



# VCU

VIRGINIA COMMONWEALTH UNIVERSITY

## VCU ORP Investment Advisory Committee Meeting

November 10, 2015

10:00 AM

**Committee members in attendance:** Jay Bonfili, Cathleen Burke, Timothy Graf, Carl Gattuso, Edward Ishac, Heidi Jack,

**Committee members absent:** Brent Smith

**Other attendees:** Barry Schmitt, Daniel Jason, Patrick Warner, and Andy Daigneault

### I. Approval of Minutes

The minutes of the meeting of January 23, 2015 were approved with no revisions.

### II. Fidelity Review

Andy Daigneault provided the committee with a brief update on the economy and the various capital markets along with Fidelity's outlook. The presentation included an overview of the following:

- Global business cycle
- Slowing Chinese economy, its recent devaluation, and the impact across the global capital markets.
- US Economy
- Fed Rate hike decision and the potential impact, short and long term.
- Downward pressure on commodities, oil in particular, and the effect on Russia, Canada, and the Middle East, which have built their economies on this commodity.
- Fidelity's recent decision to convert their Retirement Money Market fund into a Government money market fund to avoid gates, fees, and floating net asset values.
- Passive vs. active management
- Performance of several funds including Fidelity Contrafund, Fidelity Low-Priced Stock, Fidelity Diversified International, and Fidelity Freedom.

Patrick Warner provided the Committee with a re-cap of the past year highlighting several key metrics;

- \$273mm in assets (ORP, TDA, and Cash Match with an average balance of \$92,000) representing 2,969 unique participants
- 59% contact rate for the past year with 15% using Fidelity's guidance resources ( 17% took some kind of action)
- 58% of participants have an asset allocation in line with target date fund glide path
- 72% of eligible employees are contributing with an average savings rate of \$9,757 (for those that are investing in the ORP, cash match, and 403b, the average annual savings rate is \$17,204)
- 18% of VCU participants have another account at Fidelity

### III. Investment Review

Mr. Schmitt delivered a review of recent industry trends and topical spotlights on current retirement issues in the marketplace. Key items discussed were:

- Understanding Fees
  - Who the plan/plan sponsor is paying
  - How much the plan/plan sponsor is paying
  - The services being provided
  - The reasonableness of those fees in the marketplace
  - Whether fees are equitably distributed to plan participants
  - The various methods of paying plan expenses

- Investments
  - Having an Investment Policy Statement and following it
  - Considering share classes
  - Following a prudent process in the selection of the default fund
- Operational
  - Ensuring committee members are familiar with the plan document
  - Documenting committee meetings using meeting minutes?
- Plan Design and the effect on participation and deferral rates
  - Automatic enrollment
  - Automatic escalation

CAPTRUST's industry update was distributed with the quarterly investment review.

#### Plan Level Review

Plan assets for the Optional Retirement Plan and Cash Match Plan totaled \$443.2 million as of September 30, 2015:

- Optional Retirement Plan assets with Fidelity totaled \$114.6 million
- Cash Match Plan assets with Fidelity totaled \$8.4 million
- Optional Retirement Plan assets with TIAA-CREF totaled \$308.8 million (including \$14.1 million in non-approved investments)
- Cash Match Plan assets with TIAA-CREF totaled \$11.4 million (including \$589,000 in non-approved investments)

#### Performance Review

Mr. Schmitt discussed the review of plan investments consistent with the standards and approach defined in the Investment Policy Statement.

Fidelity Lineup: Of the 15 approved funds (with Freedom Funds counted as one), there is one fund *Considered for Termination* and one fund *Marked for Review* by CAPTRUST:

- *Considered for Termination:* BMO Small Cap Growth (Score of 64). CAPTRUST will prepare more information to be emailed to Committee Members, along with the Trustee, for consideration on a fund replacement. Committee members will be polled for a consensus.
- *Marked for Review:* Lazard Emerging Markets (Score of 73) – Emerging markets have been a challenging asset class to invest, considering the significant headwinds including the Chinese economy and commodity prices. Overweight positions in Brazil and Turkey contributed to this fund's underperformance

TIAA-CREF Lineup: Of the 14 approved funds (with LifeCycle Funds counted as one), there is one fund marked for review:

- *Marked for Review:* Lazard Emerging Markets (Score of 73) – see above notes

All other funds are meeting policy guidelines.

The meeting was adjourned at 11:30 a.m.