

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)
Sonya Bessong (TIAA)
Shirley Yang (TIAA)

Meeting Topic: Investment Review, TIAA Annual Review (including Cybersecurity), and Fee Benchmark Analysis

Date: November 21, 2024

Time: 3:30 PM (EST) - 5:00 PM (EST)

Location: Zoom Meeting

Documentation Referenced: 9/30/24 CAPTRUST Investment Report, TIAA Business Plan Review, Fee Benchmark Analysis, and Prior Meeting Minutes

OLD BUSINESS

The minutes of September 9, 2024, Committee meeting were approved.

TIAA Plan Review and Investment Review (only reflects TIAA data)

Sonya Bessong and Shirley Yang presented plan information as of September 30, 2024. Below are some key items and stats discussed:

Demographic information

- There are 6,678 total plan participants (active and terminated) on the TIAA platform. The average account size is \$295,957 for actives and \$154,394 for terminated plan participants.
- The average income replacement ratio is 91%
- Total contributions were up 40.4% year over year. It was noted that \$34.6 million was rolled into the plan. **TIAA will provide a detailed report on the \$34.6 million in rollovers.**
- There are 307 total annuitants with assets with an average annual payout of \$13,131. The largest annual payment is \$148,081. **TIAA will request a participation report to show retirement trends.**
- Approximately 50% of the contributions are invested in the Nuveen Lifecycle Fund which represents more than 20% of the total plan assets on the TIAA platform.

Cybersecurity update

- TIAA provides protection for the data they manage which includes 24/7 threat monitoring leveraging artificial intelligence.
- Annual assessments and audits are completed by independent auditors and government agencies align TIAA with DOL cyber guidance.
- Multi-factor authentication is required for all plan participants.
- TIAA has a total protection promise where they will reinstate a plan participant's account due to no-fault fraud on their account.

Investment information

- The TIAA Traditional Account provides consistent growth through all market cycles. The current rate for the RC is 5.25% and the RCP is 4.05%. Potential for higher amounts of income for all annuitants, based on factors such as current interest rate environment and current mortality expectations. Approximately 22% of the assets and 20% of the contributions are invested in TIAA Traditional.
- Nuveen Lifecycle Active Funds rolling performance since inception versus Morningstar peer have outperformed by more than 100 basis points as of September 30, 2024.
- Shirley touched on more recent trends in customizing the target date funds.

The TIAA Team left the meeting.

INDUSTRY UPDATE/OVERVIEW

50 YEARS OF ERISA

This is the 50th anniversary of the Employee Retirement Income Security Act (ERISA). There are pivotal moments in 403(b) history including how its provisions, portability, coverage, and liquidity have changed over time.

TRENDS IN DEFINED CONTRIBUTIONS PLANS

Today's defined contribution retirement plans have a diverse participant population requiring different solutions to prepare and manage their retirement savings including auto-enrollment, Roth feature, managed accounts, and access to funds during hardship events.

Litigation continues to be an issue for retirement plan sponsors. Current lawsuits have been brought against a recordkeeper's investment advice program, Qualified Default Investment Alternatives (QDIAs), as well as an alleged breach of fiduciary duty based on the use of forfeiture assets to offset employer contributions.

FIDUCIARY TRAINING: HOW TO DRAFT GOOD MEETING MINUTES

One important fiduciary responsibility required under ERISA is to keep records of every meeting and to track fiduciary discussions and decisions made for an employer's retirement plan. Meeting minutes serve as proof that a committee is following a prudent process to act in the best interest of their plan participants. CAPTRUST drafts the meeting minutes and the Committee approves the minutes at the next Committee meeting as part of fiduciary governance.

ECONOMIC/MARKET UPDATE

Shifting market leadership in the third quarter highlighted the sensitivity of economic data leading to the Federal Reserve's first interest rate cut in September. The Fed messaged the move as proactive, with risks now balanced

against a slowing but overall solid, economic backdrop. Rate reductions are expected to continue at a moderate pace, but economic complexity remains elevated.

- U.S. stock markets ascended, with rate-sensitive stocks like utilities and real estate leading the way.
- Bond yields moved considerably lower ahead of a more accommodative Fed policy stance, a solid tailwind for fixed income in the quarter.
- Commodities saw only marginal movement due to softening economic trends. Oil prices declined despite geopolitical tensions. Gold was the standout and one of the best-performing assets amid a falling dollar and strong central bank demand.
- Lower rates and attractive valuations thrust real estate upward, another star of the quarter.
- International markets outperformed the U.S., aided by a weaker dollar, while stimulus efforts in China proved a significant quarter-end tailwind.

Tailwinds Facing The Market

- With the first rate cut, the economy has transitioned from an extended rate pause to an easing cycle. Fed officials are focused on preserving economic growth while maintaining a strong labor market.
- Rising rates gradually slow consumer activity, while falling rates can provide immediate relief to consumer spending capacity.
- With rates moving lower, consumers may feel some relief on credit card debt, resume borrowing for larger purchases, or tap into the more than \$15 trillion of additional home equity accumulated over the last five years.
- Lower rates could also provide relief to more speculative, or debt-laden, areas of the equity market while reducing pressure on bank balance sheets.

Headwinds Facing The Market

- Although the Fed has entered an easing cycle, the pace and magnitude of rate cuts remain unknown.
- The debt limit suspension expires on January 1, leading Congress back to the negotiating table after November elections.
- The presidential election will likely be decided by a narrow margin and could leave half the country upset with the outcome. This may create economic and market turmoil.

Major indices performed as follows for the 3rd quarter:

- U.S. Stocks 5.9%
- U.S. Bonds 5.2%
- International Stocks 7.3%
- Emerging Markets 8.9%
- Real Estate 17.0%
- Commodities 0.7%

INVESTMENT REVIEW

Plan Level Review

Assets as of September 30, 2024, totaled \$2.25 Billion:

- VT 403(b) Plan - Fidelity - \$362mm
- VT 403(b) Plan - TIAA - \$611.9 mm
- VT Cash Match Plan - Fidelity- \$27.4mm
- VT Cash Match Plan - TIAA - \$36.1mm
- VT Incentive Plan - Fidelity - \$14,938
- VT Incentive Plan - TIAA - \$385,435
- VT ORP Plan - Fidelity - \$408.5 mm
- VT ORP Plan - TIAA - \$794.3 mm
- VT Select DC Plan - Fidelity - \$3 mm.
- VT Select DC - TIAA - \$3.4 mm.
- VT 403(b) Excess Plan - Fidelity - \$2 mm.
- VT 403(b) Excess Plan - TIAA - \$834,231.

TIAA has approximately \$1.45 billion in assets and Fidelity has \$804 million.

Assets are allocated as follows:

- Target date funds - 27%
- U.S Equities - 24%
- Fixed income - 20%
- International equities - 16%
- Frozen Assets – 9%
- 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 three funds marked for review.

Marked for Review:

MFS Value R6 (score of 73 with approximately \$15.3 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 70 with approximately \$19.5 million total assets - TIAA only)

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

TIAA Real Estate (with approximately \$49.3 million total assets - TIAA only)

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

RETIREMENT PLAN ADMINISTRATION

VT Plan Administration Team updated the Committee on the following administrative topics:

- Small Balance Distributions – The project is complete. Approximately 200 plan participants and assets totaling around \$1.23 million were paid out at the higher threshold of \$7,000.
- Fee Leveling – The Committee discussed moving to a new fee structure. Participants would be assessed a per head fee. Fees applied would be shown on a participant’s quarter statements. Virginia Tech would coordinated participant communications with Fidelity and TIAA. Virginia Tech would send out a separate notice in addition to the recordkeepers’ communications.
- Historical Fee Recap – Over the past 14 years, fees have significantly decreased for both Fidelity and TIAA. TIAA’s asset based fee dropped from a high of 20 bps in 2010 to 2.8 bps in 2024. Fidelity’s asset based fee dropped from a high of 31 bps in 2010 to 5.5 bps in 2024. Virginia Tech will be moving to a more transparent per head “tiered approach” fee in 2025.
- Secure 2.0 Optional Provisions – Virginia Tech intends on adopting the following optional provision:
 - Emergency Expenses
 - Federally Declared Disasters
 - Eligible Distributions for Domestic Abuse Victims
 - * Qualified Birth/Adoption Distribution (Secure 2.1) – under consideration

FOLLOW-UP/OTHER ITEMS:

- **CIT/Share Class Analysis** - CAPTRUST will present a share class/CIT analysis at the next Committee meeting.
- **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.