

KANSAS BOARD OF REGENTS
Retirement Plan Committee (RPC)
MINUTES
June 13, 2019

Regent Bangerter called the June 13, 2019, conference call of the Kansas Board of Regents Retirement Plan Committee to order at 1:00 p.m.

Members Participating:

Regent Shane Bangerter, Chair	Dr. Rick Lecompte, WSU
Gary Leitnaker, KSU	Michele Sexton, PSU
Stacey Snakenberg, KUMC	Madi Vannaman, KBOR

RPC members President Allison Garret, ESU; Mike Barnett, FHSU; Dr. Dipak Ghosh, ESU; and Diane Goddard, KU, were unable to participate. Also participating were Brad Tollander and Bernie Heffernon, Advanced Capital Group consultants; Natalie Yoza, Associate General Counsel, and Elaine Frisbie, Vice President Administration and Finance, from the KBOR Office.

Update to TIAA Fund Line-up Change Approved by KBOR

At its May 2019 meeting, the Board approved closure of the CREF Money Market Fund as participants have individual contracts so assets cannot be mapped, *i.e.*, transferred to another fund. No new contributions would be allowed into the fund. This change was recommended because TIAA offers three principal preservation offerings and this may be confusing to participants. The recommendation approved was to close the CREF Money Market R3 for the following reasons:

- Due to the difference in the duration of the underlying portfolio, stable value funds generally yield approximately 1.00% more return annually over the market cycle relative to money market funds.
- The CREF Money Market fund is fully liquid to participant transfers and withdrawals.

However, TIAA discovered after the May 2019 meeting that TIAA's contract with the Board prevents closure of this fund. It must be available for contributions and transfers.

Gary Leitnaker moved, and Rick LeCompte seconded, the motion to recommend to the Board of Regents that the TIAA Money Market fund not be closed. The motion passed and will be presented to the Board at its June meeting.

TIAA will work with Board staff and ACG on a customized campaign that will target individuals with 100% allocation to the Money Market to ensure they are aware of other options available to them under the Plan. ACG and Board staff also worked with TIAA to identify the other funds which the Board is contractually required to offer so this will not happen again.

KBOR Voluntary Retirement Plan

- a. Amendments are needed to the KBOR policy manual and the RPC Charter that allow the RPC to have same oversight over the Voluntary Plan that it has over the Mandatory Plan. Gary Leitnaker moved, and Rick LeCompte seconded, the motion to recommend to the Board to accept those changes to the Retirement Plan Committee Charter and the Board's policy manual. The motion passed and will be presented to the Board at its June meeting.
- b. Contingent upon the Board's adoption of those amendments, the RPC needs to determine how to move forward before the next meeting in September.

ACG submitted its review of the 2017 RFI for the Mandatory Plan. Bernie Heffernon provided information about that review and whether the RPC could leverage that RFI process and data to consider changes to the Voluntary Plan. ACG reviewed data and summaries from the prior consultant and, based on experiences in the market with pricing today and going through similar processes, recommends that rather than executing a full RFI for the Voluntary Plan that the 2017 RFI information be used to consolidate to the same two existing Mandatory Providers. The pricing would be in line from 2017 to 2019, as there has not been significant differences since then.

Gary Leitnaker asked about the RFI vendors and responses received. Bernie Heffernon responded that the RFI was provided to vendors that are top five providers in the higher education space: TIAA, Fidelity, Vanguard, Valic, and Voya and shortly behind them is Lincoln. Security Benefit Group is not a top provider in the higher education market but is in the K-12 market. The RFI was executed under the prior retirement plan consultant and the assumption is that Security Benefit Group may not have met the vendor asset size requirements or they were not included because of their lack of presence in the higher education market.

Bernie Heffernon stated that the ACG recommendation is made for various reasons including pricing, as they do not think KBOR will get improved pricing over what is in place today in the Mandatory Plan. From a fiduciary perspective, there will be benefit with oversight over the Voluntary Plan and ACG can negotiate price reductions with the two providers without significant plan distribution as 87% of the assets are with the mandatory providers and the number of participants who do not use those two companies in the Voluntary Plan are about 300. ACG recommends that new contributions would only be directed to the two providers although participants could keep plan assets with the inactivated Voluntary Plan providers.

Natalie Yoza stated that outside legal counsel advised that one option for how to evaluate potential vendors or recordkeepers for the Voluntary Plan is to use the information obtained during the 2017 RFI process for the Mandatory Plan's recordkeepers. Regarding the fiduciary duty, she stated the RPC must be able to articulate and document why the process is prudent. As long as the RPC's reasoning is sound, that should satisfy the fiduciary duty requirement. Because enough information from the 2017 RFI was retained and ACG was able to verify that market conditions have not changed significantly, relying on the previously issued RFI is a prudent process. That process will most likely result in the lowest expenses and utilizing the recommendation to retain TIAA and Voya will result in the least disruption to participants. Based on that reasoning, relying on the prior RFI should satisfy fiduciary duties. It is up to the RPC to determine whether this approach is the best approach; is the RPC comfortable with consolidation instead of an RFI to all of the current Voluntary Plan vendors? An additional aspect is the State procurement provisions and that will be addressed.

Bernie Heffernon stated that keeping all current vendors would be problematic. In the current litigation environment, it would help to decrease the number of vendors to match the Mandatory Plan to address fiduciary responsibilities and to provide simplicity to participants. There is a cost consideration with Voluntary Plan oversight; it would be cost prohibitive from a consulting perspective to have oversight over six providers, as that would be a significant undertaking, in addition to required documentation/contract work with legal firms. With a design that looks like the Mandatory Plan, consulting expenses should be reasonable and provide for revenue sharing from the two providers.

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There was consensus with the RPC to move forward and Natalie Yoza will continue working on the procurement aspects.