

KANSAS BOARD OF REGENTS
Retirement Plan Committee (RPC)
MINUTES
June 14, 2022

The June 14, 2022, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order at 3:00 p.m.

Members Participating in person:

Regent Harrison-Lee, Chair	Debbie Amershek, PSU
Doug Ball, PSU	Jeff Dewitt, KU
Stacey Snakenberg, KUMC	Madi Vannaman, KBOR

The other RPC members were not able to participate. Participating from Advanced Capital Group were consultants Brad Tollander and Justin Dorsey. Also participating, from TIAA were Blake Earl, Senior Relationship Manager, and Chris Godwin, Senior Director Product Management; and from Voya, John O'Brien, Regional Vice President, and Cindy Delfelder, Relationship Manager; and from the Board Office: Natalie Yoza, Associate General Counsel and Elaine Frisbie, Vice President for Finance and Administration.

Minutes

Doug Ball moved to approve the minutes from the March 15, 2022, meeting. Following a second by Debbie Amershek, the motion carried.

Retirement Plan Committee Composition

Natalie Yoza reviewed information in the issue paper for this month's Board of Regents meeting for changes to the RPC composition. Since its creation in 2005 and the intricate requirements, the RPC university representatives have been locked into the various roles. As the character of the RPC's work has changed and is now heavily into fund oversight and investment management, the Board recently changed two positions into at-large positions. Consistent with the ending of terms for multiple RPC members, new nominations are going to the Board this month that allow switches in the university and role positions.

Regent Harrison-Lee thanked the departing members (Debbie Amershek, Jeff Dewitt, Dr. Rick LeCompte and Stacey Snakenberg) for their service and contributions to the RPC and the important work they performed for the Plans and faculty and staff participants.

Fee Leveling

Brad Tollander provided information about fee and revenue allocation that had previously been reviewed by the RPC subcommittee at a May 6, 2022, meeting. Both recordkeepers made fee concessions retroactive to January 1, 2022. TIAA reduced their required fee from 5.5 basis points to \$55/head or 2.6 basis points, and Voya reduced its required fee from 12 to 8 basis points.

Currently, TIAA returns any excess revenue to participants in one of two ways: pro rata to all participants or to participants in revenue generating funds. Voya returns excess revenue sharing to all participant accounts, even if they are not invested in revenue sharing funds. ACG and the RPC subcommittee recommended fee leveling to both the Mandatory and Voluntary Plans – to return all revenue sharing/revenue credits to participants and then deduct plan recordkeeping and administrative fees on a pro rata (bps) and/or per capital (\$) basis.

The RPC subcommittee and ACG recommendations for recordkeeper fee collection:

- TIAA – tiered per capita (dollar per head), based on combined aggregated assets across both Plans, reviewed annually, pro rata, with fees assessed from the most liquid investments (fee eligible) first, e.g., RC and mutual funds.

Those with less than \$50k will be in a more beneficial position for fees. But, those with revenue funds paying pro rata, are paying several thousands.

Voya – recordkeeps substantially fewer assets and has fewer propriety funds in both plans and utilizes a high-touch service model. Continue with the pro rate (%) basis.

If approved, would be effective 10/1/2022 to implement fee leveling and the recordkeepers will coordinate participant communications with ACG and Board staff.

Doug moved to accept recommendations, SS seconded and the motion carried.

Voya Default Fund

Brad Tollander provided information about a recent situation that raised the need to have a default fund selected for Voya in the Board's Mandatory Retirement Plan. A participant selected Voya as their recordkeeper but failed to complete the paperwork to designate funds. The university and Voya were unsuccessful in their repeated attempts to secure the paperwork and the participant terminated employment. Because there was no default investment designated, the contributions were returned to the university. For these rare situations, Voya has recommended that the Vanguard Target Retirement suite of funds be designated as the default investment, based on an age-appropriate fund. After review, ACG supports this recommendation based on ERISA standards and what other clients use.

Debbie Amershek moved to accept the recommendation, after a second by Jeff DeWitt, the motion carried.

Next RPC meeting:

The next regular RPC meeting is scheduled for September 2022, date to be announced, beginning at 12:30 p.m.

Act on the Retirement Plan Committee Subcommittee’s recommendations for fee leveling and for how to collect recordkeeping and other Plan fees

Summary and Recommendation

A Subcommittee of the Retirement Plan Committee (RPC) reviewed fee leveling as well as options for collecting from TIAA and Voya the expenses paid by Plan participants. The Subcommittee recommends instituting fee leveling in both Plans. In addition, the Subcommittee recommends adopting a tiered fee structure with TIAA and assessing the fee pro rata (by percentage of assets) for Voya.

Mandatory and Voluntary Retirement Plan participants pay the Board’s recordkeepers, TIAA and Voya, a recordkeeping fee for their services. Plan participants also pay for certain Plan-related expenses incurred by the Board while administering the Plans. Currently, only participants invested in revenue generating funds are paying for recordkeeping services. Participants with assets in non-revenue generating funds are essentially paying nothing for recordkeeping. As Plan fiduciaries, the Board and RPC have a duty to ensure that the fees are assessed to Plan participants in an equitable way, which is a process called fee leveling.

An RPC subcommittee comprised of Doug Ball, Jeff DeWitt, and Jay Stephens met with the Board’s investment consultant, Advanced Capital Group, representatives from TIAA and Voya and Board staff to explore each recordkeeper’s capabilities for assessing Plan expenses. This is a timely topic because the Board recently approved the RPC recommendation to reduce both recordkeepers’ fees and the industry has been moving towards a process called “fee leveling.”

To collect the TIAA fee and associated Board expenses, the Subcommittee recommends tiered pricing. TIAA introduced tiered pricing last year, and ten public clients have already converted to this methodology. The following chart demonstrates how tiered pricing would work for the Board’s retirement plans. The account balance is based on the combined aggregated assets across the Mandatory and Voluntary Plans.

Participant Balance	Fees Assessed	Number of Plan participants
\$0-\$5,000	\$0 qtr/\$0 annual	4,052
\$5,001-\$20,000	\$7 qtr/\$28 annual	4,890
\$20,001-\$50,000	\$14 qtr/\$56 annual	4648
\$50,001-\$200,000	\$21 qtr/\$84 annual	6,759
Over \$200,000	\$28.50 qtr/\$114 annual	6,463

Voya has not introduced tiered pricing. Given Voya’s high-touch service model and limited proprietary funds, the Subcommittee recommends collecting the Voya 8 basis point recordkeeping fee pro rata, so that all Plan participants pay the same percentage of assets. Under this method, participants with large account balances pay a higher dollar amount than participants with smaller balances. The fee, as well as any revenue credits, will be calculated and processed monthly and will be calculated separately for active Mandatory and Voluntary Plans.

If approved by the RPC, the new fee structure will be effective October 1, 2022. TIAA and Voya will work with ACG and Board staff to create participant communications and to distribute any current KBOR revenue credit account balances to participants.