

KANSAS BOARD OF REGENTS
Retirement Plan Committee
MINUTES
September 20, 2006

The September 20, 2006, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order by Chairperson Janie Perkins at 8:00 a.m. The meeting was held in Board offices at the Curtis State Office Building, 1000 S.W. Jackson, Suite 520, Topeka.

Members Participating: Janie Perkins, Chairperson
Mike Barnett, FHSU
Dr. Dipak Ghosh, ESU
Dr. Ed Hammond, FHSU
Dr. Rick LeCompte, WSU
Gary Leitnaker, KSU
Rick Robards, KUMC
Michele Sexton, PSU
Madi Vannaman, KBOR

Lindy Eakin, KU, was unable to attend.

Brad Tollander and Melanie Langsett, Deloitte Consulting, and Robin Kempf and Renee Wilson, KBOR, were in attendance.

Minutes

The June 21, 2006, and July 20, 2006, RPC minutes were approved with the following corrections.

1. June 21, page 2 (E), the last sentence was clarified with the addition of this parenthetical statement: as the concern is for the Plan as a whole.
2. June 21, page 3, The RPC recommendations to the Board should state “consolidate to two from four Investment Providers.”
3. July 20, page 3, section 3, second paragraph should read “The rationale communicated...”

Report from Chair

Chair Perkins, newly appointed chair of the RPC, was introduced to the RPC and to the Deloitte consultants.

Deloitte Consulting

1. Deloitte’s Investment Tutorial was reviewed to provide an overview of the analysis process utilized for the investment management process.

Brad Tollander recommended that the Investment Policy Statement be reviewed semi-annually and the appendices be updated with the new fund lineup. In response to a question raised about frequency of a full review, i.e., expansion or contraction of the Plan, Melanie Langsett stated that in higher education consolidation has been the trend. Going forward, protocols will need to be established to determine whether and when another Investment Provider should be included. There

should be a compelling business reason to make a change, a triggering event such as a substantial change in the market place, a situation where one of the current Investment Providers was not able to meet the Board's needs which would require a third party to step in, or some other triggering event that indicated severe problems with the current Investment Providers. Deloitte will provide sample language the RPC can establish a policy for this type of review.

2. TIAA-CREF Stable Value Annuity Analysis – this fund was proposed for inclusion after the Best and Final process and was accepted by the RPC because of the flexibility it offered as a fixed fund with immediate liquidity to address concerns raised by TIAA participants.

Brad Tollander stated this is a new product as of June 30, 2006, and is offered to complement TIAA's traditional annuity product, which is considered inflexible by some Plan participants because of the nine-year surrender period. The Stable Value Return annuity will offer 100% liquidity but will be subject to a 90-day equity wash provision where a participant cannot transfer funds to a non-competing option for 90 days. This provision is very common in the marketplace and is intended to prevent market timing strategies by participants.

3. Deloitte's presented its semi-annual review, as of June 30, 2006, of the fund lineup proposed for December 31, 2006.

Brad Tollander and Melanie Langsett walked the RPC through the semi-annual analysis, noting that total plan assets are \$2.047 billion, with 33.6% in money market/stable value funds.

4. Other considerations:

- a. As of December 31, 2006, Lincoln National and Security Benefit Group will no longer be active Investment Providers. For semi-annual analysis, the only data that will be requested from the deselected providers will be plan asset balances.
- b. Deloitte will provide information to help the RPC determine a protocol for TIAA-CREF and ING to follow to propose fund changes to the Mandatory Retirement Plan.
 - i. A schedule for the RPC/Board needs to be developed that outlines committee practice. For example, the RPC may want to entertain the addition of other investment options on an annual basis, proposed in time for consideration with the December 31st semi-annual review for possible implementation on July 1st.
- c. Deloitte suggested that funds would be evaluated on a number of different levels:
 - i. Does it pass the Investment Policy Statement criteria?
 - ii. Is the fund filling a gap in the current provider's lineups?
 - iii. Does the investment strategy of the proposed fund overlap with that of a fund currently in the provider's lineup?
 - iv. Have participants been requesting the investment option?
 - v. What is the likely usage of the investment by plan participants?
- d. Deloitte suggested that the RPC consider what happens if another provider wants to be included as part of the Mandatory Retirement Plan and what happens if one of the existing providers experiences on-going concern issues?

Pension Protection Act of 2006

The Pension Protection Act of 2006 was signed into law in August 2006. Many of these provisions are good news for the KBOR plan, including doing away with the so-called sunset provision in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that would have caused

contribution limits and a wide range of other pension provisions to revert in 2011 to the pre-EGTRRA rules.

Melanie Langsett provided information about the Act's provisions that impact public sector plans. The presentation will be kept with the official minutes.

Transition Booklet for the Fall Campaign

The booklet is in final draft form and will be produced as soon as the Board approves the recommended fund lineups. The Transition Booklet and other information should be distributed to the state universities the first week of October.

Timeline for the Voluntary Retirement Plan

Madi recommended that the RPC begin working on the Voluntary Retirement Program rules and documents in 2007 with the goal of completing the associated work before RPC member terms expire.

Next RPC meeting:

To be scheduled in 2007.