

KANSAS BOARD OF REGENTS
Retirement Plan Committee
MINUTES
March 25, 2008

The March 25, 2008, special meeting of the Kansas Board of Regents Retirement Plan Committee was called to order by Chairman Lykins at 2:30 p.m. The meeting was conducted by conference call with a speaker phone for the public available in the Board offices located in the Curtis State Office Building, 1000 S.W. Jackson, Suite 520, Topeka.

Members Participating:

Dan Lykins, Regent
Mike Barnett, FHSU
Dr. Dipak Ghosh, ESU
President Ed Hammond, FHSU
Gary Leitnaker, KSU
Rick Robards, KUMC
Michele Sexton, PSU
Madi Vannaman, KBOR

Also participating were Regent Jerry Boettcher and Theresa Bush, KBOR's associate general counsel. Lindy Eakin, KU, and Dr. Rick LeCompte were unable to participate because of scheduling conflicts.

Minutes

The March 11, 2008, RPC minutes were approved.

Third Party Administration Under the Final 403(b) Regulations

At the RPC's March 11, 2008, meeting, presentations were made by TIAA-CREF and ING about their 403(b) compliance solutions. The RPC members had an opportunity to ask questions to gain additional insight and to share that information with campus representatives, as appropriate.

Three questions were raised by ESU HR/Payroll staff.

1. Privacy of employees' information as well as security. (ING referred to their review and approval of QDRO agreements.) If the vendors are sharing information, how can we guarantee that they won't use the information to their benefit? How much information is shared between vendors?

With the TIAA-CREF compliance solution, after the participant makes a request for distribution, each of the 51 approved vendors will access participant data to determine eligibility. Thus, KBOR will have to rely upon the employees of the 51 approved vendors to access participant data appropriately and to process distributions according to the KBOR plan documents and the IRS regulations.

With Planwithease.com (PWE), distribution requests will be made by the participant directly to PWE which will process the request according to the KBOR plan documents and the IRS

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regulations. Participant data will be provided to PWE by the vendors and the KBOR state universities, but the vendors will not have access to participant data.

Although PWE is owned by ING, it is a separate legal entity. It has a separate recordkeeping system that maintains accounts as well as a separate, dedicated service team. No representatives from the approved vendors, including ING, will have access to the PWE data.

Rick Robards asked about a statute that would help to address misuse or inappropriate use of information. Theresa Bush indicated that K.S.A. 45-230 applies to names and addresses taken from public records and states that such information from public records cannot lawfully be used for commercial solicitation purposes. Information about appropriate use of information by appropriate personnel will be incorporated into the service agreement signed by KBOR with the selected vendor.

Dr. Hammond raised a question about the legal relationship between ING and PWE as the PWE website has references to ING. Theresa Bush stated that PWE would not be an extension of KBOR but, if selected, would be a contracting vendor hired to perform a service for the KBOR, in order to help address compliance under the 403(b) regulations. As PWE is providing this service to other Plan Sponsors, they may not be willing to remove the reference to ING. If PWE is selected, we will negotiate with them and ask whether the ING reference can be removed or if a KBOR specific launch site can be developed (and located on the KBOR website).

Rick Robards recalled a comment made by Evan Giller, TIAA-CREF, that action taken or not taken by a third party administrator that is in non-compliance with either the KBOR plan documents or the IRS regulations will result in a financial penalty. Theresa Bush stated that liability or indemnification information will be contained in the contract with the third party administrator.

2. Disclaimer on future proposals for fees. Hopefully, the contract will set a limit on the fee increases that can or will be imposed.

Staff will work with the selected vendor to include language in the contract stipulating that no fees for this third party service will be assessed to either participants or to KBOR/the state universities, now or in the future.

3. How is information going to be communicated to and from each KBOR institution with PWE or whichever you choose? Is the reporting easy and user friendly (SRA agreements for payroll deductions)?

Currently, the KBOR state universities remit some participant data to both ING and TIAA-CREF with the mandatory retirement plan contributions. Those remittance files will be expanded to include necessary demographic data for participants, including date of hire, termination date, etc., to provide the compliance solution with sufficient information to process distribution requests.

The RPC representatives who are HR directors indicated that, at this time, there is no desire to utilize the compliance solution to address Salary Reduction Agreements for payroll deductions. The current process, which is controlled locally by the KBOR state university, would continue as it allows HR staff to have direct contact with faculty and staff to answer questions, provide

information and to ensure that the agreements are received timely in order to remit contributions to the appropriate Mandatory Retirement Plan company.

Michele Sexton inquired whether TIAA-CREF had provided information they referenced in the March 11, 2008, RPC meeting about the estimated timelines for additional functionality to address transfer and withdrawal compliance. Madi Vannaman stated that TIAA-CREF had not provided that information and she had not reminded them that they were to provide this information.

Mike Barnett asked how actual participant logins will be created and distributed. This question will be raised with the third party administrator approved by the Board of Regents. As other questions arise, the RPC members are encouraged to email them to Madi Vannaman who will keep a listing of questions/issues that need to be addressed.

Before the RPC recommendation of third party administrator was put to vote, Madi Vannaman shared the following information about the two options under consideration.

1. Both vendors have national reputations and status, will adhere to strict security standards and will develop data sharing standards for Plan Sponsor and vendor information. Both compliance solutions are being offered without cost because of the status of the KBOR Plan in terms of assets and prestige.
2. TIAA-CREF's compliance solution
 - a. TIAA-CREF characterized this as a proactive compliance solution that is a business to business solution, with no Plan Participant interaction required. The focus is on making the process easier for the Plan Participant by not adding additional responsibilities.
 - b. All 51 of KBOR's approved 403(b) vendors will be able to access information in the compliance solution database to determine eligibility for loans and hardship withdrawals. Thus, KBOR will have additional exposure to misuse or non-compliance, as we will have to rely on employees of each of the 51 vendors to comply with KBOR Plan rules and IRS regs
 - c. The current design only will address loan limits and hardship withdrawals which are minimal in quantity in comparison to transfers and other distribution requests. KBOR would have to address transfers and other distributions using another process.
 - d. KBOR staff will be required to review reports to determine if there are issues; currently there are no plans to provide proactive reporting to alert KBOR to issues that arise.
 - e. The program will be piloted in the 3rd quarter of 2008 with a select group of clients and a large scale rollout is scheduled to begin in the 4th quarter of 2008. KBOR can be one of pilot organizations.
3. ING's Planwithease.com
 - a. Development of this solution started three years ago and is approximately 85% complete. As of mid-March, seven Plan Sponsors were using PWE with an additional 22 in progress. Thirty-two vendors are using PWE, with an additional 13 in the testing stage. Outreach is being made to additional Plan Sponsors and vendors.
 - b. PWE will handle loans and hardship withdrawals as well as transfers and other distributions to ensure compliance with the KBOR plan documents and IRS regulations.

- c. Participants will initiate distribution requests directly with PWE. Vendors will provide information to PWE but will not have access to information. Only one entity, PWE, will be delegated responsibility to comply with KBOR Plan rules and IRS regulations; the other approved vendors will not be able to access the data nor make approval for distributions.
- d. The PWE website also will include educational information about retirement planning, financial education and financial calculators to help participants manage their own retirement savings under the KBOR 403(b) Plans.
- e. Proactive reporting, tailored to KBOR's needs, will be available to ensure KBOR is alerted to any issues. KBOR will have full access to multiple plan data reports (including participant data) and plan information to monitor plan balances, withdrawals, loans and contribution limits.

President Hammond made a motion to recommend that the Board approve the ING Planwithease.com solution to help address KBOR's 403(b) compliance. Additionally, an inquiry will be made whether Planwithease.com can remove reference to ING on their webpage or develop a KBOR specific launch pad for participants to access Planwithease.com. The motion carried unanimously.

Next RPC meeting:

Staff will continue to work with Ice Miller on the KBOR 403(b) plan documents. If the Board of Regents approves Planwithease.com as the third party administrator, Michele Sexton, Theresa Bush and Madi Vannaman will work with them to craft service agreements and standards to use for the KBOR approved vendors. As the process develops, if necessary, a meeting with representatives from the KBOR state university payroll and/or HR representatives will be scheduled to ensure that all aspects are covered with Planwithease.com.

The next scheduled RPC meeting will be in September for Deloitte's semi-annual analysis. Date and time will be communicated later.