KANSAS BOARD OF REGENTS
**Retirement Plan Committee (RPC)**
MINUTES
September 18, 2018

Regent Bangerter called the September 18, 2018, meeting of the Kansas Board of Regents Retirement Plan Committee to order at 12:40 p.m.

Members Participating:

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| Regent Shane Bangerter, Chair | Mike Barnett, FHSU |
| President Allison Garrett, ESU | Dr. Dipak Ghosh, ESU |
| Diane Goddard, KU | Dr. Rick Lecompte, WSU |
| Gary Leitnaker, KSU | Stacy Snakenberg, KUMC |
| Madi Vannaman, KBOR | |

Also present were Brad Tollander and Bernie Heffernon, Advanced Capital Group consultants. From TIAA: Nicolette Dixon, Senior Relationship Manager; Maggie Dehn, Managing Director, Institutional Relationships; and Tom Carmody, Managing Director, Retirement Plan Sales. From Voya: John O'Brien, Regional Vice President; and Cindy Delfelder, Client Relations. From the Board Office: Natalie Yoza, Associate General Counsel, and Elaine Frisbie, Vice President Administration and Finance. Michele Sexton, PSU, and Regent Joe Bain were not available to attend.

**Minutes**
The minutes from the March 20, 2018, meeting were approved unanimously.

**Introductions**
New participants were introduced and welcomed: Natalie Yoza, KBOR's Associate General Counsel; Diana Goddard, KU's CFO and Vice Provost for Finance, representing the Council of Business Officers; and Brad Tollander and Bernie Heffernon, the new KBOR retirement plan consultants from Advanced Capital Group.

**Advanced Capital Group (ACG)**
Bernie Heffernon provided an overview of ACG to acquaint the Committee with the company. ACG reviewed the KBOR Mandatory Retirement Plan Documents and have identified a few areas where there is an opportunity to strengthen language, limit fiduciary liability and provide consistency of terms and cursory updates. ACG will work with KBOR staff to develop specific recommendations that will be presented to the RPC in March 2019.

**ACG Investment Analysis – through 6/30/18**
Brad Tollander provided information from ACG's semi-annual analysis of the Mandatory Retirement Plan.

As requested, ACG reviewed the Dimensional Target Date Retirement Funds and will provide the RPC with a deeper evaluation at the spring 2019 meeting by which time the funds will have attained a three-year track record.

ACG identified several under-utilized funds (TIAA: Wells Fargo Advantage Growth (822 participants and $32mm in plan assets), Royce Opportunity (582 participants and $8.6mm in plan assets), AB Small Cap Growth (701 participants and $14.3mm in plan assets) and Voya: Voya Government Money Market (133 participants and $3.5mm in plan assets), Champlain Mid Cap (642 participants and $8.7mm in plan assets), American Beacon Small Cap Value (220 participants and

$1.9mm in plan assets). ACG will work with TIAA and Voya, as well as a sub-group of the RPC to better understand the history of the fund changes over the past several years and will come to the March meeting with recommendations for the RPC.

The Wells Fargo Growth Fund offered by TIAA had been on the watch list for 3 and 5-year underperformance. ACG recommends removing the fund from the watch list as its performance has improved and is strong.

Brad Tollander provided specific information about the TIAA Real Estate account noting that unlike Real Estate Investment Trusts (REITs), the TIAA Real Estate Fund owns physical property which makes it very unique and an asset class many retirement plans are not able to offer participants. Unlike many of the fund's peers, the TIAA Real Estate account maintains between 15-25% position to liquid assets allowing participants to transact in the fund on a daily basis. Most other real property funds limit participant access to their asset due to a smaller liquid asset reserve. The fund has generated positive results over the measured trailing time periods. It has trailed the benchmark, but that is expected given the difference in liquid asset reserves between the fund and the benchmark. The true strength of the fund is the diversification benefit it brings to a portfolio due to its low and negative correlations relative to the other major asset classes. In particular a significant benefit is that, in a diversified portfolio, it affords downside protection which helps to minimize the risk of large losses. The downside protection was modeled in conservative, moderate and aggressive sample portfolios. The results demonstrated that these modeled portfolios generally out-performed the market in down markets.

**<u>Industry Trends and Higher Education Litigation Claims</u>**
Bernie Heffernon shared information related to trends in the retirement plan industry, including a recap of retirement plan litigation. Tom Carmody with TIAA commented that solicitation of participant populations within large, public higher education 403(b) plans has started.

**<u>Amana funds</u>**
The Amana funds were added to the KBOR mandatory retirement plan to provide an investment option for participants who required funds that manage assets in a manner consistent with tenets of the Islamic faith.

ACG's findings were that Amana fund utilization is minimal and that the primary reason for utilization is due to the desire for investment diversification and performance results. The fund provides another socially responsible option for Voya participants and provides an option with investment objectives consistent with the Islamic faith.

**<u>Mandatory Retirement Plan Default information</u>**
Information about how participants are defaulted into the KBOR Mandatory Retirement Plan was shared.

**<u>Investment Providers</u>**
Communication and education engagement summary information was provided by Nicolette Dixon, TIAA, and Cindy Delfelder, Voya. The vendors discussed additional data that will be shared, by age group, to compare KBOR Mandatory Retirement Plan participants with peer groups to drive future outreach campaigns.

**Next RPC meeting:**

The next regular RPC meeting will be scheduled for March 19, 2019, in the KBOR Board Room.