

KANSAS BOARD OF REGENTS
Retirement Plan Committee
MINUTES
March 11, 2014

The March 11, 2014, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order by Regent Edwards at 12:30 p.m.

Members Participating:

Regent Mildred Edwards, Chair	Regent Fred Logan
Mike Barnett, FHSU	Dr. Dipak Ghosh, ESU
Theresa Gordzica, KU	President Hammond, FHSU
Dr. Rick LeCompte, WSU	Gary Leitnaker, KSU
Michele Sexton, PSU	Madi Vannaman, KBOR

Also present were Adrian Fitzmaurice, KUMC; Segal Rogerscasey's Frank Picarelli; ING's Bernie Heffernon, Senior VP Central Division Tax Exempt Markets; John O'Brien, VP Central Division Tax Exempt Markets and Cindy Delfelder, Client Account Manager Tax Exempt Markets; TIAA-CREF's Nicolette Dixon, Relationship Manager and Adam Polacek, Managing Director Client Portfolio Management and Theresa Schwartz, KBOR's Associate General Counsel.

Minutes

The minutes from the September 17, 2013 meeting were approved.

New Retirement Plan Committee Participant

Adrian Fitzmaurice, KUMC's Associate Vice Chancellor for Human Resources represented the Medical Center as a non-voting member of the Committee because Rick Robards, the former KUMC representative, retired and a replacement has not yet been nominated for Board approval.

Action items from the September 17, 2013 meeting

1. Since the KBOR mandatory retirement plan consolidation in 2006, three different communication pieces have been mailed to participants with assets still invested with the two **deselected vendors, Lincoln National and Security Benefit Group**: March 2008, February 2011 and October 2012. ING and TIAA-CREF representatives would like to send an additional communication targeted to actively employed participants. In response to an RPC request for additional information about the latest campaign and engagement ideas, Ms. Delfelder, ING, and Ms. Dixon, TIAA-CREF, presented updated information.

Ms. Dixon indicated that information will be sent to actively contributing participants inviting them to attend counseling sessions, the strategy utilized by ING previously. This will provide a different touch point, even more targeted and personal than the previous written communications. Participants will have an opportunity to receive information about fees and expenses and their impact on retirement savings. The RPC will be provided information about the number of participants impacted, how many participants made counseling appointments in response to this communication and a summary of any resulting asset movement.

2. Ms. Delfelder and Ms. Dixon presented information in response to an RPC inquiry about the percentage of **participants making active investment decisions**. ING's data shows that 20% of actively deferring participants made a future allocation change. TIAA-CREF's data shows that participants who are no longer making contributions are more likely to make active investment decisions; participants who actively enroll in the plan are more likely to make active investment

decisions than those who default and the average account balance was higher for those who made an active investment decision and enrolled via online enrollment or paper enrollment.

Ms. Dixon shared information about the **TIAA-CREF revenue credit account activity history**. The plan year 2013 revenue credit is \$1,200,204.15. The revenue credit balance as of January 31, 2014, is approximately \$604,000 and is for the period July 1 to December 31, 2013. The revenue credit accounts are funded per legal plan, are unallocated suspense accounts that are plan assets, are calculated on month-end market value averages and are net after revenue requirements are met. The account is credited on a semi-annual basis; the January to June 2014 amount will be deposited in September 2014 and the July to December 2014 amount will be deposited in February 2015. The revenue credit information will be incorporated into the semi-annual information provided to the RPC.

In accordance with the Board of Regent's directives, the revenue credit has been used to offset the Board of Regent's consulting and overhead costs associated with administration of the retirement plan with the balance credited back to plan participants in September of each year on a pro-rata basis, based on the participant's account balance.

Mr. Barnett noted that under the voluntary plan the report indicated a "realized loss" of \$10,816.73. Ms. Dixon noted that this was a mistake and that amount should have been reported as "plan servicing credit distribution."

3. Ms. Dixon shared a draft **TIAA-CREF communication piece targeted to those with investments in the money market fund** and informed the RPC that TIAA-CREF will send the communication to any participant with assets in the money market fund. A report will be presented to the RPC at the next two meetings reflecting the number of participants who received the targeted communication piece and the outcome, whether asset allocation changes resulted.

4. Ms. Vannaman shared the criteria used to determine which **companies remain authorized as investment options under the KBOR voluntary plan** as approved by the Board of Regents in April 2007. Each fall, the state universities provide participation data for the voluntary plan and those companies with less than 1% participation in the plan are frozen; current participants can continue to utilize the company but no new enrollment will be allowed.

In October 2013, there were 3,039 voluntary plan participants and several RPC members questioned the company that was not frozen that had 29 participants. Ms. Vannaman indicated that she had unilaterally decided to allow additional time as the company was close to 1%.

President Hammond's motion to delegate authority to Ms. Vannaman to perform the annual count, beginning in October 2014, and automatically implement and enforce participation requirements in accordance with the existing policy, was seconded by Dr. Lecompte and the motion passed unanimously.

Segal's Semi-Annual Review Through December 31, 2013

Mr. Frank Picarelli provided an overview of the December 31, 2013 semi-annual report.

For ING's review, the only fund that stood out was the PIMCO Real Return fund. In January 2013, Segal issued a Manager Alert because of the top manager/CEO's transition to retirement. Mr.

Picarelli noted that the company is well positioned to move on with the transition and there were no issues.

For the TIAA-CREF information, Dr. Lecompte and President Hammond noted that the Segal asset allocation and plan contribution information appeared to have erroneously categorized the CREF Stock Account, representing it as a balanced vehicle instead of the all-equity product that it is. Mr. Picarelli will review the information and make adjustments for the next report.

President Hammond noted that the index used for the CREF Real Estate account on the Segal Scoring report, MSCI US REIT NR USD, was not the NCREIF ODCE benchmark that would be the most comparable to the composition of the TIAA Real Estate portfolio. The report also did not include reference to the performance comparison discussed at the September 2013 RPC meeting that is published by TIAA with a timing lag of about two months, which takes into consideration the effects of the Account's cash holdings that allow the vehicle to be liquid at the participant level, setting it apart from other ODCE portfolios/peers. Mr. Picarelli responded that such reporting has not been done thus far as using that index would require manual entry because it is not a standard reporting entry that is typically compiled.

It was agreed that Segal will intersect with TIAA-CREF for future reports and that using the NCREIF ODCE index should be a viable option, along with the potential to include the most recently available TIAA performance analysis as a separate report to highlight the TIAA Real Estate Account's performance net of its excess liquid (cash) holdings.

Mr. Picarelli noted that neither mandatory company had submitted recommendations for fund changes to the KBOR plan.

TIAA-CREF General Account Investment Update

Mr. Adam Polacek will present information at the September RPC meeting, along with a TIAA actuary, focusing on the TIAA Traditional fund which has almost 1/3 of total assets or \$850 million. Questions have arisen, since the market downturn, about the General Account. The presentation will include additional information about the accumulation phase, what options are available to the participant at retirement and how retirement income is granted. TIAA-CREF will provide participant numbers and information on annuitization in the KBOR Retirement program.

ING Name Transition to Voya

Mr. Bernie Heffernon provided information about ING's name transition to Voya Financial throughout 2014. In the coming months, messages about the name transition will also appear on the participant website and statement envelopes. On April 7, 2014, ING U.S. Inc. will change its name to Voya Financial, Inc. On May 1, 2014, ING U.S. Investment Management will officially change its name to Voya Investment Management and, as a result, the names of any fund options managed by ING U.S. Investment Management available in the KBOR plan will reflect the new Voya name. Participants will receive notification about the new Voya name and also about upcoming changes to fund names that are part of the KBOR plan.

Miscellaneous

The RPC recognized the upcoming retirement of President Hammond and thanked him for the valuable contributions and insights he shared while a member of the RPC. Delicious cake and

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cupcakes were enjoyed as we celebrated President Hammond's varied and numerous contributions to the KBOR university system.

Next RPC meeting:

The next RPC meeting is scheduled for 12:30 p.m. on Tuesday, September 16, 2014, in the Board Room.