The September 15, 2015, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order by Regent Murguia at 12:30 p.m.

Members Participating:
Regent Ann Brandau-Murguia, Chair
Mike Barnett, FHSU
Theresa Gordzica, KU
Gary Leitnaker, KSU
Madi Vannaman, KBOR

Regent Shane Bangerter
Dr. Dipak Ghosh, ESU
Dr. Rick Lecompte, WSU
Ed Wilson, KUMC

Mike Barnett, FHSU
Theresa Gordzica, KU
Gary Leitnaker, KSU
Madi Vannaman, KBOR

Michele Sexton, PSU, participated by conference call. Because of schedule conflicts President Schulz, KSU, was unable to attend.

Also present from TIAA-CREF were Nicolette Dixon, Relationship Manager; Michelle Buckalew, Director Communication Consultant; Kendra Kamesch, Senior Communications Consultant; Lori Cathey, Director Field Consulting Group; Tom Carmody, Senior Director, Strategy; and Chris Chavez, Director Institutional Relationships; and from Voya were Brian Merrick, VP Strategic Relationship Management; Jennifer Whitman, Sr. Communication Consultant; John O’Brien, Regional Vice President; and Cindy Delfelder, Account Manager. Theresa Schwartz, Associate General Counsel for the Board of Regents, was also present.

Minutes
The minutes from the May 19, 2015, meetings were approved unanimously.

Segal Semi-Annual Review through June 30, 2015
Craig Chaikin provided an overview of the financial market conditions and noteworthy developments. He reported that news out of China has caused market volatility. Struggles for EM continue due to China and the price of oil. They expect continued volatility and that by year end it will likely be priced into market. The KBOR mandatory plan lineup, as a whole, performed well and in-line with expectations.

Gary Leitnaker asked whether the withdrawals from the mandatory plan were normal in light of the $56 million withdrawn from TIAA-CREF. Lori Cathey responded that May is a heavy retirement month in academia which results in increased withdrawals. Mike Barnett noted that on the Segal report through December 31, 2014, there were $79 million in withdrawals. Craig Chaikin stated that as the plan continues to mature, and baby boomers retire in greater numbers, the number of withdrawals will increase.

In reviewing the TIAA-CREF investment lineup, Craig Chaikin stated that even given market volatility, the funds performed very well. CREF Real Estate lagged due to cash position and exposure to REITs (Real Estate Investment Trusts). Most of the investment options are in-line with their benchmarks and peer universe over both short and long periods. Rick Lecompte noted that there has been movement from the money market in significant amounts.

In reviewing the Voya investment lineup, Craig Chaikin noted that the PIMCO Total Return fund has been on the watch list because of turnover at the top of the organization and the abrupt departure
of the co-CIO in the first quarter of 2014. The significant outflows from the fund have tailed off to normal levels and the investment results have been strong, as a whole, with fairly good long-term results. This fund will continue to be watched given the magnitude of the change, but the market’s reaction to the changes has diminished and somewhat stabilized.

Rick Lecompte asked about the PIMCO Real Return fund performance and Craig Chaikin responded that the issues are more of a short-term phenomenon as this fund is more aggressive than its benchmark. The focus on the middle of the yield curve and non-US dollar inflation linked government bonds detracted from relative results.

Other funds mentioned by Craig Chaikin were:

a. The Parnassus Core Equity fund, a social responsible fund with environmental social and governance criteria, which was over weighted this quarter in the market’s poorer performing sectors, Utilities and Industrials. This Fund was also underweight in Financials and Consumer Discretionary, two of the better performing sectors. For the year-to-date, stock selection in the first quarter hurt relative returns the most. Short-term numbers look poor but its long term numbers compare favorably.

b. The Baron Small Cap Growth fund had a very tough quarter, the worst performing fund in Voya’s lineup. Performance was driven entirely by stock selection in the near term and a 10% exposure to REIT's, the worst performing asset class year-to-date. The short-term performance has dragged down longer term performance but the longer period performance continues to be in line or ahead of the benchmarks and peers.

c. The Oppenheimer Developing Markets fund has struggled year to date and has been hurt primarily by exposure to not holding government-related Chinese equities and overexposure by Brazilian equities that have been hurt by oil prices. The long-term performance has been good.

d. The Vanguard Target Date index funds changed their allocation splits on the equity side from 70/30 domestic/international to 60/40 domestic/international. On fixed income side, the 80/20 split was moved to a 70/30 split. The glide path has remained the same, but Vanguard now manages a higher international exposure across the glide path. The 10% shift is a relatively significant shift but in line with a more global economy and recommendations Segal has made to its clients on the pension side. The change should be positive long-term in light of a more global economy.

Theresa Gordzica asked whether a performance comparison between the TIAA-CREF lifecycle funds and the Vanguard Target Date funds could be made. Craig Chaikin responded that because the Vanguard funds are index funds and the TIAA-CREF funds are not, and the two options have different glide paths, a direct comparison of results is difficult.

**TIAA-CREF Revenue Credit Update**

Ms. Nicolette Dixon provided information about the calendar year 2014 revenue credit that was distributed to TIAA-CREF participants in early September. The credit as of June 30, 2015 was $1,446,991.83 and after paying its pro-rated share of the KBOR retirement plan related expenses of $63,969.30, the balance was redistributed, pro-rata, to participants on September 11, 2015, based on each participant’s individual account balance. Participants will receive a letter in early October to remind them of the credit that was made to their accounts and that will be reflected on their third quarter statements.
Efforts to Increase KBOR Mandatory Retirement Participant Engagement with TIAA-CREF and Voya

Information about engagement efforts was shared with the RPC including a proposed “board branded” email signed by Board officers that could be sent by each university to faculty and staff who are either eligible for or participating in the KBOR mandatory retirement plan.

Discussion ensued about whether the message would be better received if it came from the university president/chancellor, the Board or the retirement companies; what bullet points should be listed first and last; who the signers should be; whether faculty and staff on the campuses were aware of who the Board of Regents are; and the general advisability of using this approach.

Tom Carmody, TIAA-CREF, stated that there is no silver bullet regarding communication and that the reality is that repeating messages is one of the best ways to reach, inform and impact participants. He also indicated that communications from both the retirement companies and from the employer contribute to impact participants through a series of consistent messages from all parties engaged. The reality is that many plans are not mandatory and KBOR is trying to get action even though the KBOR plan is starting from a good solid foundation with a 14% contribution rate and mandated participation. The goal of communicating with participants to reinforce the message that they can affect their retirement through their own actions is a good one.

In response to questions about whether this message is targeted enough, or would have any impact, Jennifer Whitman, Voya, stated that the average consumer encounters 5,000 messages daily. Marketers speak about the “rule of seven” which means the consumer must hear or see a message seven times before it has an impact or they take action. To make campaigns meaningful and successful, consistent and repeated messages need to be provided.

In response to questions about the effectiveness of emails, Kendra Kamesch, TIAA-CREF, stated that the open rate for emails is around 25-35% and that emails are considered a great way to kick start a campaign. Regent Bangerter stated that those numbers are not surprising as most people who look at the message would not have had life changes and would not want to make asset allocation changes. Regardless, it would be a good thing to alert participants.

Nicolette Dixon, TIAA-CREF, stated that after a communication piece is opened, the number of participants who take action increases. The results from a 2014 campaign show that of those who responded to the communication, 73.8% took some sort of action (e.g., rebalancing, increasing contributions, scheduling an advice session, actually doing something with the information received).

Regent Murguia stated that it is important that this be dealt with in a meaningful way so that it makes a difference. She tabled any RPC decision on sending out a board branded email until the next RPC meeting in order to allow her time to give it more thought and stated that she wanted to discuss the issue with the university Presidents and Chancellor and get their feedback on possible options for distributing such an email.

An overview of future marketing initiatives by each retirement company was included in the agenda materials but was not discussed by the RPC.
Next RPC meeting:
The next regular RPC meeting is scheduled for 12:30 p.m. on Tuesday, March 22, 2016, in the Board Room.