

KANSAS BOARD OF REGENTS
Retirement Plan Committee (RPC)
MINUTES
March 19, 2024

The March 19, 2024, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order at 12:30 p.m.

Members Participating in person:

Regent Ice, Chair Dipak Ghosh, ESU Shanna Legleiter, KSU
Madi Vannaman, KBOR

Members Participating by video conference:

Doug Ball, PSU Emily Breit, FHSU Werner Golling, WSU
Adrienne Kordalski, KUMC President Muma, WSU

Professor Ted Juhl was unable to attend.

Participating from Advanced Capital Group were consultants Brad Tollander, Senior Investment Consultant, and Justin Dorsey, Principal, Senior Relationship Manager. Participating from TIAA were Blake Earl, Senior Relationship Manager; Ernest Alexander, Managing Director, Retirement Solutions; and, joining virtually, Kendra Kamesch, Director, Communications Consultant Marketing. Participating from Voya were John O'Brien, Regional Vice President; Cindy Delfelder, Strategic Relationship Manager; and Scott Darcy, Workplace Communications Consultant. And participating from the Board Office were Gage Rohlf, John Yeary and Elaine Frisbie.

Introductions

Regent Ice introduced Shanna Legleiter, Chief Human Resources Officer at the Kansas State University, who will serve as the RPC's HR representative member.

Minutes

Dipak Ghosh moved to approve the October 17, 2023, minutes. Following a second by Shanna Legleiter, the motion carried.

ACG semi-annual investment review, as of December 31, 2023

Brad Tollander provided an executive summary and highlighted information for the Mandatory and Voluntary Plans.

TIAA – Watch List review (both Mandatory and Voluntary Plan Lineups)

A. Allspring Growth Institutional has been on the Watch List since Fall 2022 because of long-term risk-adjusted performance in the bottom quartile of the peer group. Mandatory plan assets invested in the fund are \$34.5M, or 0.8% of TIAA Assets, belonging to 668 participants. Voluntary plan assets invested in the fund are \$398K, or 0.3% of TIAA assets, belonging to 61 participants.

ACG's recommendation: Remain on Watch. The fund has faced challenges in comparison to both the Russell 3000 Growth Benchmark and the Large Cap Growth Manager throughout the calendar years of 2021, 2022, and 2023. Consequently, its trailing returns fall significantly short of benchmark results, positioning it in the bottom quartile among large cap growth peers over three-, five-, and ten-year periods. ACG's rationale for recommending patience lies in the Portfolio Management team's persistent commitment to identifying and investing in high-growth companies across the market cap spectrum, despite the persistence of stylistic headwinds over the past three years. Recognizing the cyclical nature of markets, ACG anticipates that some of these challenges will gradually diminish over time and may even transition into advantages. As this shift occurs, ACG anticipates an improvement in the fund's relative performance compared to both the benchmark and the median peer group manager. Lastly, ACG advised that it is essential to note that TIAA participants in both the

KBOR Mandatory and Voluntary Plans have alternative large cap growth options available which have performed better due to greater emphasis on mega-cap growth stocks.

Regent Ice acknowledged that it is important to carefully consider what our investment advisors say and recalled that, last fall, the sentiment was we were almost out of patience with this fund. Brad Tollander responded that in diving into the details once again, and having two conversations with the fund manager in the last six months, there is no change in the fund's strategy, and he believes that patience will be rewarded. Brad shared a similar experience with the TIAA-CREF Large Cap Value fund, which was placed on watch from Spring 2019 to Spring 2022 due to performance concerns, change in leadership, and a new investment process. ACG maintained close contact with the manager and used an analysis of the fund's holdings to confirm the effectiveness of its pragmatic value investing approach. Performance began to improve and, after several quarters, the fund began to outpace the benchmark and peer group on a three-year basis. Since coming off watch, the fund's performance has continued to improve and the fund is now outperforming the benchmark and peer group averages across all timeframes (one-, three-, and five-year) and has shown significant improvement in its ten-year relative performance results as of year-end 2023.

Professor Breit asked about the risk profile difference with the peer group stating that only comparing results is an incomplete analysis. Brad referenced page 33 of the Mandatory Plan document that showed the results for three-year (21.8 versus 24.7 for the benchmark); five-year (23 versus 21); and 10-year (19 versus 17) and stated there is a higher risk profile with investments in higher growth companies. If lower risk is desired, participants can elect the CREF growth fund.

Professor Breit stated that information increases her concern because one expects higher returns with higher risks. Brad responded he would agree but for the COVID shut down, federal government action, stimulus dollars and interest rates being raised, all which have dramatically impacted monetary policy. He noted that the economy is in an interesting state.

John O'Brien asked whether the RPC had previously discussed how long a fund should be on the watch list before action is taken. Brad responded that the Investment Policy Statement provides the RPC latitude, and that facts and circumstances will dictate and guide actions. Regent Ice agreed that facts and circumstances matter greatly but when we are in an environment where we say we are going to be patient, we need to be cautious of inertia.

Regent Ice stated that he would be supportive of a review in six months, noting that when funds are underperforming, it is the worst time to sell. Werner Golling also voiced support, noting that participants have alternative large cap growth options available.

Emily Breit moved that the RPC approve ACG's recommendation to keep the **Allspring Growth Institutional** fund on the Watch List with another review at the next RPC meeting. Following a second by Werner Golling, the motion carried.

B. TIAA-CREF Mid-Cap Growth Institutional has been on the Watch List since Fall 2022 because of manager departure and near-term and long-term performance relative to peers. Mandatory Plan assets invested in the fund are \$18.5M or 0.5% of TIAA assets, belonging to 1,214 participants. Voluntary Plan assets invested in the fund are \$461k or 0.4% of TIAA assets, belonging to 194 participants.

ACG's recommendation: Remain on Watch. Nuveen's commitment to the fund is evident in several ways. First, the addition of two sector-specific portfolio managers covering healthcare and technology sectors which represent a large portion of the mid-cap growth market capitalization. Additionally, Nuveen bolstered the fund's mid-cap research capabilities by expanding its analyst team. With these new resources, Terry Kontos is well positioned to improve the fund's overall performance. His proven track record in managing other growth strategies at TIAA, including the CREF Growth Annuity and a portion of the CREF Stock Fund, demonstrates his capabilities.

Regent Ice stated he was encouraged that Nuveen has taken serious steps to address the fund, and he has

tremendous confidence in ACG's review and recommendation. Doug Ball moved that the RPC approve ACG recommendation to keep the **TIAA-CREF Mid-Cap Growth Institutional** fund on the Watch List. Following a second by Werner Golling, the motion carried.

C. Investment Lineup Recommendations –Voya did not propose any changes to its fund lineups. TIAA proposed adding a dedicated foreign bond fund to the KBOR Voluntary Plan to provide symmetry with the Voya lineup.

ACG utilized several quantitative screens to filter through the universe of international bond funds, reducing it to a manageable number. Next, performance and risk-adjusted criteria were applied to further refine the list of options. This curated list was then sent to TIAA to confirm the availability of trading arrangements necessary for fund record-keeping. The resulting list of investment options includes: PIMCO International Bond Institutional (PFORX); T. Rowe Price International Bond I (TNBMX); and TIAA-CREF International Bond Instl. (TIBWX).

ACG's recommendation: Add the **PIMCO International Bond Institutional (PFORX) to the Voluntary Plan**. The rationale for this recommendation includes:

- Longest performance history since 1992. The other two options currently lack a ten-year history.
- Long-tenured management team since 2014.
- Lowest one-, three-, and five-year standard deviation of returns.
- Strongest five- and seven-year risk-reward profile.
- Strongest five- and seven-year down-market capture ratios.
- Solid three- and five-year rolling peer group performance.
- On average, maintains a lower overall correlation of returns against the current fixed income funds, as well as against the most popular domestic and foreign equity funds in the Voluntary Plan, on a one-, three-, and five-year basis.
- Depth of PIMCO's Fixed Income Research Team.

Regent Ice asked whether Voya's corollary fund was active or passive. Brad responded that it is a passive index fund (Vanguard Total International Bond Index).

Shanna Legleiter moved that the RPC approve the addition of the **PIMCO International Bond Institutional (PFORX) to TIAA's Voluntary Plan** lineup. Following a second by Dipak Ghosh, the motion carried. The RPC recommendation will be presented to the Board at their April meeting.

Recordkeeper Presentations

TIAA and Voya representatives shared Plan Participant Engagement information.

Shanna Legleiter expressed appreciation for the focus on engagement activities, noting that each campus has strategic goals and visions for the future. KSU's strategic plan on wellbeing and financial wellbeing will fit well with the engagement activities and the development of programs that will work specifically for K-State.

Scott Darcy presented the KBOR financial wellness dashboard which addresses six pillars of core financial wellness: protection, spending and saving, emergency fund, retirement, debt management and other savings goals. For each pillar, there will be information available (e.g., articles, on demand videos, calculators, other pertinent information from both TIAA and Voya). The dashboard will continue to be built out in collaboration with TIAA and will be deployed later this year.

Retirement Plan Sub-Committee

Gage Rohlf proposed that this summer an RPC sub-committee would meet to dive deeper into current plan and plan administration issues. Possible agenda topics include: i) TIAA lifetime income options (RetirePlus); ii) TIAA proprietary fund share class change; iii) TIAA revenue credit formula; iv) an operational audit of state universities/Board Office and the KBOR 403(b) plan.

Other topics were solicited as well as members to serve on the sub-committee including Werner Golling, WSU COBO; Adrienne Kordalski, KUMC Financial Controller; and Shanna Legleiter, KSU chief human resources officer. Professor Ghosh is willing to participate if the meeting will be in July or later, after he returns from a trip to India.

Dipak Ghosh moved that the RPC subcommittee and its membership be approved. After a second by Doug Ball, the motion was approved.

Good of the Order

Gage Rohlf apprised the RPC that the Board's contract for outside legal services is expiring on September 30, 2024, and informed the Committee of two members he would like to designate to serve on the procurement negotiating committee that would solicit bids and award a new contract. The new contract would be approved by the full Board. The procurement negotiating committee will be comprised of Adrienne Kordalski and Madi Vannaman.

Shanna Legleiter moved that the procurement negotiating committee membership and charge be approved. After a second by Dipak Ghosh, the motion was approved.

Next RPC meeting:

The next regular RPC meeting will be scheduled for the fall 2024, date and time to be announced.