

The Defined Contribution Plans Advisory Committee met on September 7<sup>th</sup> with the following members present:

**IN ATTENDANCE**

Brett Hayes, Chair  
Robert Carlson  
Shannon Irvin  
William Jackameit, Ed.D.  
Margaret Maslak  
Patricia Phillips  
Tracey Ray  
David Winter

William Leighty, VRS Board member  
The Honorable J. Brandon Bell, II, VRS Board member

Also present was Mark Gribbin, JLARC.

Attending from VRS were Stephen Adelaar, Rory Badura, Trish Bishop, Steve Cerreto, Jeanne Chenault, Perry Corsello, Antonio Fisher, Josh Fox, Kelly Hiers, KC Howell, Ciara Lawson, Steve McClelland, Rebecca Nicholas, Laura Pugliese, Greg Oliff, Jummai Sarki-Hurd, Michael Scott, Jillian Sherman, Bridgette S. Watkins, Rachel Webb, Dan Whitlock, and Cindy Wilkinson.

**CALL TO ORDER AND WELCOME**

Mr. Hayes called the meeting to order at 10:30 a.m. and welcomed the Committee and attendees. He also introduced two new members of the Committee, Ms. Irvin and Ms. Phillips.

**ADOPTION OF THE MINUTES FROM THE APRIL 4, 2016 MEETING**

On a motion by Mr. Carlson and a second by Dr. Jackameit, the June 3, 2016 meeting minutes were approved.

**INVESTMENTS**

*Unbundled DC Plans*

Laura Pugliese, Portfolio Manager, provided the Committee with a final review of the unbundled DC plans investment changes that took place on July 29, 2016. Ms. Pugliese reported that coordination among BlackRock, ICMA-RC and State Street representatives resulted in a smooth transition. She told the Committee there was a slight fee increase in the expense ratio for the

International Stock Fund from 6 basis points to 9 basis points because of the fund's expanded mandate to include small-cap stocks and emerging markets stocks. Ms. Pugliese reported the change in the Money Market Fund resulted in a slight fee decrease from 10 basis points to 8 basis points.

Ms. Pugliese informed the Committee effective August 2016 the custom book value benchmark for the Stable Value Fund changed from the 3-Year CMT Yield plus an annualized spread of 50 basis points to 50% 2-Year CMT Yield + 50% 3-Year CMT Yield plus an annualized spread of 25 basis points. She reported that returns from the updated custom benchmark will be linked to prior custom benchmark returns to produce the longer dated returns for performance reporting purposes.

#### *Annual Investments Review*

The Charter requires the Committee to perform a comprehensive review of the investment program for each DC plan at least annually. Ms. Pugliese began by reviewing the twelve DC Investment Belief Statements previously approved by the Board and providing an overview of current DC best practices and trends. She provided a detailed review of each DC plan as of Fiscal Year 2016, which included information about fund performance and fees. The Committee and attending Board members discussed the underlying investments of each, with significant discussion related to the ORPHE TIAA and Fidelity investment options. In response to a Committee member's question, the Committee discussed a potential timeline for future changes to the ORPHE investment lineup. Ms. Bishop noted that she will come back to the Committee with a proposal for a timeline and outreach plan regarding when investment changes may be made to the ORPHE.

The Charter also requires the Committee to review the defined contribution plans Investment Policy Statements at least annually, and make recommendations to the Board.

Ms. Pugliese provided recommended changes and due to time constraints, it was decided the remainder of this item will be revisited at the December meeting.

She asked the Committee to review and provide comments to her by email. Staff will consolidate any additional edits and provide the Committee with a final draft of the documents at their December 2, 2016 meeting. Assuming the Committee agrees with the suggested changes, the policy documents will then be presented to the Board via a Request for Board Action for approval.

#### *Other Projects*

Ms. Pugliese informed the Committee that once outstanding ORPHE details are finalized, staff will re-start its off-the-shelf vs. custom target date portfolios project as well as its investment advice and managed accounts project. Both projects were previously placed on hold due to the developments that occurred with the ORPHE.

## **ADMINISTRATION**

### *Administrative Reports and Communication Update*

Due to time constraints, Kelly Hiers, VRS Defined Contribution Plans Administrator, bypassed a detailed review of the reports provided to the Committee and asked the Committee to email if they had any questions after reviewing the materials. She reminded the Committee that the first auto-escalation for the hybrid plan will take place in January, and provided a high-level overview of the communications plan.

## **ORPHE**

### *Plan Structure Discussion and Communications Update*

Ms. Hiers advised that VRS completed the required contract amendment with ICMA-RC earlier this year and is still in discussions with TIAA and Fidelity regarding updated pricing and contract provisions. Implementation discussions and communications development is progressing with all three providers.

Jeanne Chenault, Public Relations Director, reviewed the new VRS ORPHE website and provider microsites. Staff

also reviewed various outreach efforts to inform employers and participants of the new resources and options available.

*ORPHE Annual Employer Update*

Ms. Hiers reminded the Committee that the ORPHE Annual Employer Update required by the Charter is scheduled for September 16<sup>th</sup>. Committee and Board members are welcome to attend in person or online, although it is not a regular meeting of the Committee. A report will be provided to the Committee following the Update.

**OTHER BUSINESS**

Ms. Hiers advised that the institution that planned to opt-out of the ORPHE has postponed this action. Issues related to fiduciary responsibility and establishing an appropriate governance structure as a plan sponsor may have played a role in the institution's decision to postpone the opt-out action.

Cynthia Wilkinson, Policy, Planning and Compliance Director, also informed the Committee of eight class-action lawsuits against universities around the country related to their ERISA 403(b) plans. Complaints have been filed, but no other action has been taken yet. Staff will continue to monitor the cases and provide updates as available.

**NEXT MEETING**

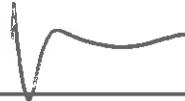
The next meeting of the DCPAC will take place December 2, 2016.

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**ADJOURNMENT**

Dr. Jackameit made a motion to adjourn with a second from Mr. Carlson.

The Committee adjourned at 12:41 p.m.



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Brett Hayes, Chair

