

Kansas Board of Regents  
Mandatory Retirement Plan

Vendor Management Document

Approved by the Board of Regents April 19, 2007  
Amended and Restated September 17, 2019

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## **Background Information**

- The Board acknowledges that current Investment Providers to the Kansas Board of Regents Mandatory Retirement Plan may wish to modify (add/replace/delete) funds currently offered to participants as part of the Plan.
- The Board has delegated the responsibility of overseeing this process to the Retirement Plan Committee (RPC) to ensure that any proposed fund has been adequately reviewed against performance objectives specified in the Investment Policy Statement as well as meeting other required guidelines.
- Investment Providers considering changes to the investment lineup in the Mandatory Retirement Plan will abide by the following guidelines.

## Retirement Plan Committee Calendar

Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Preparation for Semi-annual Investment Review		Full RC Mtg. Inv. Rev.	Follow-up from Semi-annual mtg. Communication Campaign initiated by providers for Fund changes		Plan investment Changes effective July 1 Preparation for Semi-annual Investment Review			Full RC Mtg. Inv. Rev.	Open		

- ✓ The Retirement Plan Committee will meet semi-annually (or more often, as circumstances arise that warrant more frequent meetings).
- ✓ During the semi-annual meetings the Retirement Plan Committee will review the fund performance of both TIAA-CREF and Voya
  - These meetings will typically be held in March (covering performance through 12/31) and September (covering performance through 6/30)
  - Plan asset balances for both Lincoln National and Security Benefit will be evaluated as part of the semi-annual review.
- ✓ For the time period of January 1 – January 15 of each calendar year, the current investment providers will have the opportunity to recommend additional funds for possible inclusion into the KBOR Mandatory Retirement Plan.
- ✓ Proposed funds receiving Board approval will be added to the Plan effective July 1

## RPC Standing Semi-Annual Investment Agenda

- Approval of minutes from prior meeting
- Semi-annual investment monitoring review
  - Monitoring against established quantitative and qualitative performance criteria as outlined in the Board's Investment Policy Statement
  - Review of investment management fees
- Review of periodic reports related to the Mandatory Retirement Plan
  - Owner of report(s) presents summary and decision points to the RPC
  - Reports provided to the RPC in advance to improve efficiency of meetings
  - Periodic reports include plan administration reports, legislative updates, etc.
- Other relevant topics
  - Recent marketplace trends in investments for retirement plans

## Investment Provider Reporting

<b>January</b>	<ul style="list-style-type: none"><li>• 4<sup>th</sup> quarter performance reports provided by TIAA and Voya</li><li>• Plan asset information report supplied Lincoln National and Security Benefit</li></ul>
<b>February</b>	<ul style="list-style-type: none"><li>• Preparation of investment management report completed by external Investment Consultant</li></ul>
<b>March</b>	<ul style="list-style-type: none"><li>• Semi-Annual investment review report delivered by investment consultant</li><li>• TIAA and Voya proposed fund evaluation report delivered</li></ul>
<b>April</b>	<ul style="list-style-type: none"><li>• 1<sup>st</sup> quarter performance reports provided by TIAA and Voya</li></ul>
<b>May</b>	
<b>June</b>	
<b>July</b>	<ul style="list-style-type: none"><li>• 2<sup>nd</sup> quarter performance reports provided by TIAA and Voya</li><li>• Plan asset information report supplied Lincoln National and Security Benefit</li></ul>

## Investment Provider Reporting

<b>August</b>	<ul style="list-style-type: none"><li>• Preparation of investment management report completed by external investment advisor</li></ul>
<b>September</b>	<ul style="list-style-type: none"><li>• Semi-Annual investment review report delivered by investment consultant</li></ul>
<b>October</b>	<ul style="list-style-type: none"><li>• 3<sup>rd</sup> quarter performance reports provided by TIAA and Voya</li></ul>
<b>November</b>	
<b>December</b>	

## Proposed Fund Change Protocol – Guidelines

- The formal review process for proposed investment changes will take place once per year.
  - The RPC reserves the right to make an exception for extraordinary events such as funds coming under investigation, funds being closed and liquidated, or other such unforeseen events.
- The window to propose changes to the investment lineup will occur between January 1-January 15 of each calendar year.
  - Investment Providers should contact the RPC in care of the Board’s Legal Counsel in writing to express their intentions of possible investment changes. Written information should be sent to 1000 SW Jackson Street, Suite 520, Topeka, KS, 66612-1368.
- The RPC, working with the help of an outside investment consultant, shall evaluate the merits of each proposed lineup change.
- The Investment Provider will be expected to include an underlying rationale for each proposed investment lineup change.

## Proposed Fund Change Protocol – Guidelines

- Investment Providers shall also be expected to provide the following information to the RPC about each proposed fund:
  - Fund name and Ticker
  - Expense ratio
  - Revenue sharing arrangements back to the provider
  - Quarterly return history for the past 10 years
  - Fund Manager and tenure and Investment philosophy
  - Total number of holdings
  - Current cash position
  - Style appropriate benchmark and peer group
  - Top 10 holdings
  - Sector breakout for equity funds or credit quality breakout for fixed income
  - Turnover ratio
  - P/E, P/B for equity funds, Average credit quality and duration for bond funds

## Proposed Fund Change Protocol – Guidelines

- Each proposed investment option shall be evaluated against the following Investment Policy Statement Criteria:
  - Manager’s adherence to their stated investment objectives and style
  - Above median peer group performance over cumulative (3 and 5 year periods) and rolling 3-year periods
  - Above market benchmark performance over cumulative (3 and 5 year periods) and rolling 3-year periods<sup>(1)</sup>
  - Value added and risk statistics, including:
    - Sharpe Ratio
    - Alpha
    - Beta
    - Standard deviation
    - Downside risk

(1) Passively managed fund will not exceed the performance of the index, they are however expected to perform within a reasonable tolerance of the benchmark.

## Proposed Fund Change Protocol – Guidelines

- Qualitative Factors such as:
  - Assets under management
  - Manager tenure
  - Organizational structure and stability
  - Investment management process
  
- Management expenses relative to comparable portfolios

## **Proposed Fund Change Protocol – Guidelines**

- Funds meeting the performance standards specified in the Mandatory Retirement Plan's Investment Policy Statement will be evaluated on a more subjective basis by the RPC.
- The subjective evaluation will include among other things:
  - Does the fund make sense for a retirement program?
  - Do other retirement plans offer a similar fund to their participants?
  - Is the fund filling a gap in the current investment lineup?
  - Have participants been requesting access to either the specified fund, or the sub-asset class it will be filling in the current investment lineup?
  - What is the likelihood that participants will utilize the investment?
  - Will the fund overlap with an existing investment options? If so, can a participant reasonably distinguish between the competing investment strategies?
  - What is the likelihood that less sophisticated participants may chase performance results of the proposed fund?

## **Proposed Fund Change Protocol – Guidelines**

- Funds receiving RPC approval will be submitted to the Board for final approval
  - The Investment Provider will be notified by late May of the Board's decision
- The Investment Provider will work closely with KBOR to develop a communication campaign of the upcoming fund lineup changes
- The new investment option will be added to the KBOR Mandatory Retirement Plan effective July 1

## **Plan Vendor Benchmarking Guidelines**

- The RPC, as best practice, will require a periodic plan vendor(s) benchmarking review.
- As a guideline, a formal benchmarking review process will occur every 4 years and issue an RFI/RPF every 8 years. The RPC reserves the right to make an exception for extraordinary events such as regulatory changes, vendor consolidation and/or ownership change, plan design enhancements, or other such unforeseen events.