

## MEETING MINUTES

Plan Sponsor: Virginia Tech  
Plan Name(s): VT Optional Retirement and VT Cash Match Plans  
Advisory Committee Members: John Cusimano-Co-Chairperson  
Leisa Shelor Co-Chairperson  
Ellen Banks  
Marie Bliss  
Steve Capaldo, Counsel  
Bryan Garey  
Debbie Greer - absent  
Greg Kadlec  
Art Keown  
Ken Miller  
Dwayne Pinkney  
Other Attendees: Barry Schmitt (CAPTRUST)  
Fran Slacum (CAPTRUST)  
Meeting Topic: Investment Review, Fund Menu Alignment, and Fee Policy  
Date: February 18, 2021  
Time: 3:30 PM (EST) – 5:00 PM (EST)  
Location: Microsoft Teams Meeting  
Documentation Referenced: 12/31/20 CAPTRUST Plan Investment Report and Project Timeline

## OLD BUSINESS

The minutes of the November 19, 2020 Committee meeting were approved.

## INDUSTRY UPDATE/OVERVIEW

Plan Sponsors can expect to see increased activity around retirement-income-oriented products and services with the SECURE Act and the proposed Secure 2.0. The new bi-partisan bill includes a focus on:

- Auto enrollment
- The use of collective investment trusts by 403(b) plans, which are currently available in 401(k) and other types of government plans.
- Another Increase in required minimum distribution age (from 72 to 75)
- Tax credit for lower- income savers.

With the Biden administration’s focus on the COVID-19 pandemic, there may be no meaningful progress on major policy proposals in 2021 except for adjustments in:

- Fiduciary Rule – May see increased fiduciary standards to the “Improving Investment Advice for Workers and Retirees” which became law in February.
- ESG – DOL may revisit most recent guidance issued by softening the language around the appropriateness of using ESG factors when selecting and monitoring plan investments.

Class action suits against retirement plan sponsors increased fourfold in 2020. Plan Sponsors should expect trend to continue.

Fiduciary Training Highlight:

Duty to Diversify - The duty to diversify under ERISA 404(a)(1)(C) serves several different purposes. Fiduciaries are required to diversify plan assets to minimize risk of large losses. For defined contribution plans, the plan should be sufficiently diversified to afford participants the opportunity to manage risk.

## **ECONOMIC/MARKET UPDATE**

Despite 2020's historic ups and downs, stocks and bonds posted strong returns this year, with U.S. stocks closing out the year at all-time highs. Fiscal and monetary stimulus from governments around the world boosted households, economies, and markets.

- U.S. stocks posted strong gains in the fourth quarter.
- International developed and emerging stocks rallied in the fourth quarter outperforming U.S. stocks.
- Bonds played an important stabilizer role as interest rates fell to historical lows.
- While real estate typically benefits from falling interest rates, that has not been the case due to the impact of COVID-19 related office closures and economic shutdown on the office and retail sectors.

Major indices performed as follows for the 4th quarter:

- U.S. Stocks +12.1%
- U.S. Bonds + 0.7%
- International Stocks +16.0%
- Emerging Markets +19.7%
- Real Estate +7.7%

## **INVESTMENT REVIEW**

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

Assets as of December 31, 2020, totaled \$972.4 mm broken down as follows:

- VT ORP Plan- Fidelity- \$265.6mm (including non-approved assets of \$16.7mm)
- VT Cash Match Plan- Fidelity- \$23.1mm (including non-approved assets of \$2.5mm)
- VT ORP Plan- TIAA-CREF- \$651.3 mm (including non-approved assets of \$14.4mm)
- VT Cash Match Plan- TIAA-CREF- \$32.4mm (including non-approved assets of \$723k)

There is approximately \$7 million in the Self-Directed Brokerage Accounts (SDBA) across both Fidelity and TIAA.

### **Performance Review**

The Advisory 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 are three funds marked for review.

#### **Marked for Review:**

**Fidelity Real Estate Investment Portfolio (score of 78 with approximately \$1.6 million)**- The current real estate environment has been challenging with certain sectors facing challenges due to business closures and its impact on commercial real estate. However, the fund passes the internal overlay, so no action is needed.

**T Rowe Price Mid-Cap Growth (score of 73 with approximately \$4.7 million)**- The manager employs a growth at a reasonable price approach which has been out of favor in the current market, However, the fund passes the internal overlay, so no action is needed.

**JPMorgan Mid-Cap Value (score of 73 with approximately \$205,000)**- as a traditional value manager, the current market has rewarded more growth bias strategies. However, the fund passes the internal overlay, so no action is needed.

### **TIAA Review**

Out of the 27 funds in the plans (Target date counted as one) there are three funds marked for review and one fund considered for termination.

#### **Marked for Review:**

**T Rowe Price Mid-Cap Growth (score of 73 with approximately \$5.3 million)**- see above comment.

**JPMorgan Mid-Cap Value (score of 73 with approximately \$579,300)** – see above comment.

**TIAA-CREF Large Cap Value (score of 77 with assets of approximately \$9.3 million)** – this manager had a good fourth quarter. The manager has struggled over the past three- and five-year periods. However, this fund passes the internal overlay, so no action is needed.

**CREF Money Market Account (assets of approximately \$9.7 million)** – The fund seeks high current income consistent with maintaining liquidity and preserving capital. CREF Money Market received approval by the state of New York to extend its expense waiver through the end of June. TIAA will be sending a reminder to CREF Money Market participants early June to remind them the waiver is currently in effect through June 30, 2021. After the waiver expires, participants may see negative returns in the CREF Money Market Account if interest rates do not rise sufficiently to cover the Account's expenses.

#### **Considered for Termination:**

**TIAA-CREF Mid Cap Value Premier (score of 58 with approximately \$5.4 million)** - This fund passes the internal overlay, so no action is needed. However, the Committee discussed the high turnover with this fund. **CAPTRUST will prepare a fund comparison for TIAA-CREF Mid Cap Value for the next Committee meeting.**

Barry discussed how CAPTRUST evaluates investment options. Points are awarded in each of the categories of the scoring system. CAPTRUST evaluates funds on a 100, point scale – 70% quantitative and 30% qualitative. Funds are scored as follows:

- 80 to 100 - Green (In Good Standing)
- 70 to 79 - Yellow (Marked for Review)
- Below 70 - Red (Consider for Termination)

John discussed the Virginia Tech overlay. The focus of the overlay is to further evaluate funds that are missing certain investment policy targets with a focus on the bottom 10% in peer relative and risk adjusted performance, turnover, fees, and tracking error.

### **PROPOSED PROJECT TIMELINE:**

CAPTRUST reviewed the proposed project timeline and recommended that the Committee implement changes using a phased approach. Phase 1 includes accepting TIAA and Fidelity's pricing proposals, modernizing the plan by migrating to TIAA's group contracts and industry standard retirement plan loans, and payout small/"de-minimus" balances (less than \$5,000) for terminated participants. Phase 2 includes fund menu consolidation (includes oversight of all plans including 403b) and implementing fixed and transparent pricing.

CAPTRUST recommended that the Committee accept the lower fee proposed by both recordkeepers - TIAA proposed 5.3 bps/\$78 per unique participant and Fidelity proposed 7.5 bps as the target fee under the bundled fee model / \$79 per unique participant.

On the TIAA platform, CAPTRUST recommended that the Committee move forward with migrating to TIAA's Retirement Choice/Plus group contracts and implementing industry standard Retirement Plan Loans.

The Committee discussed incorporating oversight of the 403(b) plan (and all executive plans) and the effect it would have on overall fees and the funds being offered. It was noted that once the 403(b) plan fund menu aligns (mapping of assets into the new fund structure included) with the ORP and Cash Match plans, overall investment and administrative costs would be lower on both the Fidelity and TIAA platforms - ranging from \$288,000 to \$292,000. **The Administrative Team will conduct a separate analysis on the 403(b) and make a recommendation to Dr. Pinkney.**

The Committee agreed to payout small balances on terminated participants (less than \$5,000) to an outsourced IRA provider. The Plan document will be amended to allow the payout of small balances. Small balances for terminated participants will be moved to an approved Rollover IRA provider. Virginia Tech will have the opportunity to "piggy-back" off the UVA contract once UVA formalizes a contract with an IRA provider.

**The Committee accepted CAPTRUST recommendations. CAPTRUST will work with Fidelity and TIAA to implement the lower fee, migrate to TIAA's Retirement Choice/Plus contracts and implementing Retirement Plan Loans on the TIAA platform.**

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