

KANSAS BOARD OF REGENTS  
Retirement Plan Committee

**AGENDA**

March 21, 2023, at 12:30 p.m.

1. Approve: Minutes from September 8, 2022 – Regent Harrison-Lee
  
2. ACG – Brad Tollander
  - A. Semi-annual investment review, as of December 31, 2022
  - B. Secure Act 2.0
  - C. Evaluation of TIAA and Voya Proposed Investment Changes
  
3. Good of the Order – Regent Harrison-Lee
  - A. Retirement Plan Committee subcommittee – Madi Vannaman
  
4. Executive Session
  
  
5. Next meeting TBD, September 2023 from 12:30 – 3:00

KANSAS BOARD OF REGENTS  
**Retirement Plan Committee (RPC)**  
MINUTES  
September 8, 2022

The September 8, 2022, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order at 12:30 p.m.

Members Participating in person:

Regent Harrison-Lee, Chair	Doug Ball, PSU	Emily Breit, FHSU
Dipak Ghosh, ESU	Werner Golling, WSU	Ted Juhl, KU
Adrienne Kordalski, KUMC	Jay Stephens, KSU	Madi Vannaman, KBOR

President Muma was not able to participate. Participating from Advanced Capital Group were consultants Brad Tollander and Justin Dorsey. Also participating from TIAA, Blake Earl, Senior Relationship Manager, Brock Noel, Managing Director, and Kendra Kamesch, Director Communications Consultant; from Voya, John O'Brien, Regional Vice President, and Cindy Delfelder, Relationship Manager; and from the Board Office: Julene Miller, John Yeary, and Elaine Frisbie.

### **Introductions**

New members of the Retirement Plan Committee were welcomed, and all members introduced themselves. KBOR staff members introduced themselves.

### **Minutes**

Jay Stephens moved to approve the minutes from the June 14, 2022, meeting. Following a second by Dipak Ghosh, the motion carried.

### **Fiduciary Duties**

Julene Miller provided an overview of the Retirement Plan Committee's fiduciary duties for the Board's retirement plans.

### **Vendor Introductions**

TIAA, Voya, and Advanced Capital Group representatives each introduced their team and shared information about their organization to the RPC. The KBOR Plans are a top 30 client (out of 15,000) with TIAA and a top 10 higher education client with Voya.

### **ACG Semi-Annual Report**

Brad Tollander provided information about ACG's semi-annual analysis for the Mandatory and Voluntary Plans.

### **TIAA:**

The **TIAA Royce Opportunity Institutional (Small Cap Value Option)** fund was placed on Watch at the Fall 2021 RPC meeting because of management team concerns and remained on Watch as of June 30, 2022, because of a subsequent management change. Since the Spring 2022 meeting, an additional management change was made, as well as a name change to **Royce Small-Cap Opportunity**. There are \$12.8M or 0.4% of TIAA assets in the fund with 922 participants. **ACG's Recommendation:** Remain on Watch for both the Mandatory and Voluntary Plans and review at the Spring 2023 RPC meeting. The short tenure of the current management team warrants monitoring to ensure the team can execute the strategy successfully over time.

Jay Stephens asked about the strategy used for funds on Watch given what is going on in the world and the market's volatility. Brad Tollander responded that market volatility makes the analysis challenging but noted the Investment Policy Statement does not speak to how long a fund can be on Watch. ACG is very cautious as they monitor funds using, as an example, one TIAA Large Cap Value Fund that they recommended be placed on Watch in 2018 and removed in 2022.

Dr. Juhl noted that the Royce Opportunity Institutional fund was placed on Watch based on manager change, and he asked if the expense ratio also impacted the decision. Over three years, the fund has performed pretty well, but the ACG discussion was about the management change and whether performance can be sustained. They are experiencing what the market is recently experiencing. Brad Tollander responded that the fund has a high expense ratio for an actively managed fund, 108 basis points, and is the most expensive fund in the Plan although participants can choose an index product. Brad Tollander indicated he did not know how long the fund has been in the Plan.

**Current TIAA Investment Lineup Recommendations as of 6/30/2022**

**Allspring Growth Institutional (Large Cap Growth Option)** – because of four years of underperformance relative to the peer group medium from 2013 to 2016 and bottom-quintile performance in 2021 through the first half of 2022, this fund's long-term risk-adjusted returns rank in the bottom quartile of the large cap growth peer group. Despite a long track record of the management team and strategy, the bottom-quintile long-term returns combined with above-average risk metrics warrant monitoring. This fund has \$30.3M or 0.8% of assets and 753 participants. **ACG's Recommendation:** Place on Watch for both the Mandatory and Voluntary Plans and review at the Spring 2023 RPC Meeting.

**TIAA-CREF Mid-Cap Growth Instl (Mid-Cap Growth Option)** – A recent manager change, and the relatively frequent management changes and relatively short track record of the current manager on this strategy (2.5 years), warrants monitoring this fund. Also, as of June 30, 2022, this fund ranks in or near the bottom decile of the mid-cap growth peer group across all trailing time periods. This fund has \$16.1M or 0.4% of assets and 1,175 participants. **ACG's Recommendation:** Place on Watch for both the Mandatory and Voluntary Plans and review at the Spring 2023 RPC Meeting.

Emily Breit asked how often funds on the Watch list are removed. Brad Tollander stated that if the fund is not showing better performance results, over a course of six to 12 months, ACG will recommend replacement of the fund. If ACG recommends fund replacement, that will be done at the spring meeting with alternative investments presented for consideration. If the RPC agrees, a recommendation is made to the Board for fund replacement. If approved by the Board, the new fund will be incorporated around July 1<sup>st</sup> with assets mapped from the former fund to the new fund.

**Voya:**

One fund in the Voya lineup, **American Beacon Small Cap Value R5**, remains on Watch as of June 30, 2022, after being placed on Watch at the Spring 2022 RPC Meeting. Since the Spring 2022 RPC meeting, an additional change to the management team occurred and that change is not expected to impact the strategy or management of the fund. This fund has \$3.4M or 0.4% of Voya assets and 313 participants. **ACG's Recommendation:** Remain on Watch for both the Mandatory and Voluntary Plans due to the recent subadvisor mix change. Review at the Spring 2023 RPC Meeting.

Werner Golling moved to place new funds on Watch for both the Mandatory and Voluntary Plan: the **TIAA Allspring Growth Institutional (Large Cap Growth Option)** and the **TIAA-CREF Mid-Cap Growth Institutional (Mid-Cap Growth Option)**. After a second by Jay Stephens, the motion

passed.

ACG noted that the 2015 vintage of the Voya's Vanguard Target Date Series was retired and mapped into the income vintage of the series. Vanguard launched a 2070 vintage of the fund series which was added to the Plan on July 10, 2022. This series is expected to be appropriate for 16–21-year-olds entering the workforce.

### **RPC members for Procurement Negotiating Committee – Investment Consultant**

The Board of Regents hires an investment consultant that is a co-fiduciary for the retirement plans. The consultant provides various services including in-depth analysis of all investment funds to ensure a diverse portfolio with reasonable costs, fund recommendations, provide information on legal and regulatory changes and marketplace trends and to be our advocate with TIAA and Voya.

State law generally limits contracts to five years and, once that time has passed, the contract statutorily is required to go out to bid. The five-year contract with ACG, the current investment consultant, expires in June 2023. Board staff recommend that the RPC approve issuance of an RFP for an investment consultant. The RPC will need to nominate two members to serve on the Procurement Negotiating Committee (PNC) along with a representative from the State's Procurement Office. Madi Vannaman and a member of the KBOR General Counsel team will assist the PNC.

Board staff recommended Jay Stephens, KSU, (as the agency representative) and Adrienne Kordalski, KUMC, (as our recommendation for the Secretary of Administration's representative). The goal is to have recommendations presented to the RPC at the spring 2023 meeting.

Doug Ball moved that Jay Stephens and Adrienne Kordalski serve on the PNC. After a second by Warner Golling, the motion passed.

### **Good of the Order**

Regent Harrison-Lee asked the Committee if they had topics or items of interest for the spring meeting to share them with Board staff. If any of those items need to be discussed before the spring meeting, they should be shared with Board staff within the next 30 days.

### **Next RPC meeting:**

The next regular RPC meeting is scheduled for March 2023, date to be announced, beginning at 12:30 p.m.