VCU ORP Investment Policy Advisory Committee Meeting
March 25, 2026
9:00 AM

Committee members in attendance: Jay Bonfili, Chad Cook, Alison Miller, Andrew Ottens, Meredith Weiss, and Pete Vatev
Absent:
Other attendees: Daynon Smith, Kelvin Allen, and Melissa Burton (VCU), Barry Schmitt, Jim Strodel, Karren Gorney, and Fran Slacum (from CAPTRUST), Benjamen Parker and Andy Daigneault (from Fidelity)

I. **Introductions -** The meeting began with Barry introducing Jim Strodel to the Committee. Jim will assume the role of lead advisor on the relationship, succeeding Barry Schmitt following Barry's retirement at the end of June. The Committee members then introduced themselves and provided a brief overview of their respective roles.

II. **Review of Minutes –** The Committee noted there were no changes needed to the minutes from the November 10, 2025, meeting.

III. **<u>Fidelity Plan Review and Investment Review (only reflects Fidelity data)</u>**
Benjamen and Andy presented plan information as of December 31, 2025. Below are some key items and stats discussed:

<u>Demographic information</u>
- There are 3,499 total participants (active and terminated) on the Fidelity platform.
- 83% of active employees with a balance at Fidelity participate in the retirement plan.
- The average total (employer plus employee) savings rate is $12,928. The savings rate for VCU participants has increased year after year.
- 67% of participants have an "age-appropriate" equity allocation with the outliers being older faculty/staff.
- 80% of active participants have contacted Fidelity by phone or logged into NetBenefits.
- 86% of active employees registered on Fidelity's Net Benefits site.
- 53% of plan participants currently have a beneficiary designation on file. Fidelity will continue its ongoing communication efforts to encourage additional participants to designate beneficiaries.

<u>Investment information</u>
- In the current environment, market volatility has increased.
- Capital expenditures include less labor and more technology. Revenue growth will be challenging as labor expenses decrease.
- Consumer spending remained stable in Q4, supported by real wage growth and strong household balance sheets, though higher-income consumers continue to drive spending while lower-income groups experienced slower wage growth.
- Fund highlights included:
    - Fidelity increased equity exposure and reduced the fixed income exposure for early-career investors and investors in retirement for the Fidelity Freedom Funds. **The Portfolio Managers for the Freedom Funds will be invited to a future Committee Meeting.**

- Will Danoff, the long tenured Portfolio Manager for Fidelity Contra fund will be retiring December 2026. In April 2025, Asher Anolic and Jason Weiner were added as co-portfolio managers.

The Fidelity Team left the meeting.

CAPTRUST was not able to review the industry update and the market commentary. An executive summary is detailed below.

IV. **CAPTRUST Investment Review**

2026 Retirement Plan Predictions

- SECURE 3.0 **-** Bills will be introduced in the House and Senate to indicate where members stand on retirement issues.
- 2027 Saver's Match - the federal Saver's Match will provide eligible individuals with a 50% federal match on up to $2,000 of qualified retirement contributions, deposited directly into their retirement accounts.
- Target-Date Funds – Fund managers will offer solutions that include allocation to retirement income or private market strategies.
- Capital Preservation Options – will be under increased scrutiny with the rapidly changing interest rate environment.
- Artificial Intelligence (AI) – will be used to compose and deliver participant communications and materials.

ECONOMIC/MARKET UPDATE

Global markets ended 2025 on a strong note, supported by robust AI infrastructure investment and sustained economic resilience. U.S. equity leadership broadened beyond the year's earlier tech-centric concentration, while international equities emerged as top performers, benefiting from a weaker dollar, solid earnings, and pro-growth structural reforms.

- U.S. equities posted modest gains as leadership broadened beyond crowded tech trades into cyclical and defensive sectors.
- International equities outperformed, supported by multiple expansion, currency tailwinds, and continued fiscal stimulus.
- Short-term bond yields declined alongside a third Fed rate cut, though returns remained muted amid uncertainty over the monetary policy outlook.
- Commodities extended year-to-date gains, led by rising precious metals as investors sought safe-haven assets.
- Real estate declined despite lower rates, pressured by ongoing concerns about the economic environment.

<u>Tailwinds Facing the Market</u>

- AI deployment may slow due to aging power grids and long build-out timelines.
- Immigration constraints and tariff-driven costs may complicate monetary policy and increase debt pressures.
- High valuations and tech concentration heighten market vulnerability if AI outcomes fall short.

<u>Headwinds Facing the Market</u>

- One Big Beautiful Bill Act (OBBBA) tax incentives and global defense, power, and computing build-outs may boost U.S. investment and help support real-asset pricing.
- Under OBBBA, tax refunds are set to rise by 44% year-over-year, while strong equity and housing markets continue to bolster higher-income consumers.
- Lower global interest rates and improving AI-driven productivity could expand corporate profit growth beyond large technology firms.

Major indices performed as follows for the 4th quarter of 2025:

- U.S. Stocks 2.7%
- U.S. Bonds 1.1%
- International Stocks 4.9%
- Emerging Markets 4.8%
- Real Estate (2.3%)
- Commodities 5.8%

Plan Level Review

Plan assets for the Optional Retirement Plan and Cash Match Plan totaled $1.05 billion as of December 31, 2025:

- ORP assets with Fidelity totaled $358.4 million.
- CMP assets with Fidelity totaled $19.3 million.
- ORP assets with TIAA totaled $642.7 million (including $16 million in non-approved investments)
- CMP assets with TIAA totaled $29.1 million (including $691,025 in non-approved investments)

Performance Review

CAPTRUST provided an investment review aligned with the standards and methodology outlined in the Investment Policy Statement.

Fidelity Lineup:

There are 15 approved funds (with Freedom Funds counted as one). All funds meet policy guidelines except one fund that is considered for termination.

TIAA-CREF Lineup:

Of the 14 approved funds (with LifeCycle Funds counted as one), all funds meet policy guidelines except one fund that is marked for review, and two funds are considered for termination.

Marked for Review:

CREF S&P 500 Index (Approximately $24 million on TIAA platform)

The CREF S&P 500 Index is a passively managed equity strategy designed to track the performance of the S&P 500 Index, providing broad exposure to large-capitalization U.S. companies. During the fourth quarter of 2025, the S&P 500 delivered a modest positive return of approximately 2.7%, extending the market's third consecutive quarterly gain. Performance was driven primarily by large-cap growth stocks, supported by resilient corporate earnings and additional Federal Reserve rate cuts late in the quarter. While market volatility persisted, strength in technology and communication services helped offset weaker performance in more defensive sectors, resulting in steady but moderate gains relative to earlier quarters in the year. **CAPTRUST will present alternatives for this fund during an off-cycle meeting.**

Consider for Termination

American Funds EUPAC R6 (Approximately $12.6 million in assets with a score of 67 on TIAA Platform)

While the intermediate-term results for the strategy continue to be weighed down by weak performance in 2021 and 2022 when growth stocks derated, the numbers are trending in the right direction as relative performance has slowly improved over the past three years. At the end of the first quarter this past year, the fund's three-year return ranked deep in the bottom quartile of the foreign large blend peer group. As of year-end, that three-year return had improved to being just below the median of the peer group, near the 60th percentile - the strategy returned 4.62% versus 5.05% for the core benchmark. **CAPTRUST will present alternatives for this fund during an off-cycle meeting.**

MFS Value R6 (Approximately $27.4 million with a score of 62 on Fidelity and TIAA platforms)

The strategy targets durable businesses with strong free cash flow and balance sheets, managing risk largely through avoidance, with historically low turnover (~12%). However, results have deteriorated:

2025 was the fifth straight year in the bottom half of the peer group, and relative weakness now looks like a multi-year bleed versus peers and benchmark, not a temporary style headwind. The “defensive” posture has also failed to provide enough downside benefit to justify repeated lag in up markets. Also, the portfolio’s limited exposure to mega-cap tech increasingly appears structural rather than valuation-driven, and the team’s messaging has not provided a consistent framework for when those businesses become attractive. **CAPTRUST will present alternatives for this fund during an off-cycle meeting.**

The Nuveen Lifecycle Funds, Fidelity Diversified International, Fidelity Real Estate Investment Portfolio, which were previously marked for review meet policy guidelines.

<u>Other Funds Discussed</u>
Vanguard’s February 2026 announced expense-ratio reductions for certain funds are expected to generate approximately $9,642 in recurring annual cost savings for the VCU plan, based on current fund balances.

V. **FEE BENCHMARK ANALYSIS**

CAPTRUST provided a fee benchmarking on TIAA’s 4.2 basis point (bps) and Fidelity’s 4 bps. recordkeeping and administrative fee. The presentation was designed to provide the Committee with a fiduciary process to 1) understand the current fees and 2) assess the reasonableness and competitiveness of Fidelity’s fee compared to other similarly structured plans. Based on the plan demographic information utilized to benchmark the plan against the industry, Fidelity’s current fees are within the current benchmark range and TIAA’s fee is above the current benchmark range. **CAPTRUST will negotiate with both TIAA and Fidelity on current fees.**

<u>Follow Up Items</u>
- CAPTRUST will present alternatives for the funds noted above during an off-cycle meeting.
- CAPTRUST will negotiate with both TIAA and Fidelity on current fees.

Having no other items, the meeting was adjourned.