Regent Bangerter called the March 17, 2020, video conference meeting of the Kansas Board of Regents Retirement Plan Committee to order at 12:30 p.m.

Members Participating:
Regent Shane Bangerter, Chair       Mike Barnett, FHSU
Dipak Ghosh, ESU                    Diane Goddard, KU
Dr. Rick Lecompte, WSU              President Steve Scott, PSU
Michele Sexton, PSU                 Stacey Snakenberg, KUMC
Jay Stephens, KSU                    Madi Vannaman, KBOR

Participating from Advanced Capital Group, were consultants Brad Tollander and Justin Dorsey. Also participating, from TIAA: Nicolette Dixon, Senior Relationship Manager; Tom Carmody, Managing Director, Brendan Horgan, Managing Director, Senior Investment Strategist; and Maggie Dehn, Managing Director; from Voya: John O’Brien, Regional Vice President; and Cindy Delfelder, Client Relations; from the Board Office: Natalie Yoza, Associate General Counsel, and Elaine Frisbie, Vice President Administration and Finance; and from KUMC: Kim Barksdale.

Minutes
The minutes from the September 17, 2019, meeting were approved unanimously. Michele Sexton moved to approve; seconded by Dipak Ghosh.

Introductions
Jay Stephens, KSU, the new HR representative on the RPC was introduced and welcomed. Brad Tollander provided information about Bernie Heffernon’s departure from ACG and introduced Justin Dorsey, a principal with ACG.

KBOR Voluntary Retirement Plan
1. Natalie Yoza provided information about the process to revoke the retirement regulations, K.A.R. 88-10-1 et seq. and K.A.R. 88-11-1 et seq. The Kansas Budget Director approved the economic impact statement and the Kansas Department of Administration approved the language revoking the regulations. Board staff are waiting on the Kansas Attorney General’s Office approval. The regulations will then go to the Joint Committee on Administrative Rules and Regulations, and Board staff will hold a public meeting. Then the Board will be asked to approve the revocations.

2. Natalie Yoza provided an update about communications regarding the upcoming changes to the Board’s 403(b) Voluntary Retirement Plan. There have been three communications since the RPC last met in September 2019. Beginning with the first pay period in January 2021, TIAA and Voya will be the only approved vendors for new contributions to the Voluntary Plan. All other active and frozen vendors currently participating in the Voluntary Plan received letters informing them of the upcoming change. There were no complaints and only one vendor had a question about identifying affected participants. Plan participants received two emails—one informing them that TIAA and Voya would be the only approved vendors for new contributions beginning in January 2021 and a second one about the retirement regulations revocation. The majority of inquiries asked for verification that the Voluntary Plan will continue. One participant expressed his unhappiness as his deselected vendor has a fixed account with a guaranteed minimum of 4%.
He was informed that he could leave his funds in that account and that there are overall benefits for the new plans with TIAA and Voya. The RPC was informed that the participant could visit with TIAA and/or Voya reps who will perform a full review of his assets, taking into account his goals, and determine whether it would be in his best interest to make any changes based on objective advice.

3. For the consolidation of the Voluntary Plan in 2021, Justin Dorsey discussed several topics included in the ACG agenda material including whether to recommend employer-controlled contracts to replace the current participant-controlled contracts, whether to enter the proposed contracts that contain pricing reductions that will benefit all Plan participants, whether to approve ACG’s new fund menu and whether to approve ACG’s recommendations on where to direct new contributions of current TIAA and Voya participant assets if they do not make an affirmative selection before the new contracts take effect.

John O’Brien provided updated information that funds in the current Voya Voluntary Plan contract can be moved to the new contract pro-rata (not fund specific).

Brad Tollander asked the representatives from TIAA and Voya based on past experience what percentage of assets could be anticipated to move over the course of one year from the current to new Voluntary Plan contracts. Nicolette Dixon stated that because of plan participant inertia, TIAA does not expect to see a lot of consolidation but, if requested, TIAA could launch a consolidation campaign. TIAA’s ultimate recommendation on whether a participation should move assets into the new account would be based on the participant’s best interest. John O’Brien, agreed, stating that without any assistance, a small amount of funds would be transferred. The Voya representatives will work with each participant to review this as part of the annual review to ensure they clearly understand the new Voluntary Plan and its benefits and to determine what would be in the participant’s best interest. But, the current market environment is making everything different and participants may be reticent to do anything and may be more attracted to a fixed account than they were six months ago.

Brad Tollander provided information about the Voluntary Plan investment analysis for the recommended TIAA and Voya plan lineups under the new contracts, including offering self-directed brokerage accounts, and recommended mapping new contributions for those current TIAA and Voya participants who do not take affirmative action for their contributions to their new Voluntary Plan accounts.

Rick LeCompte asked whether, in the future, we might limit the number of funds in the large blend category. Brad Tollander responded that yes, absolutely, if we move to the employer-controlled contract, additional eliminations could be considered as well as reviewing the lineups in the Mandatory and Voluntary Plan to see if they can be more consistent.

The RPC considered the following motion. Rick Lecompte moved and Jay Stephens seconded the approval of the following four motions which was passed unanimously as recommendations to be made to the Board of Regents:

1. Adopt employer-controlled contracts (in place of the current participant-controlled contracts) with TIAA and Voya for the Voluntary Plan effective with the first 2021 paycheck. Overall, Plan participants with TIAA and Voya will benefit from the reduced Plan pricing and additional
flexibility in the employer-controlled contracts, even though the new contracts offer lower fixed
account minimum guarantees and it will cause Plan disruption for participants because, for
example, participants will need to move legacy assets into the new contract or maintain two
accounts.
2. Adopt the proposed contracts with TIAA and Voya. The chart on pages 4-8 of the meeting
materials outlines the benefits of accepting the proposed contracts with TIAA and Voya. One of
those benefits is that TIAA participants will benefit from reduced pricing for the Mandatory and
Voluntary Plan. And Voya participants will benefit from reduced pricing on the Voluntary Plan.
3. Adopt ACG’s proposed fund lineups for the new Voluntary Plan contracts with TIAA and Voya.
4. Adopt ACG’s recommendations on where to map new contributions for TIAA and Voya
Voluntary Plan participants who do not make affirmative elections for their contributions under
the new contract.

ACG Semi-Annual Report through December 31, 2019
Brad Tollander highlighted information from the ACG report, including a review of the very strong
fourth quarter 2019, an update on various fund items and their management teams, and a review of
funds on the watch list.

Brad Tollander shared that there are three types of recessions/bear markets:
1. Cyclical – occurred in 1980-1981 with elevated inflation and rising interest rates to combat
inflation. Short-term rates were 20%. The average duration is 26 months and average draw
down is -30%.
2. Structural – Occurred in the 2008 financial crisis and are the longest and most severe. The
average duration is 42 months and average draw down is -57%.
3. Event driven – which is possibly what we are currently experiencing. The average duration is 7
months, the average draw down is -26% and losses are recovered in about one year. At the
earliest, recovery could possibly begin in the late fall.

ACG recommended that the TIAA-CREF Large-Cap Value Institutional Fund remain on the watch
list even though the near-term performance results have improved significantly, ACG’s preference is
to see meaningful improvement in the fund’s long-term relative performance results and
management team stability before recommending removal from the watch list. ACG will evaluate
again at the Fall 2020 RPC meeting.

ACG recommends the TIAA-CREF Mid-Cap Value Institutional Fund remain on the watch list due
to the additional management changes as well as a change in investment process from deep value to
a relative value approach and will evaluate again at the Fall 2020 RPC meeting.

ACG recommends the Voya Small-Cap Opportunities Portfolio Fund be replaced due to both
continued underperformance as well asset outflows. Although the fund has been on the watch list
for a year, the fund assets have continued to decline and now stand at approximately $296M. At
approximately $19.3M of this, KBOR Mandatory Plan participants account for approximately 6.5%
of assets in the share class. KBOR participants would represent approximately 2.8% of the
combined share class assets.

ACG Fund Line-up Recommendations
TIAA did not propose any changes to the Mandatory Investment lineup this year, and Voya made
two recommendations:
1. Replace the Voya Small-Cap Opportunities Portfolio with a different small cap growth option. ACG agrees with this recommendation and provided considerations and search information in the agenda material. Voya provided two options for consideration: Loomis Sayles Small Cap Growth Institutional and Janus Henderson Triton T. ACG recommends the Loomis Sayles Small Cap Growth fund for the following reasons:
   a. Greater diversification benefits than the current option and Janus Triton compared to similar options in the plan (Vanguard Small Cap Index and Champlain Mid Cap Institutional);
   b. Seasoned team of Portfolio Managers supported by four analysts, which average 17 years on the strategy;
   c. Style purity relative to Janus Henderson Triton, a small-mid growth fund;
   d. Better upside/downside capture ratio;
   e. Has outperformed Voya Small Cap Opportunities in 51 of 73 rolling five-year periods (70% of the time) and has positive alpha relative to both other options.

2. Add a foreign small cap equity option to their lineup. ACG agrees with this recommendation and provided considerations and search information in the agenda material. Voya provided two options for consideration: DFA International Small Company I (0.54% expense ratio) and Fidelity Advisor International Small Cap Z (1.04%). ACG recommends adding the Fidelity Advisory Institutional Small Cap Z for the following reasons:
   a. Strongest trailing returns of the two options;
   b. Strongest three and five-year rolling returns, outperforming the DFA International Small Company I in 73 of 73 (100%) rolling 5-year time periods;
   c. Most favorable five-year risk-reward and up and down-market capture
   d. Strongest head-to-head rolling-period-of-time analysis;
   e. A slight value bias, resulting in lower historical correlations to current growth-leaning international options.

Mike Barnett moved, and President Scott seconded the motion, to recommend to the Board of Regents to replace the Voya Small-Cap Opportunities fund with the Loomis Sayles Small Cap Growth fund and add the Fidelity Advisory Institutional Small Cap Z fund in the Mandatory Retirement Plan.

KUMC Research Institute Retirement Plan
Natalie Yoza provided an update about the KU Medical Center Research Institute retirement plan issue which had been brought to the attention of Board staff. Employees of the KUMC Research Institute (KUMCRI), a not-for-profit corporation subordinate entity to KUMC, transitioned employment to KUMC. As part of that transition, employees were terminated from KUMCRI, and were hired by, KUMC. As a result, employees enrolled in the KUMCRI retirement plan have been caught in limbo with an inability to rollover their funds. Ice Miller was hired to provide counsel and guidance about what options are available for the KUMCRI retirement plan, merged with or transferred to the KBOR retirement plan.

Voya’s Response to Recent Media Articles
John O’Brien provided information relative to recent media articles about a potential sale of Voya Financial. There are no active conversations ongoing about Voya being for sale.
COVID-19 Related Activities: TIAA and Voya
Cindy Delfelder shared that Voya is fully prepared and has implemented work-at-home strategies for its employees, where necessary. Voya representatives working with universities and health care markets are using Zoom technology to communicate with participants. Voya has three call centers across the U.S. that are being utilized and call center staff are setup with work from home capabilities as well.

Nicolette Dixon shared that as of March 16th, TIAA implemented a work from home approach where feasible for its employees. There is a full business continuity plan in place to ensure that maximum possible service levels are maintained and to minimize any disruptions. TIAA has three call centers across the U.S. that are being utilized.

Regent Bangerter asked about the type of participant inquires being received. Cindy Delfelder stated that many participants are calling just to talk about the situation and not necessarily to take any action. The Voya representatives are reviewing participant accounts, along with their ages and when they want to access their funds. Many participants appear to be in a holding pattern for now, and many are asking whether now is the time to buy. Nicolette Dixon stated that there has been an uptick in calls from KBOR participants. TIAA’s approach is to help keep participants calm (even though it may be difficult) and to help them understand that now is a great time to be properly diversified. [After the meeting additional information was shared with the RPC. Nicolette Dixon shared TIAA’s full business continuity plan that is in place and Roger Ferguson’s article about market volatility and staying calm and focused on long-term financial goals. Cindy Delfelder shared one of many Voya articles available to participants regarding Market Volatility and the Voya business continuity plan.

Good of the Order
The RPC recognized and thanked a founding member, Michele Sexton, who will be retiring in June. Michele volunteered to host future RPC meetings at her Las Vegas residence, and we hope that we will see Elvis Presley there!

Next RPC meeting:
The next regular RPC meeting will be scheduled for September 2020 TBD.