

KANSAS BOARD OF REGENTS
Retirement Plan Committee (RPC)
MINUTES
September 17, 2019

Regent Bangerter called the September 17, 2019, meeting of the Kansas Board of Regents Retirement Plan Committee to order at 12:30 p.m.

Members Participating:

Regent Shane Bangerter, Chair	President Steve Scott, PSU
Mike Barnett, FHSU	Dr. Dipak Ghosh, ESU
Diane Goddard, KU	Dr. Rick Lecompte, WSU
Gary Leitnaker, KSU	Michele Sexton, PSU
Madi Vannaman, KBOR	

Also present were Brad Tollander and Bernie Heffernon, Advanced Capital Group consultants. From TIAA: Nicolette Dixon, Senior Relationship Manager; Tom Carmody, Managing Director, Retirement Plan Sales; Ray Bellucci, Senior Managing Director and Gary Merlette, Senior Relationship Manager. From Voya: John O'Brien, Regional Vice President; and Cindy Delfelder, Client Relations. From the Board Office: Natalie Yoza, Associate General Counsel, Julene Miller, General Counsel, and Elaine Frisbie, Vice President Administration and Finance. Stacey Snakenberg, KUMC, participated by phone.

Minutes

The minutes from the March 19, 2019, and June 13, 2019, meetings were approved unanimously.

Introductions

Dr. Steve Scott, President of Pittsburg State University, was introduced and welcomed as the representative for the KBOR Council of Presidents.

KBOR Voluntary Retirement Plan

Natalie Yoza provided the RPC with information about the following:

1. **Hardship withdrawal provision update** – In 2018, the federal rules governing hardship withdrawals were relaxed and by January 1, 2020, the Voluntary Plan Document must be amended to remove the six-month suspension of elective deferrals after a hardship withdrawal is taken. Board Staff recommends the following changes:
 - a. 6-month suspensions are no longer required when a Participant takes a hardship withdrawal and such suspensions must cease by January 1, 2020:
 - i. Effective date of January 1, 2020
 - ii. End all previously initiated suspensions as of January 1, 2020.
 - b. Loans - Plan participants are no longer required to take nontaxable loans before taking a hardship withdrawal.
 - i. Effective date of January 1, 2020.
 - c. Additional circumstances can be included that qualify as an “immediate and heavy financial need”
 - i. Expenses to repair damage to the Participant’s principal residence that would qualify for a casualty loss deduction under Code section 165

- ii. Expenses and losses incurred on account of a disaster declared by FEMA.

Michele Sexton moved to adopt amendment three to the Voluntary Retirement Plan Document, as presented, by making all changes effective January 1, 2020, and by including the two optional circumstances in 9.05(b)(6) and (b)(7). Mike Barnett seconded the motion that passed unanimously.

2. KBOR regulation changes – The Board’s regulations have not been amended since 1985, and the governing statutes were materially amended in 2005. Because these regulations are no longer consistent with the statutes, Natalie recommend the RPC move to begin the process to revoke the regulations. After the Administrative Rules and Regulations Filing Act requirements are met and a public hearing held, the proposed revocations would be presented to the Board for a vote. New regulations will be drafted in the future and presented to the RPC for review and then the Board for adoption.

Regent Bangerter asked whether Board action will be required and Natalie Yost responded that after the public hearing is held, a roll call vote of the Board will be required to revoke the regulations. We will not be harmed in the interim, before the new regulations are developed, as the Plan Document provides policy direction.

Michele Sexton moved to authorize Board Staff to begin revocation of the retirement plan regulations, K.A.R. 88-10-1 et. seq. and K.A.R. 88-11-1 et. seq. Dr. LeCompte seconded the motion that passed unanimously.

3. Consolidation of recordkeepers – as discussed on the June 13, 2019, conference call, actions to address the KBOR Voluntary 403(b) Retirement Plan the RPC voted to adopt the recommendations from the 2017 RFI for the Mandatory Plan and select TIAA and Voya as the only active vendors for the Voluntary Retirement Plan. The Kansas Department of Procurement and Contracts approved contract negotiations with TIAA and Voya. Procurement also approved KBOR amending the ACG Mandatory Plan consulting contract to assist with the consolidation process and, ultimately, serve as an investment consultant for the Voluntary Plan.

There is not enough time to get those changes implemented by January 2020, so Board Staff recommend making the change effective with the first paycheck in January 2021. Board staff also recommend the following timeline:

- a. Send communications to deselected vendors, plan participants, and institutional key stakeholders as soon as possible.
- b. Prepare the new recordkeeper contracts with TIAA and Voya for the March RPC meeting.
- c. Prepare a draft communications plan for the RPC’s review in March.

Michele Sexton moved to adopt the pay period associated with the first January 2021 check as the implementation date for the consolidation project and to authorize ACG and Board Staff to send communications to the deselected vendors, plan participants, and key stakeholders at the institutions regarding the upcoming changes as soon as possible. Gary Leitnaker seconded the motion that passed unanimously.

4. Advanced Capital Group contract –ACG is the Mandatory Plan investment consultant and their services are required on the Voluntary Plan too. First, ACG would be assisting with the

consolidation of Voluntary Plan recordkeepers for \$20,000 billed in June 2020 and December 2020. Second, ACG would become the investment consultant for the Voluntary Plan once that consolidation is complete in 2021. The annual fee for the Voluntary Plan investing consulting will be \$25,000.

To pay for these services, Board Staff recommend billing the expenses to TIAA and Voya expense recapture accounts based on their proportionate share of assets held in the Voluntary Plan as of March 31, 2020.

Dr. LeCompte moved to adopt the amendment to the ACG Mandatory Plan contract and to bill the expenses to TIAA and Voya expense recapture accounts based on their proportionate share of the assets held in the Voluntary Plan on March 31, 2020. Gary Leitnaker seconded the motion that passed unanimously.

ACG Semi-Annual Report through June 30, 2019

Bernie Heffernon provided the following information:

1. Industry trends – information was shared about Higher Education litigation.
2. Plan document review
 - A. Mandatory Retirement Plan – the Plan Document has been reviewed and no changes were recommended. The recommendation for the Plan Document is to reflect on the coverage page “Reviewed and Approved September 17, 2019.”
 - B. Investment Policy Statement – the Appendix is updated whenever there are changes to the fund lineup or benchmarks. The Policy itself was reviewed and no changes were recommended. The recommendation for the IPS is to reflect on the coverage page “Reviewed and Approved September 17, 2019.”
 - C. Vendor Management Document – recommended changes to reflect updates to the company names, consistency of terminology as well as an addition to provide a frequency guideline for formal benchmarking and RFI/RFP processes.

Dr. LeCompte moved to adopt ACG’s recommended changes to the Plan documents. Diane Goddard seconded the motion that passed unanimously.

Brad Tollander provided an overview of ACG’s semi-annual analysis.

1. Watch list funds – the following funds were placed on the watch list at the March 2019 RPC meeting and ACG’s recommendation is to re-evaluate at the Spring 2020 meeting. TIAA: Large-Cap Value Institutional, Mid-Cap Value Institutional, and Voya Small-Cap Opportunities Portfolio.
2. On October 1, 2019, the TIAA Lifecycle and Lifecycle Index Funds will be extending the final landing point for their glidepaths from 10 years past retirement to 30 years past retirement. The current glidepath (e.g., up until 10 years past retirement), will remain unchanged. ACG states that TIAA’s rationale for changing the glidepath seems reasonable and prudent, especially for those participants in their second or third decade of retirement. Dr. LeCompte asked why the real estate was cancelled out after 15 years. Mike Barnett asked why is 35% equity for an 85 year-old is considered to be high exposure, recognizing there is volatility but at that point it could be an estate plan and not a retirement plan. For both questions, Tom Carmody will consult with the TIAA investment team and report back.

3. Highlights for performance, utilization and expenses for TIAA and Voya were shared.

Regent Bangerter referred to Biznews.com article that looked at the relationship between how long you work and how long you are likely to enjoy your retirement and an actuarial study conducted on some of the larger U.S. Pension Funds that indicates employees who retired at age 65 died within two years of retirement. For those who retired at age 65, the average number of pension payments was 17 months. TIAA will provide data about the age of KBOR retirees and the average number of payments they receive (compared to their other higher education clients) to see how KBOR retirees fare in comparison. [After the meeting, in a September 24, 2019, email, additional information was shared on this topic. In a previous email, this article was shared:

<https://www.biznews.com/thought-leaders/2013/09/10/retire-at-55-and-live-to-80-work-till-youre-65-and-die-at-67-startling-new-data-shows-how-work-pounds-older-bodies> Nicolette Dixon

found the following: The "Boeing study" has been quoted by newspapers, magazines and pundits. It's circulated on the internet for years. The problem with it is that Boeing itself says it's simply not true. [https://www.bbc.com/news/magazine-18952037.](https://www.bbc.com/news/magazine-18952037)]

Good of the Order

1. KU Medical Center Research Institute retirement plan (KUMCRI) – KU Medical Center brought an issue 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 has been 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.

2. Board Staff is working with Ice Miller and ACG to identify an appropriate organization to join that will provide training opportunities, webinars and other plan sponsor resources for administering the Board's 403(b) plans. Annual membership fee will be capped at \$800, with approval to attend conferences as appropriate. Associated expenses can be billed as a plan administrative expense which includes items such as educational seminars, retirement planning software, and investment advice, electronic access to plan information, daily valuation, and online transactions.

Mike Barnett asked if there should be a cap on conference expenses as there is for membership expenses. Natalie Yoza stated that conference attendance would be approved as a billable expense, if approved by the RPC acting under their fiduciary responsibilities. Regent Bangerter stated that there would be lag time if the RPC is involved in the approval. Mike Barnett suggested that the RPC chair could approve conference attendance.

Dr. LeCompte moved to authorize Board Staff to join an organization with membership fees capped at \$800/year and any conference travel approved through normal Board Office processes and the RPC chair. Expenses will be billed to the Mandatory Retirement Plan expense recapture accounts. Mike Barnett seconded the motion that passed unanimously.

3. President Scott asked whether the RPC looks at the way TIAA and Voya interact with the participants to enhance knowledge about and understanding of the retirement plan. Regent

Bangerter shared that a deep review occurred a few years ago that revealed how little participants interact with the retirement plan companies that are always looking for ways to increase interaction. Nicolette Dixon stated that in June, employee engagement touchpoints were reviewed with a RPC subcommittee and also that each individual campus receives employee engagement information and campaign information. Bernie Heffernon reiterated that communication and education information was shared in June and that there is a need for participants to better understand the value of the plan. Rick LeCompte stated that with upcoming change to the Voluntary Retirement Plans to have the same retirement companies, it will be a good time to consolidate education efforts for both plans. For the March 2020 meeting, a brief overview of employee engagement outcomes will be provided and will be regularly scheduled in the future.

4. Best wishes and congratulations were extended to Gary Leitnaker, a founding member of the RPC, as we celebrated his birthday and last official RPC meeting as he will retire at the end of the year. A cake and decorations, all appropriately themed with fishing and camping motifs, were enjoyed.

Next RPC meeting:

The next regular RPC meeting will be scheduled for March 17, 2020.