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 sukuk, 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 under performed 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*).