

# Kansas Board of Regents Voluntary 403(b) Project RFI Analysis



The vision to grow together

**KBOR Summary**  
**“Voluntary” Retirement Plan Conversion from Individual to Group Contract**  
**March 17, 2020**

ACG has worked with TIAA and Voya to develop new contracts for the Kansas Board of Regents’ Voluntary Retirement Plan. One important decision the Retirement Plan Committee and Board of Regents must make is whether the Board wants to switch from a participant-controlled contract to an employer-controlled contract with both recordkeepers.

The current TIAA and Voya Voluntary-Plan contracts are participant-controlled, and we recommend that the Board enter employer-controlled contracts for each company. Below is summary of the most material pros and cons of switching to an employer-controlled contract. An employer-controlled contract gives the Board greater control over the Plan’s investments. But participant-controlled contracts have a higher “guaranteed” rate of return on their fixed accounts, as demonstrated on the chart below.

Leaving investments out of the conversation, the other material impact of switching to participant-controlled contracts is that the funds already residing in the Voluntary Plan can only be moved at the participant’s initiation.<sup>1</sup> And if experience holds true, many participants will not move their participant-directed account assets – most out of inertia but some because of the higher crediting rate of the Fixed Account in the participant-controlled contracts. Participants that do not move their assets to the new employer-controlled contract will have two separate accounts to manage, even if the participant is already utilizing TIAA and Voya.

For TIAA, the new Plan pricing of 0.055% will apply regardless of whether the Board selects a participant or employer-controlled contract. But Voya’s pricing is lower, *i.e.*, the fund expenses, if the employer-controlled contract is selected. The employer-controlled contract requires 0.12%, and the participant-controlled contract requires 0.75%.

### **Pros for Employer-Controlled Contracts**

1. Adopting an employer-controlled contract will mean, in part, that should the Board ever decide to move away from TIAA and/or Voya – it will be able to direct the transfer of assets in the new employer-controlled contracts (which otherwise can only be moved at the direction of the Participant).

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<sup>1</sup> The only exception is that the TIAA Open Architecture Mutual Funds can be mapped to the new group contract by the Board, but ACG and Board staff do not recommend mapping for such a narrow classification of funds because it would be confusing to Plan participants.

2. If fund changes are made to the lineup (ex: a fund manager retires), assets can be moved into the “new” fund at the direction of the Board. Participant-controlled contracts have varying degrees of restrictions on that flexibility.
3. There is a critical – participant focused – recordkeeping-technology difference between employer-controlled and participant-controlled contracts (which applies to both TIAA and Voya). Only employer-controlled contracts can benefit from the new generation (and continuing refinement) of recordkeeping “options.” Perhaps the most (but far from the only) illustration for both TIAA and Voya is that their employer-controlled contracts can host “Model Portfolios” and their participant-controlled contracts cannot. Model Portfolios are click-a-button solutions to the participant question, “how should I mix-and-match the Plan’s investment options?”

Model Portfolio technology was developed by recordkeepers in response to a seminal Department of Labor directive that held that giving participants that guidance was so important that, notwithstanding their fiduciary function, they would be re-branded as non-fiduciary “education.” (DOL Interpretive Bulletin 96-1). Also importantly, there is no additional cost to using Model Portfolios.

4. The last “pro,” while important, is still developing. That is, over time the investment landscape vis-à-vis “options” has changed and employer-controlled contracts are more able to review (and possibly adopt) those changes. A case in point is the recent SECURE Act changes. One of the primary focuses of the SECURE Act was to promote the use of “In-Plan Guaranteed-Lifetime-Income” solutions. That is a fundamentally different way of looking at retirement-readiness. And there are both different structural ways to design those strategies and different products being developed for each strategy. Adding one or more of those products at this time would materially complicate the “transition” story – and would, arguably, be premature with regard to vetting the universe of options that are available now verses a year or two from now. Nevertheless, this is an important developing trend and both TIAA and Voya are involved in that product development.

### **Cons for Employer-Controlled Contracts**

1. Plan participants, even those participants that are already with TIAA and Voya, will need to move their assets to the new employer-controlled contract or the participant will have two contracts to manage. This disruption requires better communication with participants and will cause some participant frustration.
2. By far, the biggest negative of moving from a participant-controlled to an employer-controlled contract is the change that will result in the Plans’ “Fixed Accounts.” In short, the “guaranteed” minimum yield will go-down. As demonstrated below, the TIAA and

Voya guaranteed minimums decrease from 3% to 1%. However, TIAA and Voya have both historically been exceeding the minimum guaranteed yield. In other words, the “Actual Minimum” or Net Effective Yield (NEY) for TIAA and Voya has exceeded the minimum guarantee as summarized on the following chart:

TIAA		Voya	
Current Voluntary	New Voluntary	Current Voluntary	New Voluntary
Guaranteed Minimum: 3.00%	Guaranteed Minimum: 1.00%	Guaranteed Minimum: 3.00%	Guaranteed Minimum: 1.00%
NEY Current: 3.00%	NEY Current: 2.75%	NEY Current: 3.00%	NEY Current: 2.00%
NEY 1 Yr: 3.12%	NEY 1 Yr: 3.26%	1 Yr: 3.00%	NEY 1 Yr: 2.15%
NEY 3Yr:3.14%	NEY 3Yr:3.31%	3Yr:3.00%	NEY 3Yr:2.18%
NEY 5 Yr: 3.21%	NEY 5 Yr: 3.41%	5 Yr: 3.00%	NEY 5 Yr: 2.32%
NEY 10 YR: 3.29%	NEY 10 YR: 3.46%	10 YR: 3.00%	NEY 10 YR: 2.65%

For participants who are already using TIAA and Voya, it will be important for the Board to educate them about the difference between the guaranteed minimum yield versus the actual effective yield or NEY. If history is a guide, some participants will be upset by the reduced guaranteed minimum yields. It will be important to explain that, historically, the NEY has exceeded those guaranteed minimums. Since not all participants in the Voluntary Plan are currently with TIAA and Voya, the same participant education regarding the Fixed Accounts will apply to them too but ACG does not know what guaranteed minimums or NEY the participants are receiving from the deselected vendors.

Participants can keep their existing/legacy assets in their current participant-controlled accounts if they would rather manage two accounts and keep the higher guaranteed yield. They just won't be able to make new contributions to the Fixed Accounts in the old participant-controlled contract.

Plan Type	Mandatory Plan	Current Voluntary	New Voluntary	Mandatory Plan	Current Voluntary	New Voluntary	Legacy Voluntary
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Plan Statistics								
1	Participants:	24,881 Total/10,592 Active	6,346 Total/2,401 Active	N/A	5,398 Total/3,380 Active	1463 Total/877 Active	N/A	654 Total/132 Active
2	Plan Assets:	\$3,300,365,694	\$1,015,411,901	N/A	\$718,770,996	\$100,006,199	N/A	\$72,727,886
2a	Fixed	\$ 921,549,916 (28%)	\$ 316,311,212 (31%)	N/A	\$101,917,372 (14%)	\$33,807,455 (34%)	N/A	\$41,859,902 (58%)
2b	Funds	\$2,378,815,778 (72%)	\$ 699,100,789 (69%)	N/A	\$616,853,624 (86%)	\$66,198,743 (66%)	N/A	\$30,867,983 (42%)
3	Annual Contributions:	\$ 98,448,737	\$ 22,842,006	N/A	\$ 33,427,279	\$ 7,045,719	N/A	\$ 1,031,743
3a	Fixed	\$ 9,506,888 (10%)	\$ 8,362,886 (37%)	N/A	\$ 3,364,986 (10%)	\$ 1,552,793 (22%)	N/A	\$ 451,490 (44%)
3b	Funds	\$ 88,941,849 (90%)	\$ 14,479,120 (63%)	N/A	\$ 30,062,292 (90%)	\$ 5,492,925 (78%)	N/A	\$ 580,253 (56%)
4	Annual Disbursements:	\$ 173,351,112 (2018)	\$ 53,974,393 (2018)	N/A	\$ 33,575,411	\$ 8,094,380	N/A	\$ 4,265,075

Plan Contracts								
5	Type of contract offering: Group Annuity, Custodial Account, or Combination?	Group Retirement Annuity (GRA)	Group Supplemental Retirement Annuity (GSRA)	Retirement Choice Plus (RCP)	403(b)7 Custodial Account	403(b)7 Custodial Account	403(b)7 Custodial Acct.	403(b) Group Annuity
6	Employer or employee controlled contracts	Participant Controlled	Participant Controlled	Employer Controlled	Employer Controlled	Participant Controlled	Employer Controlled	Participant Controlled
7	Required Investments	TIAA Traditional, CREF Stock, and CREF Money Market	TIAA Traditional, CREF Stock, and CREF Money Market	TIAA Traditional	Voya Fixed Account	Voya Fixed Account	Voya Fixed Account	Voya Fixed Account
8	Optional Investments	TIAA Stable Value (fully liquid) + TIAA Variable Annuities + Open Architecture Mutual Funds	TIAA Variable Annuities + Open Architecture Mutual Funds	TIAA Variable Annuities + Open Architecture Mutual Funds	Open Architecture Mutual Funds	Open Architecture Mutual Funds	Open Architecture Mutual Funds	In excess of 100 Separate Accounts
9	Automatically Rebalanced Model Portfolios	No	No	Yes	Yes	No	Yes	No
10	Fixed Account – Yield	Actual Minimum: 3:00% Current: 3.25% 1 Yr: 3.75% 3Yr:3.80% 5 Yr: 3.89% 10 YR: 3.99%	Actual Minimum: 3.00% Current: 3.00% 1 Yr: 3.12% 3Yr:3.14% 5 Yr: 3.21% 10 YR: 3.29%	Actual Minimum: 1.00% Current: 2.75% 1 Yr: 3.26% 3Yr:3.31% 5 Yr: 3.41% 10 YR: 3.46%	Actual Minimum: 1.00% Current: 2.00% 1 Yr: 2.15% 3Yr:2.18% 5 Yr: 2.32% 10 YR: 2.65%	Actual Minimum: 3.00% Current: 3.00% 1 Yr: 3.00% 3Yr:3.00% 5 Yr: 3.00% 10 YR: 3.00%	Actual Minimum: 1.00% Current: 2.00% 1 Yr: 2.15% 3Yr:2.18% 5 Yr: 2.32% 10 YR: 2.65%	Actual Minimum: 4.00% Current: 4.00% 1 Yr: 4.00% 3Yr:4.00% 5 Yr: 4.00% 10 YR: 4.00%
11	Pricing – Current v. Proposed	0.06%  TIAA has agreed to lower this to 0.055%.	0.06%	0.055%  0.055% equates to \$215k in expense reduction.  (Fee reduction is for both the Mandatory and Voluntary Plans)	0.12%	Current  0.50% wrap + 0.75% Rev Share	1/1/2021  0.75% Rev Share	0.12%  1.25% Mortality & Expense Weighted Avg. Fund Expense (not applicable to Fixed Account)
12	Can Plan Sponsor “map” assets from current lineup	N/A	Open Architecture Mutual Funds only	N/A	N/A	No	N/A	N//A
13	Can Plan Participant “move” assets from current lineup	N/A	Yes – in part or whole but can’t move back	N/A	N/A	Move = All or nothing – and can’t move back	N/A	N//A
14	Are there any transfer restrictions, market value adjustments, or surrender fees for participants that want to transfer from your old Voluntary Product to your new Voluntary product?	N/A	None	N/A	N/A	None	N/A	None
15	What percentage of other “similar” universities to KBOR utilize employer controlled contracts vs. employee controlled contracts? (i.e., Other Big 12 institutions?)	1. 7 of the Big 12 Institutions are utilizing the Institutionally/Employer Controlled contracts  2. Across the broader Higher-Ed client base at TIAA with asset of \$1B+, 23 institutions have implemented the Institutionally/Employer controlled contracts.			We have four universities in the Big 12 (University of Kansas and Kansas State University-KBOR), is part of that four. They all are going through a similar process as KBOR. They are freezing existing plans and having new contributions go into a new group contract which is employer controlled. One of the universities is considering keeping the individual contract plan open and giving participants a choice but that is yet to be decided.			

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	3. Across Healthcare and Government clients where plan assets are \$1B+, 5 institutions have moved to the Institutionally/Employer controlled contracts.			The same strategy that KBOR is moving towards is being used by our other higher education plans. If they have legacy assets they are freezing those plans and opening up a new employer controlled plan. This strategy as you know only exists because plan sponsors are trying to unwind their historical past where everything was employee controlled contracts.  You asked the same question regarding large public plans. Most of those plans (457) are already setup under group contracts that are employer controlled so you do not have the same issues. I guess the question is, are there any large university plans that are setting up <u>new</u> individual employee controlled plans and the answer is No. The challenge is how long does it take to unwind the past in order to build the plan for the future.			

**Fixed Account Details**

16	Fixed Account – Liquidity	10 annual payments	Fully Liquid	Fully Liquid				
17	Fixed Account – Plan level termination fees, contingent deferred sales charges, contract termination costs, or restrictions.	N/A (Participant Controlled Contract)	N/A (Participant Controlled Contract)	Mappable– 60 months No Deferred Sales Charge	5 year payout	N/A (Participant Controlled Contract)	5 year payout	N/A (Participant Controlled Contract)
18	Fixed Account – Participant level termination fees, contingent deferred sales charges, contract termination costs, or restrictions	Lump Sum withdrawals are available from TIAA Traditional (Fixed Acct.) only within 120 days after termination of employment and are subject to a 2.5% surrender charge. All other withdrawals and transfers must be paid in 10 annual installments.  After termination of employment additional income options may be available including income for life, income for a fixed period of time and IRS-required minimum distribution payments.	Lump Sum withdrawals and transfers are available from TIAA (Fixed Acct.) without any restrictions or charges. (Not Mappable)  After termination of employment additional income options may be available including income for life, income for a fixed period of time and IRS-required minimum distribution payments.	Fully liquid	Equity Wash – 90 day	Equity Wash – 90 day	Equity Wash – 90 day	5 year payout
19	Fixed Account – Backed by General Account	Yes	Yes	Yes	Yes	Yes	Yes	Yes

**Excess Revenue**

20	If your revenue EXCEEDS your minimum requirements, will you create an ERISA budget the sponsor may use for qualified plan expenses? Similar to the Mandatory Plan?  Describe Expense Recapture Process.	Yes	Yes	Yes	Yes  If revenue exceeds the Minimum Revenue Requirement of .12, Voya will reimburse the excess revenue to offset plan expenses, (consulting, legal, admin. Etc.) If there is revenue remaining following payment of the plan expenses, the remaining excess is contributed to Voya participant accounts.  If Voya does not meet the Minimum Revenue Requirement, it is a business risk Voya assumes. Voya would offset the Plan expenses (consulting, legal, admin. Etc.), however, there would be no excess revenue to provide participants if the	Yes  If revenue exceeds the Minimum Revenue Requirement of .12, Voya will reimburse the excess revenue to offset plan expenses, (consulting, legal, admin. Etc.) If there is revenue remaining following payment of the plan expenses, the remaining excess is contributed to Voya participant accounts.  If Voya does not meet the Minimum Revenue Requirement, it is a business risk Voya assumes. Voya would offset the Plan expenses (consulting, legal, admin. Etc.), however, there would be no excess revenue to provide participants if the Minimum	Yes  If revenue exceeds the Minimum Revenue Requirement of .12, Voya will reimburse the excess revenue to offset plan expenses, (consulting, legal, admin. Etc.) If there is revenue remaining following payment of the plan expenses, the remaining excess is contributed to Voya participant accounts.  If Voya does not meet the Minimum Revenue Requirement, it is a business risk Voya assumes. Voya would offset the Plan expenses (consulting, legal, admin. Etc.), however, there would be no excess revenue to provide participants if the Minimum	No
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				Minimum Revenue Requirement is not exceeded."		Revenue Requirement is not exceeded."		
<b>Participant Expenses</b>								
21	Describe any Participant level termination fees, contingent deferred sales charges, contract termination costs, or restrictions.	Lump Sum withdrawals are available from TIAA Traditional (Fixed Acct.) only within 120 days after termination of employment and are subject to a 2.5% surrender charge. <b>All other withdrawals and transfers must be paid in 10 annual installments.</b>	Lump Sum withdrawals and transfers are available from TIAA (Fixed Acct.) without any restrictions or charges.	Lump Sum withdrawals and transfers are available from TIAA (Fixed Acct.) without any restrictions or charges.	Fixed Account Equity Wash – 90 day	Fixed Acct. Equity Wash-90 day	Fixed Acct. Equity Wash-90 day	10 yr. Benefit Sensitive Deferred Sales Charge (All legacy accounts are currently beyond their 10yr. time frame so no DSC will apply)
22	<p><b><u>Participant Contract Exchanges between providers.</u></b></p> <p>Can you provide any participant level restrictions or DSC's if a plan participant in your plan would want to exchange (transfer) their contract to a competitor?</p> <p>Can a participant do a <b>partial</b> exchange (transfer) of their contract to competitor or does it have to be a <b>complete</b> transfer?</p>	Lump Sum withdrawals are available from TIAA Traditional (Fixed Acct.) only within 120 days after termination of employment and are subject to a 2.5% surrender charge. All other withdrawals and transfers must be paid in 10 annual installments.	A participant can initiate a transfer to a Competitor Contract at any time. There are no restrictions on Mutual Funds or CREF products.	A participant can initiate a transfer to a Competitor Contract at any time. There are no restrictions on Mutual Funds or CREF products.	Non-benefit withdrawals (transfers) from the Voya Fixed Plus Account III are subject to a 90 day industry standard equity wash provision. A Deferred Sales Charge does not apply to this contract.	Non-benefit withdrawals (transfers) from the Voya Fixed Plus Account III are subject to a 90 day industry standard equity wash provision. A Deferred Sales Charge does not apply to this contract.	Fixed Acct. Equity Wash-90 day	<p>KBOR Legacy – Non-benefit withdrawals (transfers) from the Voya Fixed Plus Account are subject to a five payment payout schedule paid out over 4 years and one day, a DSC does not apply to the Fixed Plus Account. Participants are subject to a 10 year DSC based upon the participants effective date of contract. The DSC is waived for death, separation from service, hardship or small account balances (less than \$5,000).</p> <p>Yes, a participant can do a partial exchange to an approved provider.</p>
23	<p><b><u>Participant Contract Exchanges within provider.</u></b></p> <p>Can you describe any participant level restrictions or DSC's if a participant in your plan would want to exchange (transfer) their current voluntary contract to the new proposed voluntary contract within the plan?</p> <p>Can a participant do a <b>partial</b> exchange (transfer) of assets from their current voluntary contract to the new proposed voluntary contract or does it have to be a complete transfer?</p>	N/A	There are no restrictions on Mutual Funds or CREF products.	N/A	N/A	Participants can move 100% of their account balance to the new Retirement Choice II Program with no restrictions on the Fixed Plus Account and no Deferred Sales Charge (if applicable).	N/A	Participants can move 100% of their account balance to the new Retirement Choice II Program with no restrictions on the Fixed Plus Account and no Deferred Sales Charge (if applicable).
		N/A	Yes. A participant can do a partial exchange	N/A	N/A	Participants can only elect to move 100% of their account balance to the new Retirement Choice II Program. Partial withdrawals are allowed to maintain an outstanding contract loan balance in the current plan	N/A	Participants can only elect to move 100% of their account balance to the new Retirement Choice II Program. Partial withdrawals are allowed to maintain an outstanding contract loan balance in the current plan and remaining balances can transfer when the loan is repaid. The Variable Annuity and Retirement Choice Product is frozen

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						and remaining balances can transfer when the loan is repaid. The Variable Annuity and Retirement Choice Product is frozen and does not allow new contributions or transfers in. Once you transfer out of the Product with Voya you cannot transfer back.		and does not allow new contributions or transfers in. Once you transfer out of the Product with Voya you cannot transfer back.
24	Are there any Participant Per Occurrence Fees, ie. Loans?	No loans allowed	Collateralized Loan Program: no fee	Retirement Plan loan program: \$75 Loan Initiation Fee \$125 Fee for Principal Residence Loan \$25 Annual Maintenance Fee	No loans allowed	<u>Fees for optional services:</u> \$100 loan initiation fee \$50 part. initiated wire \$50 overnight mail \$50 stop payment	<u>Fees for optional services:</u> \$100 loan initiation fee \$50 part. initiated wire \$50 overnight mail \$50 stop payment	<u>Fees for optional services:</u> \$50 part. initiated wire \$50 overnight mail
25	Are there any transfer restrictions, market value adjustments, or surrender fees for participants that want to transfer from your old Voluntary Product to your new Voluntary product?	N/A	None	N/A	N/A	None	N/A	None
<b>Self Directed Brokerage Account</b>								
26	Are you proposing a Self-Directed Brokerage account? If yes, describe the proposed services.	No, but available.	Yes 18 Total participants utilize the SDBA.  Thousands of mutual funds offered. Tools available including: Mutual Fund Screener powered by Morningstar. Thomson Financial research Argus Equity research Real time quotes Dow Jones business news.	Yes  Thousands of mutual funds offered. Tools available including: Mutual Fund Screener powered by Morningstar. Thomson Financial research Argus Equity research Real time quotes Dow Jones business news.  \$1,000 minimum initial deposit No annual fee No Transaction Fee funds – a minimum may be required. \$50 Redemption fee for funds held less than 3 months  Transaction Fee funds- \$35 per trade regardless of order size, a minimum amount may be required.  Exchanges \$8 per trade regardless of order size.	N/A	N/A	Yes TD Ameritrade \$50 annual fee Other charges could apply depending on the investments selected by the plan participant.  Voya has formed an alliance with TD Ameritrade to provide SDBA in addition to the investment options available through your retirement plan. Access to more than <ul style="list-style-type: none"> <li>• 13,000 mutual funds;</li> <li>• 4,500 available with no transaction fees</li> <li>• Fixed-income securities available</li> <li>• Access to Individuals stocks listed on major U.S. exchanges</li> <li>• Access to alternative investments, including ETF's</li> </ul>	N/A
<b>Investment Advice</b>								
27	Do you offer participant investment advice? Describe the proposed services.  What is the expense for this service?	Yes  <b>Retirement Advisor (Morningstar) – no charge.</b> Retirement Advisor provides fund level specific advice to employees utilizing the product. It is a point in time service that utilizes	Yes  <b>Retirement Advisor (Morningstar) – no charge.</b> Retirement Advisor provides fund level specific advice to employees utilizing the product. It is a point in time service that utilizes	Yes  <b>Retirement Plan Portfolio Manager</b> is a discretionary fee-based asset allocation program provided by TIAA, FSB (TIAA Trust). Participants who enroll receive ongoing customized asset	N/A	Yes <b>Morningstar Manage My Plan Manually – No Charge</b> Provides objective online investment advice from the investment options available under the KBOR Plan.	Yes <b>Morningstar Manage My Plan Manually – No Charge</b> Provides objective online investment advice from the investment options available under the KBOR Plan.	Yes <b>Morningstar Manage My Plan Manually – No Charge</b> Provides objective online investment advice from the investment options available under the KBOR Plan.



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	<p>Morningstar’s investment research, portfolio construction and allocation advice. The tool is accessible online, through the National Contact Center or by working with a Financial Consultant. This service is currently available to KBOR participants at no cost to the plan or participants.</p> <p><b>Retirement Plan Portfolio Manager</b> is a discretionary fee-based asset allocation program provided by TIAA, FSB (TIAA Trust). Participants who enroll receive ongoing customized asset allocation, which includes quarterly rebalancing and reallocation of their portfolios.</p> <p>There is a <b>.30 basis point fee</b> assessed to the participant who elects to use this product.</p>	<p>Morningstar’s investment research, portfolio construction and allocation advice. The tool is accessible online, through the National Contact Center or by working with a Financial Consultant. This service is currently available to KBOR participants at no cost to the plan or participants.</p>	<p>allocation, which includes quarterly rebalancing and reallocation of their portfolios.</p> <p>There is a <b>.30 basis point fee</b> assessed to the participant who elects to use this product.</p>		<p>Features include:  <b>Research and reports</b> about the plan’s available investment options;  <b>Tools</b> to help participants set retirement goals and strategy recommended asset mix;  <b>Specific, independent, objective and professional investment advice</b> to help participants create a diversified portfolio; and            Personalized investment option recommendations that factor in a participant’s unique financial situation and savings objectives.</p> <p><b>Morningstar Manage My Plan - .50bp annual fee</b>  <b>A managed account program</b> available to participants who would prefer to have Morningstar Investment Management actively manage their account. Participants who enroll in this service receive a personalized retirement strategy, discretionary asset management, and ongoing oversight to help them meet their retirement goals. This service is ideal for employees who lack the time or desire to actively manage their retirement account.</p> <p>Morningstar Investment Management would in turn assume fiduciary responsibility for monitoring participants’ accounts on a quarterly basis and execute appropriate transactions on the participants’ behalf.</p>	<p>Features include:  <b>Research and reports</b> about the plan’s available investment options;  <b>Tools</b> to help participants set retirement goals and strategy recommended asset mix;  <b>Specific, independent, objective and professional investment advice</b> to help participants create a diversified portfolio; and            Personalized investment option recommendations that factor in a participant’s unique financial situation and savings objectives.</p> <p><b>Morningstar Manage My Plan - .50bp annual fee</b>  <b>A managed account program</b> available to participants who would prefer to have Morningstar Investment Management actively manage their account. Participants who enroll in this service receive a personalized retirement strategy, discretionary asset management, and ongoing oversight to help them meet their retirement goals. This service is ideal for employees who lack the time or desire to actively manage their retirement account.</p> <p>Morningstar Investment Management would in turn assume fiduciary responsibility for monitoring participants’ accounts on a quarterly basis and execute appropriate transactions on the participants’ behalf.</p>	<p>Features include:  <b>Research and reports</b> about the plan’s available investment options;  <b>Tools</b> to help participants set retirement goals and strategy recommended asset mix;  <b>Specific, independent, objective and professional investment advice</b> to help participants create a diversified portfolio; and            Personalized investment option recommendations that factor in a participant’s unique financial situation and savings objectives.</p> <p><b>Morningstar Manage My Plan - .50bp annual fee</b>  <b>A managed account program</b> available to participants who would prefer to have Morningstar Investment Management actively manage their account. Participants who enroll in this service receive a personalized retirement strategy, discretionary asset management, and ongoing oversight to help them meet their retirement goals. This service is ideal for employees who lack the time or desire to actively manage their retirement account.</p> <p>Morningstar Investment Management would in turn assume fiduciary responsibility for monitoring participants’ accounts on a quarterly basis and execute appropriate transactions on the participants’ behalf.</p>

# Kansas Board of Regents Voluntary 403(b) Project Investment Analysis



The vision to grow together

# Background

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- ACG worked closely with both TIAA and Voya to propose an investment lineup for the KBOR Voluntary 403(b) Plan that:
  - ◆ *Utilized many of the same investments in the Mandatory Plan,*
  - ◆ *Used the same share class for identical offerings in both the Voluntary and Mandatory Plan,*
  - ◆ *Reduced the total number of investment options,*
  - ◆ *Filled gaps in asset classes that provided opportunities for diversification benefits,*
  - ◆ *Strove for similar fund expense and revenue share ranges to those in the Mandatory Plan.*

# Background

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- Both TIAA and Voya will be offering a self-directed brokerage account in the new lineup.
- Initially we considered not recommending the addition of the Amana Funds (Islamic investing principles) to the lineups because of this brokerage availability. However, there will likely be a minimum percentage of assets each participant must maintain in the core fund array in case the providers need to charge against their account. As such, ACG recommends the Amana funds be added to the TIAA and Voya lineups.

# TIAA Investment Lineup Recommendations

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- TIAA's current Voluntary Plan investment lineup consists of 58 options (the suite of target date funds are considered one option) and has a weighted average investment expense ratio of 39.2 basis points (0.392%).
- The lineup ACG is recommending reduces the number of investment options to 35 and slightly reduces the weighted average expense ratio (based on where the current assets are invested) to 38.2 basis points (0.382%) and generates 9.3 basis points (0.093%) in revenue sharing.
- Please note, the weighted average numbers shown above are for comparison purposes only. Since only new deferrals will be going to the new lineup, and participants can maintain their current assets in the legacy lineup, it is difficult to determine what the final asset allocation may look like.

# TIAA Investment Lineup Recommendations

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- Of the 35 recommended investment options, 25 are currently offered in the Mandatory Plan.
  - ◆ *Besides TIAA, the lineup offers funds from nine different fund families.*
- Like the Mandatory Plan, ACG kept the stable of TIAA's variable and fixed annuities in place. Our rationale was each of these variable and fixed annuity options to allow participants the flexibility to annuitize at retirement.
- Please see ACG's suggested mapping schedule as well as the detailed investment analysis.

# Voya Investment Lineup Recommendations

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- Voya's current Voluntary Plan investment lineup consists of 75 options (the suite of target date funds are considered 1 option) and has a weighted average investment expense ratio of 95 basis points (0.95%).
- The lineup ACG is recommending reduces the number of investment options to 29 and reduces the weighted average expense ratio (based on where the current assets are invested) to 48 basis points (0.48%) and generates 21 basis points (0.21%) in revenue.
- Please note, the weighted average numbers shown above are for comparison purposes only. Since only new deferrals will be going to the new lineup, and participants can maintain their current assets in the legacy lineup, it is difficult to determine what the final asset allocation may look like.

# Voya Investment Lineup Recommendations

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- Of the 29 recommended investment options, 24 are currently offered in the Mandatory Plan.
  - ◆ *Besides Voya funds, the lineup offers funds from 14 other fund families.*
- Voya's proposal greatly reduces the overlap of existing investment options found in their current Voluntary Plan lineup. The recommended lineup looks similar to their Mandatory Plan lineup but includes a few additional fund families.
- Please see ACG's suggested mapping schedule as well as the detailed investment analysis.





## TIAA - Current Voluntary Plan Lineup

Domestic Equity			
	Value	Blend	Growth
Large	TIAA-CREF Large-Cap Value Eaton Vance Large-Cap Value TIAA-CREF Large-Cap Value Index	CREF Stock TIAA-CREF S&P 500 Index Davis NY Venture Y TIAA-CREF Equity Index CREF Equity Index TIAA-CREF Social Choice Equity	CREF Growth TIAA-CREF Large-Cap Growth Index TIAA-CREF Large-Cap Growth Wells Fargo Growth TIAA-CREF Growth & Income
Mid	TIAA-CREF Mid-Cap Value Invesco American Value	Columbia Mid Cap Index	TIAA-CREF Mid-Cap Growth PGIM Jennison Mid-Cap Growth
Small	Northern Small Cap Value Columbia Small Cap Value	TIAA-CREF Small-Cap Blend Index TIAA-CREF Quant Small-Cap Equity Royce Pennsylvania Mutual	AB Small Cap Growth Lord Abbett Developing Growth
International Equity			
	Value	Blend	Growth
Large	Dodge & Cox International Stock	TIAA-CREF International Equity Index Harbor International TIAA-CREF International Equity	American Funds Europacific Growth Artisan International
Mid			
Small		DFA International Small Company	
EM	Lazard Emerging Market Equity	DFS Emerging Markets	
Global		CREF Global Equities	
Fixed Income			
	Short	Intermediate	Long
High		Goldman Sachs Gov't Income TIAA-CREF Bond Index TIAA-CREF Inflation Link Bond	CREF Inflation-Linked Bond
Medium	TIAA -CREF Short-Term Bond	CREF Bond Market TIAA-CREF Bond TIAA-CREF Bond Plus PIMCO Total Return	
Low	TIAA-CREF High-Yield		
Foreign		Templeton Global Bond	
Other			
	Principal Preservation	Balanced	Sector Fund
	TIAA Traditional Annuity TIAA-CREF Money Market CREF Money Market	TIAA-CREF Lifecycle - Ret. Inc., 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060 CREF Social Choice T. Rowe Price Capital Appreciation Am. Funds Capital Income Builder TIAA-CREF Managed Allocation	TIAA-CREF Real Estate Securities Voya Global Real Estate TIAA Real Estate Account
	Alternative Investments	Absolute Return	Self-Directed Brokerage
			TIAA Self-Directed Brokerage

Green = Passively Managed Index Funds  
Navy = Actively Managed Funds



# TIAA - Proposed Voluntary Plan Lineup

Domestic Equity			
	Value	Blend	Growth
Large	<b>TIAA-CREF Large-Cap Value</b> TIAA-CREF Large-Cap Value Index	<b>CREF Stock</b> <b>TIAA-CREF S&amp;P 500 Index</b> <b>CREF Equity Index</b> TIAA-CREF Social Choice Equity	<b>CREF Growth</b> TIAA-CREF Large-Cap Growth Index <b>Wells Fargo Growth</b> <b>Amana Growth</b>
Mid	<b>TIAA-CREF Mid-Cap Value</b>	<b>Vanguard Mid Cap Index</b>	<b>TIAA-CREF Mid-Cap Growth</b>
Small	<b>Royce Opportunity</b>	<b>TIAA-CREF Small-Cap Blend Index</b>	<b>AB Small Cap Growth</b>
International Equity			
	Value	Blend	Growth
Large	Dodge & Cox International Stock	<b>TIAA-CREF International Equity Index</b>	<b>American Funds Europacific Growth</b>
Mid			
Small		DFA International Small Company	
EM		<b>DFA Emerging Markets</b>	
Global		<b>CREF Global Equities</b>	
Fixed Income			
	Short	Intermediate	Long
High		<b>TIAA-CREF Bond Index</b>	<b>CREF Inflation-Linked Bond</b>
Medium		<b>CREF Bond Market</b> TIAA-CREF Bond Plus	
Low	TIAA-CREF High-Yield		
Foreign		<b>Amana Participation</b>	
Other			
	Principal Preservation	Balanced	Sector Fund
	<b>TIAA Traditional Annuity</b> <b>CREF Money Market</b>	<b>TIAA-CREF Lifecycle - Ret. Inc., 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060</b> <b>CREF Social Choice</b> T. Rowe Price Capital Appreciation	TIAA-CREF Real Estate Securities <b>TIAA Real Estate Account</b>
	Alternative Investments	Absolute Return	Self-Directed Brokerage
			TIAA Self-Directed Brokerage

Green = Passively Managed Index Funds

Navy = Actively Managed Funds

**Bold = Currently in the Mandatory Plan**

 Voya - Current Voluntary Plan Lineup

Domestic Equity			
	Value	Blend	Growth
Large	AllianzGI NFJ Dividend Value American Century Equity Income Columbia Large Cap Value Eaton Vance Large Cap Value Lord Abbett Fundamental Equity MFS Value Pioneer Equity	Invesco Charter American Funds Fundamental Investor American funds Washington Mutual BlackRock Advantage Large Cap Core Clearbridge Appreciation Pioneer Fund Victory Special Value Victory Diversified Stock <a href="#">Voya Russell Large Cap Index</a>	Alger Responsible Investing American Century Growth American Funds Growth Fund MFS Mass Investors Growth Stock VY T. Rowe Price Growth Equity Voya Large Cap Growth
Mid	BlackRock Midcap Dividend Pioneer Mid Cap Value VY American Century Small-Mid Cap Val	Invesco Oppenheimer Mid Cap Core Eq Janus Henderson Enterprise Lord Abbett Value Opportunity <a href="#">Voya Russell Mid Cap Index</a>	VY Baron Growth Voya mid Cap Opportunities
Small	AllianzGI Small-Cap Value Columbia Small-Mid Cap Value Royce Small-Cap Value VY Columbia Small Cap Value	Royce Pennsylvania Mutual <a href="#">Voya Russell Small Cap Index</a> Voya Small Company	Invesco Oppenheimer Small Cap Growth Lord Abbett Developing Growth
International Equity			
	Value	Blend	Growth
Large		Thornburg International Value <a href="#">Voya International Index</a>	American Funds Europacific Growth Invesco Oppenheimer Asia Pacific Gr Invesco Oppenheimer European Gr MFS International Intrinsic Value VY T. Rowe Price International Stock
Mid			
Small		Voya Multi-Manager Int'l Small Cap	
EM			Invesco Oppenheimer Developing Mkts
Global	Franklin Mutual Global Discovery Voya Global Equity Fund Voya Global Equity Portfolio	American Funds Cap World G&I	American Funds New Perspective
Fixed Income			
	Short	Intermediate	Long
High	American Century Sh-Duration Infl Pr		
Medium	PIMCO Low Duration	<a href="#">Voya US Bond Index</a>	Delaware Extended Duration Bond
Low	Columbia High Yield Bond PIMCO High Yield	Pioneer Strategic Income Voya Intermediate Bond Portfolio	
Foreign		Invesco Oppenheimer Intl Bond	
Other			
	Principal Preservation	Balanced	Sector Fund
	Voya Fixed Plus III	American Funds Am. Balanced American Funds Cap Inc Builder American Funds Income Fund PAX Sustainable Allocation VY T. Rowe Price Capital Appreciation <a href="#">Voya Index Solution Income, 2025, 2035, 2045</a>	Franklin Utilities Invesco Oppenheimer Gold & Spec Mnrl MFS Utilities VY Clarion Real Estate Port Voya Global Real Estate
	Alternative Investments	Absolute Return	Self-Directed Brokerage

Green = Passively Managed Index Funds  
Navy = Actively Managed Funds



# Voya - Proposed Voluntary Plan Lineup

Domestic Equity			
	Value	Blend	Growth
Large	<b>BlackRock Equity Dividend</b> JPMorgan Equity Income	<b>Vanguard Institutional Index</b> <b>American Funds Fundamental Investor</b> <b>Parnassus Core Equity</b>	<b>Voya Large Cap Growth Portfolio</b> <b>Amana Growth Fund</b>
Mid	<b>American Century Mid Cap Value</b>	<b>Vanguard Mid-Cap Index</b>	<b>Champlain Mid Cap Fund</b>
Small	<b>Am. Beacon Small Cap Value</b>	<b>Vanguard Small-Cap Index</b>	Loomis Sayles Small Cap Growth
International Equity			
	Value	Blend	Growth
Large		<b>Vanguard Total International Stock Idx</b>	<b>American Funds Europacific Growth</b>
Mid			
Small		Fidelity Advisor International Small Cap	
EM			<b>Invesco Oppenheimer Developing Mkts</b>
Global			<b>VY Invesco Oppenheimer Global Port</b>
Fixed Income			
	Short	Intermediate	Long
High		<b>Fidelity U.S. Bond Index</b>	<b>American Funds Inflation Linked Bond</b>
Medium		<b>PIMCO Total Return</b>	
Low	PGIM High Yield		
Foreign		<b>Vanguard Total Int'l Bond Index</b> <b>Amana Participation</b>	
Other			
	Principal Preservation	Balanced	Sector Fund
	<b>Voya Fixed Plus III</b> <b>Vanguard Treasury Money Market</b>	<b>Vanguard Target Retirement Income, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060</b> <b>VY T. Rowe Price Capital Appreciation</b>	<b>Vanguard Real Estate Index</b>
	<b>Alternative Investments</b>	<b>Absolute Return</b>	<b>Self-Directed Brokerage</b>
			Self-Directed Brokerage

Green = Passively Managed Index Funds

Navy = Actively Managed Funds

**Bold = Currently in the Mandatory Plan**



Current Fund	Ticker	Assets	Expense		Morningstar Category	Proposed Fund	Ticker	Assets	Expense		Revenue Share	Morningstar Category	Offered In Mandatory Plan
			Ratio						Ratio				
TIAA-CREF Social Choice Eq Instl	TISCX	\$ 10,453,111	0.17%		US Fund Large Blend	➔ TIAA-CREF Social Choice Eq Instl	TISCX	\$ 10,453,111	0.17%	0.00%	US Fund Large Blend	No	
TIAA-CREF Large-Cap Value Instl	TRLIX	\$ 6,929,898	0.40%		US Fund Large Value	➔ TIAA-CREF Large-Cap Value Instl	TRLIX	\$ 8,629,234	0.40%	0.00%	US Fund Large Value	Yes	
Eaton Vance Large-Cap Value R6	ERLVX	\$ 1,699,336	0.72%		US Fund Large Value	➔ TIAA-CREF Large-Cap Value Idx Inst	TILVX	\$ 30,307,751	0.06%	0.00%	US Fund Large Value	No	
TIAA-CREF Large-Cap Value Idx Inst	TILVX	\$ 30,307,751	0.06%		US Fund Large Value	➔ TIAA-CREF Large-Cap Value Idx Inst	TILVX	\$ 30,307,751	0.06%	0.00%	US Fund Large Value	No	
TIAA-CREF Mid-Cap Growth Instl	TRPWX	\$ 3,302,430	0.47%		US Fund Mid-Cap Growth	➔ TIAA-CREF Mid-Cap Growth Inst	TRPWX	\$ 4,371,579	0.47%	0.00%	US Fund Mid-Cap Growth	Yes	
PGIM Jennison Mid-Cap Growth R6	PJGQX	\$ 1,069,149	0.59%		US Fund Mid-Cap Growth	➔ TIAA-CREF Mid-Cap Value Instl	TIMVX	\$ 10,297,422	0.42%	0.00%	US Fund Mid-Cap Value	Yes	
Columbia Mid Cap Index Inst	NMPAX	\$ 9,477,485	0.20%		US Fund Mid-Cap Blend	➔ Vanguard Mid Cap Index Adm.	VIMAX	\$ 9,477,485	0.05%	0.00%	US Fund Mid-Cap Blend	Yes	
TIAA-CREF Mid-Cap Value Instl	TIMVX	\$ 8,508,921	0.42%		US Fund Mid-Cap Value	➔ TIAA-CREF Mid-Cap Value Instl	TIMVX	\$ 10,297,422	0.42%	0.00%	US Fund Mid-Cap Value	Yes	
Invesco American Value R6	MSAFX	\$ 1,788,501	0.78%		US Fund Mid-Cap Value	➔ AB Small Cap Growth I	QUAIX	\$ 7,959,817	0.91%	0.15%	US Fund Small Growth	Yes	
AB Small Cap Growth I	QUAIX	\$ 6,762,871	0.91%		US Fund Small Growth	➔ TIAA-CREF Small-Cap Blend Index Instl.	TISBX	\$ 14,805,046	0.06%	0.00%	US Fund Small Blend	Yes	
Lord Abbett Developing Growth I	LADYX	\$ 1,196,946	0.69%		US Fund Small Growth	➔ Royce Opportunity Instl	ROFIX	\$ 5,528,421	1.08%	0.00%	US Fund Small Value	Yes	
TIAA-CREF Small-Cap Blend Idx Inst	TISBX	\$ 10,925,085	0.06%		US Fund Small Blend	➔ CREF Global Equities R3	QCGLIX	\$ 33,077,560	0.27%	0.10%	US Fund World Large Stock	Yes	
TIAA-CREF Quant Small-Cap Equity Instl	TISEX	\$ 2,523,557	0.41%		US Fund Small Blend	➔ American Funds Europacific Growth R6	REGX	\$ 10,967,610	0.49%	0.00%	US Fund Foreign Large Growth	Yes	
Royce Pennsylvania Mutual Instl	RPMIX	\$ 1,356,404	0.88%		US Fund Small Blend	➔ TIAA-CREF International Eq Idx Instl	TCIEX	\$ 28,372,174	0.06%	0.00%	US Fund Foreign Large Blend	Yes	
Northern Small Cap Value	NOSGX	\$ 3,919,336	1.00%		US Fund Small Value	➔ Dodge & Cox International Stock	DODFX	\$ 3,948,282	0.63%	0.10%	US Fund Foreign Large Value	No	
Columbia Small Cap Value I Inst3	CSVYX	\$ 1,609,085	0.89%		US Fund Small Value	➔ DFA International Small Company I	DFISX	\$ 3,042,967	0.53%	0.00%	US Fund Foreign Small/Mid Blend	No	
CREF Global Equities R3	QCGLIX	\$ 33,077,560	0.27%		US Fund World Large Stock	➔ DFA Emerging Markets I	DFEMX	\$ 13,004,805	0.47%	0.00%	US Fund Diversified Emerging Mkts	Yes	
American Funds Europacific Growth R6	REGX	\$ 10,173,350	0.49%		US Fund Foreign Large Growth	➔ TIAA-CREF Real Estate Sec Instl	TIREX	\$ 11,707,137	0.51%	0.00%	US Fund Real Estate	No	
Artisan International Institutional	APHIX	\$ 794,260	0.96%		US Fund Foreign Large Growth	➔ TIAA Real Estate Account	QREARX	\$ 60,237,810	0.83%	0.24%	US Fund Miscellaneous Sector	Yes	
TIAA-CREF International Eq Idx Instl	TCIEX	\$ 26,348,278	0.06%		US Fund Foreign Large Blend								
Harbor International Institutional	HAINX	\$ 778,385	0.77%		US Fund Foreign Large Blend								
TIAA-CREF International Eq Instl	TIIEX	\$ 1,245,511	0.48%		US Fund Foreign Large Blend								
Dodge & Cox International Stock	DODFX	\$ 3,948,282	0.63%		US Fund Foreign Large Value								
DFA International Small Company I	DFISX	\$ 3,042,967	0.53%		US Fund Foreign Small/Mid Blend								
DFA Emerging Markets I	DFEMX	\$ 11,640,600	0.47%		US Fund Diversified Emerging Mkts								
Lazard Emerging Markets Equity Instl	LZEMX	\$ 1,364,205	1.07%		US Fund Diversified Emerging Mkts								
TIAA-CREF Real Estate Sec Instl	TIREX	\$ 11,172,483	0.51%		US Fund Real Estate								
Voya Global Real Estate R6	VGRQX	\$ 534,654	0.92%		US Fund Global Real Estate								
TIAA Real Estate Account	QREARX	\$ 60,237,810	0.83%		US Fund Miscellaneous Sector								
<b>Brokerage</b>													
TIAA Self-Directed Brokerage		\$ 457,109			Brokerage	TIAA Self-Directed Brokerage		\$ 457,109				Brokerage	
<b>Totals</b>		<b>\$1,030,283,334</b>	<b>0.392%</b>					<b>\$1,030,283,334</b>	<b>0.382%</b>	<b>0.093%</b>			

Investment Options (TDF = 1, Excludes SDB) 58

35

Currently In Mandatory Plan  
Not in Mandatory Plan

25  
10



