plan demographic data:
 - o 88% average income replacement ratio for participants in the plans, representing a 6.8% increase from prior year. 77% are on track or in range.
 - o (\$2.6 million) in annual annuity payments on the plan
 - o \$764.4 million in total assets across the plans (including 403b), representing a 9.2% increase from prior year
 - o \$42.7 million in contributions in 2016 (a 13.5% increase)
 - o (\$26.7 million) in distributions in 2016
 - o 6,495 participants with a balance (46% active, 42% terminated, and 12% other)
- Current services that TIAA is providing
- Other services TIAA can provide:
 - o Custom portfolios/managed accounts
 - o Banking
 - o Charitable/planned giving services
 - o Others
- Asset breakdown by fund. Jeff mentioned the increased flow to target date funds
- DOL Fiduciary Rule and what this means to participants
- Overall in-person engagements for 2016 (715 total in-person engagements representing around 600 employees)
- Recent awards from Dalbar for best participant and plan sponsor sites

INDUSTRY UPDATE/OVERVIEW

Barry delivered a review of recent industry trends. CAPTRUST's industry update can be found in the quarterly investment review document.

CAPTRUST discussed several topical items including:

- Morningstar's decision to add ETF's to peer groups
- The new fiduciary rule and the impact to participants and the plan along with its anticipated delay
- Increased usage of non-qualified plans if tax reform becomes a reality
- Litigation on the rise
- Cyber security- the Committee would like to see TIAA's stated cyber security policy.
- Lifetime income

INVESTMENT REVIEW

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

Assets as of December 31, 2016 totaled \$602.9mm broken down as follows:

- VT ORP Plan- Fidelity- \$129.1mm (including non-approved assets of \$12.6)
- VT Cash Match Plan- Fidelity- \$13.7mm (including non-approved assets of \$1.4mm)
- VT ORP Plan- TIAA-CREF- \$439.4mm (including non-approved assets of \$7.1mm)
- VT Cash Match Plan- TIAA-CREF- \$20.7mm (including non-approved assets of \$266k)

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:

Artisan Mid Cap Value (Score of 54) – Due to disappointing short and long term performance, The Committee considered several funds to replace the Artisan Mid Cap Value fund. The process will be that the Artisan Mid Cap Value Fund will be frozen (no future contributions or transfers will be allowed in this fund) but will continue to be reviewed on a quarterly basis for the next three years. During that time if the fund improves, the Committee may decide to allow future contributions and transfers. If the performance doesn't improve, at the end of three years, the remaining assets will be migrated to the appropriate mid cap value fund at the time. . John and Barry reviewed the two options. **After discussion, the Committee approved the addition of the JPMorgan Mid Cap Value R4 as a replacement option for this fund. Future contributions that were going into the Artisan Mid Cap Value fund will now be invested in the JPMorgan Mid Cap Value Fund.**

TIAA-CREF Review

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

Considered for Termination

Artisan Mid Cap Value (Score of 54) – see above comments.

Marked for Review

Mainstay Large Cap Growth I (Score of 74) – CAPTRUST has placed the strategy on watch, but is not removing it from their recommended list. While 2016 was a difficult year for large cap growth managers, we are concerned with the magnitude of the strategy's underperformance. The strategy faced stylistic headwinds in 2016, but also did not execute well in key areas such as technology which is by far the largest sector at roughly 36%. This is not the typical result during Justin's tenure as PM, so we will monitor performance in the coming quarters for signs of improvement.

TIAA-CREF Life Cycle Funds (score of 76)- Due to several manager changes on this fund along with the addition of direct real estate, this fund has been marked for review. See above comments under the TIAA review.

Other items discussed

- **Communications.** Lisa will work with TIAA and Fidelity on the distribution of any material communications involving the plans.
- **Brokerage window.** The Committee discussed brokerage windows and if Virginia Tech is at a point, where they are comfortable with offering a mutual fund only window on the ORP. After much discussion, the Committee agreed to recommend this to the Trustee. Lisa and Stephen will begin working with Fidelity and TIAA on the documentation necessary to incorporate a brokerage window.

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