KANSAS BOARD OF REGENTS
Retirement Plan Committee
September 18, 2018

Curtis State Office Building
1000 SW Jackson, Suite 520
Topeka, KS 66612
AGENDA
Kansas Board of Regents
Retirement Plan Committee
September 18, 2018, 12:30 p.m.

1. Approve: Minutes from March 20, 2018

2. Introductions
   A. Diana Goddard, KU’s CFO and Vice Provost for Finance, new RPC member
   B. Natalie Yoza, new KBOR Associate General Counsel
   C. Advanced Capital Group – new KBOR retirement plan consultants

3. KBOR Document Review - ACG

4. ACG Investment Analysis – through 6/30/18

5. ACG updates
   A. Industry Trends
   B. Amana funds
   C. Mandatory Retirement Plan Default information

6. Investment Providers
   A. Communication and Education engagement summaries TIAA and Voya

7. Good of the Order

8. Next meeting –Tuesday, March 19, 2019
Regent Bangerter called the March 20, 2018, meeting of the Kansas Board of Regents Retirement Plan Committee to order at 12:30 p.m.

Members Participating:
Regent Shane Bangerter, Chair Mike Barnett, FHSU
President Allison Garrett, ESU Dr. Dipak Ghosh, ESU
Leisa Julian, KU Dr. Rick Lecompte, WSU
Gary Leitnaker, KSU Michele Sexton, PSU
Stacy Snakenberg, KUMC Madi Vannaman, KBOR

RPC member participating by conference call Regent Joe Bain.

Also present were Craig Chaikin, Segal Marco Advisors consultant. From TIAA: Nicolette Dixon, Senior Relationship Manager; Maggie Dehn, Managing Director, Institutional Relationships; Tom Carmody, Managing Director, Retirement Plan Sales and Stephanie Mishak, Director, Financial Services. From Voya: John O’Brien, Regional Vice President; and Cindy Delfelder, Client Relations. From the Board Office: Theresa Schwartz, Associate General Counsel and Elaine Frisbee, Vice President Administration and Finance.

Minutes
The minutes from the September 19, 2017, meeting were approved unanimously.

Segal Semi-Annual Review through December 31, 2017
Craig Chaikin reviewed information contained in the December 31, 2017, semi-annual report, and highlighted information in the Executive Summary.

Total assets increased to $3.9 billion from $3.7 billion at 6/30/2017; TIAA’s assets were $3.2 billion; Voya’s assets were $628 million and Legacy vendor assets were $73 million. The most asset growth came in equities and balanced investment options. The asset allocations and contributions remained consistent for both TIAA and Voya over the six month period.

Craig Chaikin shared information about various topics of interest. Segal Marco researched additional opportunities for Islamic compliant investment options and again found no other investments available for 403(b) retirement plans outside of those discussed and ultimately recommended at the September 2017 meeting. Craig Chaikin stated that in his opinion the Retirement Plan Committee has performed its due diligence for accommodation.

The litigation in the 403(b) marketplace has been progressing. Many of the lawsuits against ERISA colleges and universities are moving forward but parts of several suits have been dismissed. Overall, the pieces of the lawsuits related to fees have been allowed to continue. New York University will be the first such case to go to trial. Craig Chaikin also stated that NYU’s plan consultant, Cammack, has been added to the lawsuit, which is the first known instance of a plan’s consultant being included. He noted it is not surprising given the consultant’s role is to advise on the issues being challenged.
Craig Chaikin provided performance summaries for both TIAA and Voya. Most options performed well and continue to show strong results relative to benchmark and peers over time. Despite a strong 2017, Segal Marco recommends keeping the Wells Fargo Advantage Growth on the watch list due to 3 and 5 year underperformance. The fund outperformed its benchmark by 4.9% in 2017 with stock selection being key drivers in information technology, consumer staples and consumer discretionary. An overweight to information technology was also additive. Other funds that have struggled recently are the TIAA Large Cap Value, TIAA Mid Cap Value and TIAA Mid Cap Growth. TIAA LCV was hurt by stock selection in information technology and materials. TIAA MCV lagged due to stock selection in consumer discretionary, information technology and financials. TIAA MCG experienced poor selection in health care.

The Amana Growth and Participation funds were added to both the TIAA and Voya line-ups last year. The Amana Participation fund lagged for the recent quarter and full year due to one of the sukukas, Dana Gas, failing to repay investors. The issue was ultimately resolved but weighed on performance. Saudi Arabia’s oil embargo on Qatar also detracted. The Amana Growth fund lagged due to stock selection, with Qualcomm and Celgene being the largest detractors. Both funds may or may not represent the benchmark as they are invested to be consistent with Islamic faith based rules.

For Voya, there are no funds on the watch list as Segal Marco is recommending Voya Real Estate for replacement. The rest of the Voya investment line-up performed well and has shown a consistent track record.

Rick LeCompte asked about the TIAA Mid-Cap Value fund’s performance as the numbers continue to decrease, over time. Craig Chaikin responded that most of the under-performance is concentrated in more recent periods of time. Segal Marco is keeping an eye on the fund, as it is starting to lag over 3 and 5 years, but is not, at this time, recommending placement on the watch list.

Rick LeCompte asked whether the Royce Opportunity fund had the appropriate benchmark as it always out performs. Craig Chaikin responded that, yes, it is the appropriate benchmark. However, it is easier to outperform in the small cap space due to the relative inefficiencies in that market.

Craig Chaikin mentioned that the CREF Real Estate Fund has a secondary benchmark, identified by TIAA for use, was not ready in time to be utilized for the semi-annual report.

Craig Chaikin indicated that the Parnassus Core Equity fund, in the Voya line-up, is a socially responsible fund, with the biggest driver of year to date underperformance being an overweight to consumer staples and stock selection (CVS and Compass Minerals). The 5% lag for the 1 year is significantly impacting 3 and 5 year numbers. Segal Marco is not recommending placement of this fund on the watch list or to make a change because of restrictions placed on the fund as a socially responsible fund versus the unconstrained benchmarks.

Gary Leitnaker asked about the Champlain Mid Cap Fund’s performance. Craig Chaikin responded that recent poor stock selection is the driver of 2017 results. The fund is still 2.6%, above the benchmark over 3 years and 1.1% over 5 years. He noted performance may be a one-year “blip” with no long-term issues.

**KBOR Mandatory Plan Fund Lineup Change Recommendations**
No fund line-up changes are recommended for TIAA. Three fund changes for Voya are recommended:

A. Replace the Voya Governmental Money Market (AEMXX) with the Vanguard Treasury Money Market (VUSXX) due to Voya's high expense ratio of 0.72%. Vanguard Treasury Money Market has a low cost (0.09%) and better performance. As a government fund, it would not be impacted by the money market regulations. These regulations allow certain money market funds to impose liquidity fees and gates in certain adverse market conditions.

B. Replace the SSgA S&P 500 (SVSPX), with an expense ratio of 0.16%, with the Vanguard Institutional Index (VINIX), with an expense ratio of 0.04%, due to the lower cost.

C. Replace the Voya Real Estate (CRARX), with an expense ratio of 0.90%, with the Vanguard Real Estate Index (VGSNX), with an expense ratio of 0.10%, due to consistent underperformance of the Voya Real Estate fund. The Voya Real Estate fund has been on the watch list for a while and has continually underperformed in terms of peer ranking. The Vanguard fund has a lower cost and intended to track the MSCI US Investable Market Real Estate 25/50.

John O'Brien, with Voya, agreed with these recommendations. A motion was made by Gary Leitnaker, and seconded by Rick Lecompte, that the Retirement Plan Committee recommend these fund lineup changes to the Board of Regents. The motion passed unanimously.

Nicolette Dixon and Cindy Delfelder reported that their companies each have about 20 participants with funds invested in the recently added Amana funds. Both TIAA and Voya will reach out to those participants to ensure they understand and know about the Amana funds and how they operate and both will report back about that outreach. Craig noted that significant sums of money were transferred from other investment options to both funds.

Regent Bangerter asked whether alternative investments or fixed income alternatives to bonds are available to retirement plans. Craig Chaikin shared that the investment industry has created liquid alternatives to try and fill this bucket. These funds typically invest a majority of their assets in an underlying alternative investment and then utilize an index fund (fixed income or equity) and cash to provide liquidity. He has not typically seen these types of options utilized as standalone investments in retirement plans due to illiquidity, risk factors and general lack of understanding of these types of options by the average retirement plan participant. Craig Chaikin added that these alternative investment options are more frequently utilized in custom structures where asset allocation and liquidity are managed at the plan level. These structures are currently not readily available in 403(b) plans. Some plans have offered different types of fixed income options (e.g. international or global and unconstrained), but like alternatives, these options have not gained wide traction as standalone investments due to concern about participant understanding. Similar to alternatives, different types of fixed income are more common in custom structures.

**TIAA – 100 Years**

Nicolette Dixon presented information about TIAA’s 100th year celebration and the Difference Maker 100 program and she invited nominations for consideration.

**Voya – Voya Cares**
Cindy Delfelder presented information about the Voya Cares program that provides holistic financial wellness and retirement planning solutions to help all employees move closer to the future they envision by improving awareness and addressing the unique planning challenges faced by people with special needs and their caregivers.

**Executive Session**
Michele Sexton moved, followed by a second by Rick LeCompte, to recess into executive session for 15 minutes starting at 1:30 p.m. to discuss attorney-client privileged matters with its legal counsel. Participating in the executive session were members of the RPC, Associate General Counsel Theresa Schwartz and to aid the discussion, Board staff Elaine Frisbie and Madi Vannaman. At 1:45 p.m., the meeting returned to open session.

**Celebrating Theresa Schwartz**
The RPC recognized the contributions of Theresa Schwartz as she will soon be retiring. Todos le enviamos nuestros mejores deseos (we all send her our very best wishes) and we enjoyed cake in her honor!

**Next RPC meeting:**
The next regular RPC meeting will be scheduled for September (*date and location to be determined*).
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Advanced Capital Group

- Established in 1998, Minneapolis, MN
- Retirement Plan Consulting and Investment Management
- Over $20 billion in assets under management
- Public market investment and plan consulting since 2010
- Focus on blending investment analysis and industry experience
- Award-winning service

PLANADVISER magazine honored our team from 2011-2017 as a Top 100 Retirement Plan Adviser

In 2017, our team ranked eighth in the National Association of Plan Advisors list of Top DC Advisor Teams with AUA Over $100 Million
Advanced Capital Group History

1998
• Incorporated in the State of Minnesota
• Registered as an Investment Advisor with the State of Minnesota
• Provided investment advisory services to corporate retirement plans and high net worth individuals

2000
• Acknowledged fiduciary status as defined under ERISA Title I

2005
• Registered as an Investment Advisor with the United States Securities and Exchange Commission under the Investment Advisors Act of 1940

2006
• Added fixed income investment management

2009
• Added Benefits and Risk Consulting

2010
• Acquired the Deloitte retirement plan investment consulting practice

2013
• Acquired the Berthel Schutter LLC investment advisory practice

2015
• Chicago office opened

2018
• Kansas City office opened
ACG Team

**Bernie Heffernon, AIF, CFS. Sr. Plan Consultant**  
BHeffernon@acgbiz.com (913) 484-7918

- Joined ACG in January of 2018 is focused primarily on business development and relationship management.
- Previously held both national and regional leadership roles in the 403(b)/457 public market retirement plan business including business development, relationship management, plan design, and advisor enrollment and education support.
- Bernie joined ACG following 25 years in the financial services industry with Voya and predecessor companies ING and Aetna Financial.

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**Brad Tollander, CFA. Sr. Investment Consultant**  
BTollander@acgbiz.com (612) 230-3022

- Joined ACG in 2010 as a Sr. Investment Consultant as the department lead for the Public and Not-for-Profit consulting practice.
- Formerly with Deloitte, Brad joined ACG as part of ACG’s acquisition of the Deloitte Investment Advisory Practice, while at Deloitte he focused on large Public and Not-For-Profit retirement plans.
- Previously, while at Deloitte, Brad worked with the Kansas Board of Regents Retirement Plan Committee as the Lead Investment Consultant.
Consultant Transition Engagement

ACG Transition Review

➢ Review Plan Documents
  ◆ Mandatory Plan
  ◆ Voluntary Plan
  ◆ Investment Policy Statement
  ◆ Vendor Management
  ◆ Retirement Plan Committee Charter

➢ Illustrate ACG Investment Analysis approach

➢ Discuss Plan goals, and expectations with RPC Sub Committee and current vendors

➢ Identify Pending items and/or New Strategic items
KBOR Mandatory Plan Document Summary
KBOR Mandatory Plan Document Summary

➢ Overall, the KBOR plan documents are well written, provide policy clarity, and are in compliance with all federal regulations.
➢ For some of the plan documents, we have identified a few areas where we believe there is an opportunity to strengthen language, limit fiduciary liability, and provide consistency of terms and cursory updates.
➢ Will continue to work with Staff and Counsel, and develop specific recommendations for the RPC.

◆ KBOR Charter
  ◇ As its Charter is currently written, all KBOR Retirement Plan Committee members are Fiduciaries.
  ◇ Opportunity to limit Fiduciary exposure.
  ◇ Committee members could make Recommendations vs. Committee Chair having Discretionary authority.

◆ Investment Policy Statement
  ◇ Clarification of Benchmarks – Lipper vs. Morningstar

◆ Vendor Management Documents
  ◇ Term consistency and update of Investment Provider Organization name changes.
  ◇ Discussion related to Process for investment menu changes.
Industry Trends
Industry Trends

Higher Ed
- Litigation
- Decrease in voluntary contributions
- Special Interest Funds

Retirement
- Behavioral finance
- Participant outcomes
- In-plan lifetime income
- Non-Qual plans for highly compensated
Amana Funds Analysis
The Amana Growth and the Amana Participation funds were added to both the TIAA and Voya fund menus to provide an investment option for employees requiring funds which manage assets in a manner consistent with the requirements of the Islamic religion.

The Amana funds are a newly added fund family with a unique investment objective. Each investment provider has provided an analysis of the participant utilization of the Amana funds.

Overall findings:

- Amana fund utilization is minimal.
- Primary reason for utilization of the fund is due to a desire for investment diversification and performance results.
- The fund provides a flexible socially responsible investment option for participants required to participate in the Mandatory Plan.
- It also provides a solution in providing an available investment option with an investment objective consistent with the principles of the Islamic religion.
Amana Funds Overview

KBOR RPC

September 18, 2018
RM – Nicolette Dixon
Associate RM – Marty Murad
31 Participant with assets in the Amana funds

Contributing Participants = 20
Non- Contributing = 9
Separated = 3

Amana Assets: $444,143.52*

Amana Growth Total: $108,364.70
Amana Participation Total: $335,778.82

*Represents 0.014% of total Mandatory Plan assets.

Contributing Participant Balances - Amana Funds

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<tr>
<th>Flows</th>
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<td>Contributions</td>
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<tr>
<td>Transfers in</td>
<td>$480,625.62</td>
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<tr>
<td>Transfers out</td>
<td>$42,128.34</td>
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### Participant Outreach Summary

<table>
<thead>
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<th>Institution</th>
<th># of Active</th>
<th># of Terminated</th>
<th>Balances</th>
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<td>1</td>
<td>$868.60</td>
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<tr>
<td>Fort Hays State</td>
<td>1</td>
<td>0</td>
<td>$0.00</td>
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<tr>
<td>Kansas State</td>
<td>6</td>
<td>3</td>
<td>$27,401.16</td>
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<tr>
<td>Pittsburgh State</td>
<td>0</td>
<td>0</td>
<td>$0.00</td>
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<tr>
<td>KU Medical</td>
<td>9</td>
<td>1</td>
<td>$251,010.06</td>
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<tr>
<td>University of Kansas</td>
<td>9</td>
<td>1</td>
<td>$88,210.37</td>
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<tr>
<td>Wichita State</td>
<td>4</td>
<td>0</td>
<td>$76,685.46</td>
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</table>

- 35 participants received FC outreach.
- 1 participant received a web-center e-mail.
- 1 participant received online advice.
- 1 participant received outreach from the NCC.

*For all participants, no action was taken following their outreach.*
Out of 31 outreaches made, 29 were determined to have chosen Amana Funds for reasons other than the funds’ adherence to Islamic Investing principles.

Out of those 29 outreaches, 20 (~69%) also selected either American Funds EuroPacific Growth or Alliance Bernstein Small Cap Growth Portfolio, or both, meaning, with statistical certainty, funds are being selected because they’re listed first in Alphabetical Order.

Four KBOR Mandatory Participants deliberately selected the Amana Funds because they are consistent with Islamic investing principles.

No participant has selected either of the Amana Funds as a result of 1:1 meeting with a Financial Consultant.

It is possible that the Amana funds would be an option recommended by the third party advice engine.
You should consider the investment objectives, risks, charges and expenses carefully before investing. Go to TIAA.org for a prospectus that contains this and other information. Please read the prospectus carefully before investing.

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1353598
Kansas Board of Regents

Amana Outreach 2018
KBOR participants invested 34
Total investment $560,145.63
Average age 47
Average # of investments held 9.85
Average Amana balance $16,474.87

Participants working with an Advisor 14
  13 Used to further diversify risk among investments
    1 Used for specific Islamic properties

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<th>Funding</th>
<th># of Participants</th>
<th>Total Amana Investment</th>
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<tr>
<td>Reallocation no contributions</td>
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<tr>
<td>Contributions</td>
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<td>Contributions and reallocation</td>
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<td>$ 539,547.32</td>
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## Amana Fund Summary by Campus

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<tr>
<th>Campus</th>
<th>Active</th>
<th>Inactive</th>
<th>Amana balance</th>
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<tbody>
<tr>
<td>KUMed</td>
<td>5</td>
<td>0</td>
<td>$65,700.31</td>
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<tr>
<td>KSU</td>
<td>5</td>
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<td>$38,018.62</td>
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<tr>
<td>ESU</td>
<td>2</td>
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<td>WSU</td>
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<td>FHSU</td>
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<tr>
<td>KU</td>
<td>10</td>
<td>0</td>
<td>$328,581.23</td>
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</table>
Amana Fund Participant Outreach

20 Participants not using a Plan Advisor were offered an account review

11 accounts reviewed
No changes made
0 using for Islamic properties
2 using for socially responsible properties
9 using based on performance
Participant Default Analysis
Participant Default Analysis

➢ Currently, for the KBOR Mandatory Plan, employees newly eligible to participate who do not select an investment provider are default enrolled into a TIAA LifeCycle fund closest to participant’s age at 65.

➢ TIAA is provided a list of newly eligible employees to contact for initiating the enrollment process.
  ◆ In 2017, there were 1,187 newly eligible employees for the Mandatory Plan.
  ◆ 52% of the employees actively selected an investment provider.
  ◆ 48% of the employees default enrolled.

➢ Primary Reasons for a participant default
  ◆ Employees must complete an employer salary deferral agreement that also allows them to elect an investment provider.
  ◆ Employee’s will also need to enroll with the investment provider to select their investment options and beneficiaries.
  ◆ Failure of employees to complete a salary deferral will be default enrolled.
  ◆ * Employees who complete a salary deferral, and actively select TIAA, but fail to select investments, will be default enrolled. (Difficult to determine actual participants in this scenario)
Employee Engagement
Kansas Board of Regents

Helping drive better outcomes for you and your employees

September 18, 2018
Newly Eligible Enrollment

- Employees Actively Choosing: 52%
- Employee’s Defaulting: 48%

Newly Eligible-Investment Provider Selection

- Voya: 30%
- TIAA: 22%

Onboarding/Default Process-Mandatory Plan

- TIAA and Voya receive newly eligible employee lists. Each provider will outreach to the newly eligible employees to provide information and answer questions about the funds and services available.

- Employees must complete a salary deferral agreement that also allows them to elect an investment provider.

- Employees will also need to enroll with the investment provider to select their investment options and beneficiaries.

- Mandatory Plan contributions for employees who did not complete a salary deferral agreement will default to the appropriate age-based lifecycle fund and beneficiary will default to the estate with TIAA.

- If employees choose TIAA but did not select investments and/or beneficiaries, contributions will default to the appropriate age-based lifecycle fund and beneficiary default to the estate with TIAA.

- A list of defaulted employees is provided to Voya quarterly for employee outreach. This provides employees another opportunity to learn that Voya is an investment provider option available in the Mandatory Plan.

- Default employees can elect Voya and transfer funds from TIAA to Voya at anytime.
Communication and Education Summary

TIAA

VOYA

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Employee Engagement
Kansas Board of Regents

Helping drive better outcomes for you and your employees

September 18, 2018
Measuring outcomes

3,155 Took advantage of in person advice available to all plan participants.

As of 12/31/2017

4,608 Took an action:
- 772 completed online advice
- 1,276 started contributions
- 1,378 reallocated/re-balanced
- 1,182 updated beneficiaries

As of 12/31/2017

97% Reported TIAA’s Financial Consultants considered their interests first and acted with integrity and objectivity.

As of 12/31/17

1,848 KBOR former employees received $40M in lifetime income payments in 2017.

As of 12/31/2017

Kansas Board of Regents has 10,597 employees in their plans recordkept by TIAA; 14,054 former employees have a balance in the plans.

These statistics are meant to reflect customer satisfaction with services provided through TIAA financial consultants. Results experienced may not be typical of all participants, and are not indicative of future performance or success. Individual results will vary.
Measuring outcomes – continued

10,961
Employees engaged through multi-touch targeted campaigns.
17 workshops and benefits fairs
2,593 engaged via the Life Stage campaigns and 8,368 engaged via the Financial Foundation campaigns

As of 12/31/2017

Kansas Board of Regents has 10,597 employees in their plans recordkept by TIAA; 14,054 former employees have a balance in the plans.

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TIAA.org

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Individual Advisory Services are provided through Advice & Planning Services, a division of TIAA-CREF Individual & Institutional Services, LLC, a registered investment adviser.

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KBOR Mandatory Plan
2017 Engagement Summary

Information contained herein is proprietary, confidential and non-public and is not for public release.

RETIREMENT | INVESTMENTS | INSURANCE
## Partnership with Kansas Board of Regents

### Experience
- Providing services to KBOR and your participants for more than **40 years**
- **4** offices located throughout the State of Kansas
- **Onsite presence at 9 campuses**

### Expertise
- **13** Local Representatives throughout the State with an average of **18 years experience**
  - **12,019** one-on-one meetings over the past four years
  - Average participant utilizes **5.5** investment options in their portfolio, representing a well diversified investment mix
  - Enrolled **over 1,700** participants in the KBOR mandatory plan over the past 4 years

### Results
- Serve **4,837** employees in the mandatory plan today
- Average annual contribution is **$10,805**
- Average total retirement savings for the KBOR participant is **$112,926** for the mandatory plan and **$72,000** for the corresponding voluntary plan compared to **$94,953** for other Education plans
- **1,132** of the mandatory participants are enrolled in the Voluntary plan savings, helping drive overall retirement readiness
- Employees over the age of 70 have an average of **$583,000** in combined Mandatory and Voluntary retirement savings.

Engagement Campaigns

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<td>Asset Allocation</td>
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<tr>
<td>Maximizing Social Security</td>
<td>Budgeting</td>
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Outcomes

- Investment Changes: 455
- Rolled Money into Plan: 254
- Enrolled: 436
- Income Payouts: 778
- Required Minimum Dist: 66

myOrangeMoney Engagement

- 11% of participants took action after using myOrangeMoney
  - 105 participants changed fund allocation
  - 19 participants rolled money into plan

Personal Financial Dashboard Engagement

- 11% of participants took action after using the PFD
  - 9 participants changed fund allocation
  - 1 participant(s) rolled money into plan

For plan sponsor use only
Data above is based on participant activity for the time period specified in above title
Products and services offered through the Voya[®] family of companies. 09525-24568-0618
Appendix

➢ Industry Trends
➢ Private Higher Education Litigation Claims
Retirement Industry Trends

Higher-Ed Trends

Private Higher Ed Litigation

The litigation is primarily focused on lack of plan oversight and unreasonable fees. The trend originated in the ERISA 401k employer plan market and has transitioned into the Private Higher Education market, which are also ERISA plans.

Primarily the litigation has been introduced by the Schlichter Bogard & Denton Law firm based in St. Louis which has a significant focus on this issue. There are approximately 20-25 Private Higher Education plans which are involved in litigation, recently, the University of Chicago settled out of court, Northwestern University and New York University were successful in getting all claims against them dismissed.

There are consistent themes in the plaintiff submissions, specifically lack of fiduciary oversight due to not regularly performing a market analysis or review related to plan and investment expenses, too many investment offerings, inappropriate fund share classes, and inefficient recordkeeping services. Many of the institutions have not established oversight committees, do not receive quarterly reporting, or updates on available plan services.

It is difficult to ascertain whether the litigation will transition into the Public Higher Education market which is not subject to ERISA and primarily offers non-ERISA 403(b) plans. Other potential markets such as the non-ERISA hospital market, and the governmental space have yet to experience similar litigation. In the short term, it appears the litigation efforts are focused on ERISA based plans with a history of limited fiduciary oversight and plans which have not been updated to reflect the most recent product and service offerings. However, with more law firms getting involved in pursuing legal action, it would not be unreasonable to expect litigation efforts to move to large asset non-ERISA plans.

Decrease in Voluntary plan contributions

A recently identified trend in the Higher Education markets has been reflected in a decrease in Voluntary 403(b) participant contributions. Although there are various potential factors and each plan is unique in nature, listed below are a few situational items for consideration as it relates to this trend:

- Increase in employee separation from service or retirement
- The addition of more flexible plan features such as loans and hardships which provide access to plan assets and are typically accompanied by a deferral adjustment or pause.

Special Interest Funds

There is an increasing interest and demand for Special Interest investment opportunities. Many of the requests for Special Interest funds are related to environmental, social, or religious considerations. With expanding candidate pools, enhanced hiring practices, and investment opportunities, Special Interest Funds within retirement plan offerings are receiving increased consideration.

As many retirement plan investment menus’ have gravitated toward offering both passive and active investment strategies utilizing fewer investment funds primarily leveraging index strategies, target date funds, and managed portfolios, consideration for Special Interest investment opportunities creates a challenge in balancing the need for the appropriate menu size and investment opportunities.

Self-Directed Brokerage Accounts are a viable investment option for Sponsor consideration in an effort to limit the size of the primary fund menu, while providing the flexibility of offering Special Interest Fund options.
Retirement Industry Trends

Behavioral Finance

Enhanced technology, which allows for increased participant data capture, is creating significant advancement in influencing retirement plan participant behavior and maximizing participant outcomes. Behavioral Finance is study based on “How” participants make investment decisions based on specific behaviors supported by specific data elements.

According to FI360, “3 out of 4 participants fail to reach their personal retirement goals”, not because of fee based issues, but due to a lack of setting a specific goal, less than adequate contribution amounts, ineffective portfolio mix, and impact of investment adjustments along the way.

Behavioral Finance solutions are focused on personalized data dashboards, while allowing participants to maintain their natural behavior. Participant Behaviors related to retirement planning are typically procrastination, inertia, overconfidence in personal investment skills, and selective memory related to poor investment decisions.

Changing Participant Behavior is virtually impossible, however, utilizing participant data analysis to combat participant behavior is showing to be effective. Solutions such as auto enrollment combat procrastination, contribution escalators are effective in combating inertia, target date funds and managed accounts combat choice overload, and leveraging advisor expertise, personalized dash boards, and targeted messaging assist the participant in framing their personal investment situation. The study of Behavioral Finance is certainly increasing and the introduction into retirement plans is accelerating.

Participant Outcome measurements (Retirement Readiness)

Where Behavioral Finance is influencing retirement plan participant behavior, Retirement Readiness programs measure the participants targeted outcome. The retirement industry is beginning to leverage enhanced technology and participant data to transition from primarily focusing on the accumulation phase of retirement planning to increasing focus on the income phase or outcome measurements.

In-Plan Lifetime Income Option (Annuity Option)

As participant demographics are changing, specifically related to participants potential for living longer, there is a renewed emphasis on providing guaranteed income over a participants’ lifetime. Rather than relying on individual product solutions, there are new “in plan” product features, as well as, renewed education related to existing “in plan” product features.

Non-Qualified Plans for Highly Compensated IRS code 409(a)

Primarily in the ERISA Corporate and hospital markets, there is an increasing trend toward implementing Non-Qualified Plans for Highly Compensated employees. These plans provide the opportunity for not only key employee retention, but also, attractive solutions for recruiting key executives in a competitive human resource environment. The non-qualified plans are typically in addition to the core 401k Defined Contribution retirement plans.
<table>
<thead>
<tr>
<th>University</th>
<th>Plans</th>
<th>Plan Providers</th>
<th>Claims</th>
<th>Status</th>
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<tbody>
<tr>
<td>Columbia University</td>
<td>Retirement Plan for Officers of Columbia University</td>
<td>TIAA</td>
<td>Excessive fees for recordkeeping and administrative services</td>
<td>8/16/16: Doe v. Columbia Univ., US District Court (S.D.N.Y.), No. 1:16-cv-06488, complaint filed (counsel: Sanford Heisler LLP)</td>
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<tr>
<td>New York City, NY</td>
<td>Columbia University Voluntary Retirement Savings Plan</td>
<td>Calvert</td>
<td>Too many investment options in its retirement plan</td>
<td>8/17/16: Cates v. Trs. of Columbia Univ., US District Court (S.D.N.Y), No. 1:16-cv-06524, complaint filed (counsel: Schlichter, Bogard &amp; Denton LLP)</td>
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<td></td>
<td></td>
<td>Investments Vanguard</td>
<td>Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account</td>
<td><strong>Dismissal Denied</strong></td>
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<td>Utilizing multiple recordkeepers increased cost</td>
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<td>Cornell University Retirement Plan for the Employees of the Endowed</td>
<td>TIAA</td>
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<td>Colleges of Ithaca</td>
<td>Fidelity</td>
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<td>Cornell University Tax Deferred Annuity Plan</td>
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<tr>
<td>Cornell University</td>
<td>Cornell University Retirement Plan for the Employees of the Endowed</td>
<td>TIAA</td>
<td>Excessive fees for recordkeeping and administrative services</td>
<td>8/11/16: University issued statement prior to lawsuit at:</td>
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<td></td>
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<td></td>
<td>Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account</td>
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<td>Cornell University Tax Deferred Annuity Plan</td>
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<tr>
<td>Institution</td>
<td>Retirement Plans</td>
<td>Concerns</td>
<td>Dates</td>
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</table>
| Duke University Durham, NC | • Duke Faculty and Staff Retirement Plan | • Excessive fees for recordkeeping and administrative services  
• Too many investment options in its retirement plan  
• Offering “historically underperforming” CREF Stock Fund and TIAA Real Estate Account  
• Utilizing multiple recordkeepers increased cost | • 8/10/16: Clark v. Duke Univ., US District Court (M.D. NC) No. 1:16-cv-01044, complaint filed (counsel: Schlichter, Bogard & Denton LLP)  
• 5/11/17: Duke’s motion to dismiss suit was denied (Clark v. Duke Univ. M.D. N.C No. 1:16-cv-044 (5/10/17))  
• Dismissal Denied |
| Emory University Atlanta, GA | • Emory University Retirement Plan  
• Emory Healthcare, Inc. Retirement Savings and Matching Plan | • Excessive fees for recordkeeping and administrative services  
• Too many investment options in its retirement plan  
• Offering “historically underperforming” CREF Stock Fund and TIAA Real Estate Account | • 8/11/16: Henderson v. Emory Univ., U.S District Court (N.D. Ga), No. 1:16-cv-02920, complaint filed (counsel: Schlichter, Bogard & Denton LLP)  
• 5/10/17: Emory’s motion to dismiss suit was denied (Henderson v. Emory Univ., N.D. Ga No. 1:16-cv-02920-CAP, 5/10/17).  
• Dismissal Denied |
| Massachusetts Institute of Technology (MIT) Cambridge, MA | • MIT Supplemental 401(k) Plan | • Potential Conflict of interest – Abby Johnson-President and CEO of Fidelity Investments, is on Board of Trustees | • 8/9/16: Tracey v. Mass. Inst. of Tech., U.S District Court (D. Mass.), No. 1:16-cv-11620-NMG, complaint filed (counsel: Schlichter, Bogard & Denton LLP)  
• Dismissal Denied |
| New York University New York City | • New York University Retirement Plan for Members of the Faculty, Professional | • Excessive fees for recordkeeping and administrative services  
• Too many investment options in its retirement plan | • 8/9/16: Sacerdote v. N.Y Univ., US District Court (S.D.N.Y), No. 1:16-cv-06284, complaint filed (counsel: Schlichter, Bogard & Denton LLP)  
• 7-31-18: Judge dismisses lawsuit against NYU. |
<table>
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<tr>
<th>Institution</th>
<th>Plans Description</th>
<th>Details</th>
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<tr>
<td>NYU School of Medicine</td>
<td>Retirement Plan for Members of the Faculty, Professional Research Staff and Administration</td>
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<td></td>
<td>- Offering “historically underperforming” CREF Stock Fund and TIAA Real Estate Account</td>
<td>- Utilizing multiple recordkeepers increased cost</td>
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<tr>
<td>Northwestern University</td>
<td>University Retirement Plan</td>
<td>- Excessive fees for recordkeeping and administrative services</td>
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<tr>
<td>Evanston, IL</td>
<td>University Voluntary Savings Plan</td>
<td>- Too many investment options in its retirement plan</td>
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<td>- Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account</td>
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<td>- Utilizing multiple recordkeepers increased cost</td>
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<tr>
<td>University of Chicago</td>
<td>Retirement Income Plan</td>
<td>- 8/17/16: Divane v. NW Univ., US District Court (N.D. IL), No. 1:16-cv-08157, complaint filed (counsel: Schlichter, Bogard &amp; Denton LLP)</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>Contributory Retirement Plan</td>
<td>- 6/18 Judge dismisses lawsuit against Northwestern University. Denied Plaintiffs motion to amend.</td>
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<td>- Dismissed</td>
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<td>University of Chicago Retirement Plan</td>
<td>- 5/18/17: Daugherty v. The University of Chicago, US District Court (N.D. IL, No. 1:17-cv-03736, complaint filed (counsel: Wexler Wallace LLP; Schneider Wallace Cottrell Konecky Wotkyns LLP; and Berger &amp; Montague)</td>
</tr>
<tr>
<td></td>
<td>University of Chicago Contributory Retirement Plan</td>
<td>- 5/18: The University of Chicago Settles lawsuit for $6.5 mil. The university claims no wrong doing.</td>
</tr>
<tr>
<td></td>
<td>TIAA Fidelity</td>
<td>- Excessive fees for recordkeeping and administrative services</td>
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<tr>
<td></td>
<td>TIAA Vanguard</td>
<td>- Too many investment options in its retirement plan</td>
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<td></td>
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<td>- Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account</td>
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<td>- Utilizing multiple recordkeepers increased cost</td>
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In addition to the financial settlement, the university must not increase per-participant record-keeping fees for three years, and make "reasonable best efforts" to continue trying to reduce them. The university also implemented a new investment menu in April, which included reducing the number of fund options.

| University of Southern California Los Angeles, CA | University of Southern California Defined Contribution Retirement Plan | TIAA Fidelity Prudential Vanguard | Excessive fees for recordkeeping and administrative services
Too many investment options in its retirement plan
Offering "historically underperforming" CREF Stock Fund and TIAA Real Estate Account
Utilizing multiple recordkeepers increased cost | 8/17/16: Munro v. Univ. of S. Cal., US District Court (C.D. Cal.), No. 2:16-cv-06191, complaint filed (counsel: Schlichter, Bogard & Denton LLP) USC proposed arbitration proceedings with court oversite. Pending |

| Yale University New Haven, CT | Yale University Retirement Account Plan | TIAA | Excessive fees for recordkeeping and administrative services
Too many investment options in its retirement plan
Offering "historically underperforming" CREF Stock Fund and TIAA Real Estate Account
Utilizing multiple recordkeepers increased cost | 8/9/16: Vellali v. Yale Univ., US District Court (D. Conn.), No. 3:16-cv-01345, complaint filed (counsel: Schlichter, Bogard & Denton LLP) Pending |
<table>
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<tr>
<th>Institution</th>
<th>Plans</th>
<th>Recordkeepers</th>
<th>Issues</th>
<th>Dates/Updates</th>
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<tbody>
<tr>
<td>Brown University Providence, RI</td>
<td>• Deferred Vesting Retirement Plan&lt;br&gt;• Legacy Retirement Plan&lt;br&gt;• Voluntary 403(b) Retirement Plan</td>
<td>TIAA Fidelity</td>
<td>• Excessive fees for recordkeeping and administrative services&lt;br&gt;• Too many investment options in its retirement plan&lt;br&gt;• Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account&lt;br&gt;• Utilizing multiple recordkeepers increased cost</td>
<td>• 7/6/17: Short v. Brown Univ., US District Court (D.R.I), No. 1:17-cv-00318-WES-PAS, complaint filed (counsel: Schneider, Wallace, Cottrell, Konecky, Wotkyns LLP and Sonja L. Deyoe)&lt;br&gt;• 7/11/18: Judge orders partial dismissal of claims, which include multiple layers of fees, too many investment options, loan program. Claims allowed are admin. Fees and poor performance.</td>
</tr>
<tr>
<td>Georgetown University Washington, DC</td>
<td>• Georgetown University Retirement Plan&lt;br&gt;• Voluntary Contribution Plan</td>
<td>TIAA Fidelity Vanguard</td>
<td>• Excessive fees for recordkeeping and administrative services&lt;br&gt;• Too many investment options in its retirement plan&lt;br&gt;• Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account&lt;br&gt;• Utilizing multiple recordkeepers increased cost</td>
<td>• 2/23/18: US District Court (D.D.C., No. 1:18-cv-00442), complaint filed (counsel: Schneider Wallace Cottrell Konecky Wotkyns LLP; and Berger &amp; Montague)</td>
</tr>
<tr>
<td>Washington University St. Louis, MO</td>
<td>• Wash U Retirement Savings Plan</td>
<td>TIAA Vanguard</td>
<td>• Excessive fees for recordkeeping and administrative services&lt;br&gt;• Too many investment options in its retirement plan&lt;br&gt;• Offering &quot;historically underperforming&quot; CREF Stock Fund and TIAA Real Estate Account&lt;br&gt;• Utilizing multiple recordkeepers increased cost</td>
<td>• 6/8/17: Davis v. Washington Univ.US District Court (E.D.MO), No. 4-17-cv-01641, complaint filed (counsel: Schneider Wallace Cottrell Konecky Wotkyns LLP; and Berger &amp; Montague)</td>
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<td>Stock Fund and TIAA Real Estate Account</td>
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Sources: ACG, Bloomberg Law, Drinker Biddle, Groom Law
Important Disclosures

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