

KANSAS BOARD OF REGENTS
Retirement Plan Committee

AGENDA

February 8, 2022, at 1:00 p.m.

1. Approve: Minutes from October 19, 2021
2. Act on recommendation to amend TIAA, Voya, and PlanWithEase contracts
Executive Session – Matter Deemed Privileged in Attorney Client Relationship
3. Act on recommendation to establish a subcommittee to review Plan fees and expenses
4. Good of the Order
5. Next meeting March 15, 2022, from 12:30 – 3:00

KANSAS BOARD OF REGENTS
Retirement Plan Committee (RPC)
MINUTES
October 19, 2021

The October 19, 2021, meeting of the Kansas Board of Regents Retirement Plan Committee was called to order at 1:30 p.m.

Members Participating in person:

Regent Cheryl Harrison-Lee, Chair	Debbie Amershek, PSU
Mike Barnett, FHSU	Jeff Dewitt, KU
Dipak Ghosh, ESU	Rick Lecompte, WSU
President Steve Scott, PSU	Stacey Snakenberg, KUMC
Jay Stephens, KSU	Madi Vannaman, KBOR

Participating from Advanced Capital Group were consultants Brad Tollander and Justin Dorsey. Also participating, from TIAA: Katie Skorupski, Senior Relationship Manager; Byron Blaine, Senior Director Advisory and Financial Consulting, and Ron Barthel, Director Cybersecurity, and Brock Noel, Managing Director; and from Voya, John O'Brien, Regional Vice President; Cindy Delfelder, Relationship Manager; and Charles Griffen, IT Security Consultant; and from the Board Office: Natalie Yoza, Associate General Counsel, and Elaine Frisbie, Vice President Administration and Finance.

Minutes

Mike Barnett moved to approve the minutes from the March 16, 2021, and June 15, 2021, meetings. Following President Scott's second, the motion carried.

Introductions

Regent Cheryl Harrison-Lee, chair of the Board of Regents, was introduced as the new chair of the RPC. New member, Jeff DeWitt, was introduced as the COBO representative replacing Diane Goddard. Representatives from TIAA, Voya and ACG introduced themselves as did the other RPC members.

Review of Fiscal Year 2021 Mandatory and Voluntary Plan expenses and RPC Charter amendment

With the RPC's oversight of the Voluntary Retirement Plan, in addition to the Mandatory Retirement Plan, Natalie Yoza reviewed the formula for reimbursement of plan-related expenses and subsequent distribution of remaining revenue account balances to plan participants.

Board staff proposed that the RPC recommend the Board allocate expenses between TIAA and Voya pro rata based on the number of active Mandatory and Voluntary Plan participants and distributing the remaining revenue account balance pro rata based on the participant's account balances in the Mandatory and Voluntary Plans. President Scott moved to make this recommendation to the Board. Following Mike Barnett's second, the motion carried.

The RPC reviewed the itemized plan-related expenses. Natalie Yoza noted that the percentage of salary for KBOR staff may change in the future, as time devoted to the KBOR Retirement Plan exceeds what is reflected on the current invoice.

Board staff proposed that the RPC seek an amendment to the Committee's Charter delegating to the RPC the fiduciary responsibility to review that all services provided to the plans are necessary and that the cost of those services is reasonable.

This additional responsibility would be added to the section of the Charter titled "Mission Statement and Principal Functions," and it would state: "Specifically, the Committee shall be responsible for the following: Review that all services provided to the plans are necessary and that the cost of those services is reasonable."

Dr. LeCompte moved that the charter be amended accordingly. After a second by Dr. Ghosh, the motion passed.

RFP for Legal Services and third-party administrative services

Natalie Yoza provided an update about the RFP for legal services that resulted in a contract with Ice Miller. Information was shared with the RPC about the projects discussed with and estimates provided by Ice Miller.

Mike Barnett moved that the project list be approved as well as the \$26,000 spending limit cap. After a second by President Scott, the motion passed.

Natalie Yoza mentioned previous discussions about the use of Planwithease.com provide third party administration of distributions from the KBOR plans. Following best practices, she recommended issuing an RFP to review the third-party services. The RFP will be reviewed at the March RPC meeting.

Reports on various items

1. TIAA settlements with NY Attorney General and Security and Exchange Commission
Brock Noel provided an update of information previously shared in July 2021 when the settlement was issued. The settlements impacted retail transactions, made between 2012 – 2018, specifically funds moved from either the Mandatory or Voluntary Plan into TIAA's portfolio advisors product which is a retail product, managed money, designed for those who want to delegate management to a third party. Issues surrounding quality control and potential conflict of interest not properly disclosed from a regulatory standpoint. TIAA reimbursed the majority of expenses paid between 2012-2018 (\$66 million moved and 90% of individuals still have assets in those plans). Affected individuals were contracted and management fees have been refunded or are in process.

Jeff DeWitt asked what the allegations were. Brock Noel responded that the issues were about disclosure and whether TIAA was operating under participant's best interest or suitability, and about the training of individuals involved in these transactions to properly disclose. Jeff DeWitt asked whether the assets performed below other products and resulted in damages? Brock Noel responded that fund fees were not part of the conversation, but the fees paid for this management and whether that was in the participants' best interest. There are no surrender fees if disengagement from the relationship is desired. Byron Blaine stated that no participant has decided to leave that program at this time and appear to be satisfied with the services provided. Brock Noel stated that the process used to choose the strategy for asset management will greatly define the portfolio and the underlying costs. For example, if the participant is very fee adverse and only wants index funds, the portfolio would be built accordingly. Jeff DeWitt asked that although it appears charging of fees and oversight items are issues that have been addressed, is this an option that we should expose our members to? Brock Noel responded that this is not an option within the KBOR Retirement Plans but if a

participant is working with a wealth management advisor and is eligible to move funds out of the Plan and/or to consolidate funds from another source to manage assets cohesively, this fund could be utilized to develop a very customized individual portfolio.

2. Cybersecurity updates, Justin Dorsey

Department of Labor issued cybersecurity guidance in April 2021 for plan sponsors and fiduciaries regulated by the Employee Retirement Income Security Act (ERISA). Three different forms of guidance were provided: tips for hiring a service provider with strong cybersecurity practices; cybersecurity program best practices for plan fiduciaries and recordkeepers, and online security tips for plan participants. The Board's 403(b) retirement plans are not subject to ERISA, but this guidance aids in the review of the cybersecurity for the Board's plans.

1. Regarding oversight of the recordkeepers– Board staff and ACG will work with TIAA and Voya to secure updated service agreements that address cybersecurity procedures.
2. Regarding Plan participants– with the protocols and protections TIAA and Voya have in place, mandating participant protocols should not be required. Ron Barthel, with TIAA's cybersecurity awareness stated that customer protection covers all participants with accounts from any kind of fraud regardless of meeting any requirements. An investigation would be launched to uncover the root cause and as long as the participant is not criminally involved in fraud the protection would be available. Charles Griffin, with Voya's IT security, stated they have a similar safe and secure program. It is an arm's race we are fighting against fraudsters and will require coordination with participants. Voya recommends participants review their account information every 12 months to mitigate time between when an event happens and when it is discovered. Report suspicious activities (email or SMS message from the recordkeeper). Practice safe computing habits (# 1 is sharing user name and passwords). Register the account and utilize two factor authentication.
3. Plan sponsor – although TIAA and Voya conduct cybersecurity stress testing, utilizing independent third parties, should a formal cybersecurity oversight by the RPC be implemented? University employees with access to TIAA and Voya databases is not transactional; the access is merely information and should not result in fraudulent activity. Jeff DeWitt stated that although centralized cybersecurity oversight is considered, there is no central expertise available relative to what each university has and asked if an annual requirement, by a hired consultant, to review the security protocols within TIAA and Voya would be sufficient. Natalie Yoza responded that TIAA has provided its SOC audit which she, in turn, provided to KBOR's IT director to review and they are waiting on Voya to submit their information. Information from those audits, performed by third parties, will be used for the RPC's annual review.

Jeff Dewitt moved that the TIAA and Voya recordkeeper contracts be amended to include cybersecurity addendums. After a second by Dr. LeCompte, the motion passed.

ACG semi-annual reports through 6/30/21

Brad Tollander presented highlights from the semi-annual reports for both the Mandatory and Voluntary Retirement Plans.

ACG had previously recommended keeping the TIAA-CREF Large-Cap Value Institutional (Large Cap Value Option) on Watch. This fund is available in both the Mandatory and Voluntary Plan lineups. Although performance has improved under the new leadership and investment process, the fund's long-term performance results continue to trail both the benchmark and median peer group manager. The recommendation is to keep the fund on Watch and review again at the Spring 2022 RPC Meeting.

ACG recommended that the Royce Opportunity Institution fund be placed on Watch and reviewed at the Spring 2022 RPC meeting because of the abrupt mass resignation of fund managers and resulting uncertainty around the makeup of the long-term management team and eventual strategy that warrant careful monitoring. This fund is available in both the Mandatory and Voluntary Plan lineups.

Mike Barnett moved that the Royce Opportunity Institution fund be added to the Watch list for both the Mandatory and Voluntary Plans and that the Large-Cap Value Institutional Fund be added to the Watch list for the Voluntary Plan. After a second by Dr. LeCompte, the motion passed.

Dr. LeCompte asked about inflation protection funds and how they will perform in the next six months. Brad Tollander responded that the Federal Reserve continues to push “it’s transitory” narrative, with inflation returning to more normalized levels in 2022. That may be true, but there are signs short-term inflation, especially in food and shelter, may continue moving higher. Brad Tollander felt the inflation protection bonds in the plan would provide protection to plan participants against this inflation.

Good of the Order

1. Jeff DeWitt asked whether there was benchmark data to show the KBOR plan expenses relative to the size of the plan and whether our expenses are low or high and why? Natalie Yoza responded that we are required to benchmark contracted services for TIAA and Voya expenses and we can work with ACG to secure benchmark data for plan expenses. Madi Vannaman asked that TIAA and Voya provide expenses from other similar sized plans for the last 3-5 years.

Next RPC meeting:

The next regular RPC meeting will be scheduled for March 2022 TBD.

Act on Recommendations to Amend the TIAA, Voya and PlanWithEase Contracts

Summary and Staff Recommendation

With the assistance of outside counsel, Board staff have negotiated amendments to the TIAA, Voya, and PlanWithEase contracts to update provisions related to cybersecurity and add provisions related to missing Plan participants. Reductions in TIAA's and Voya's revenue requirements have also been negotiated.

Under the Retirement Plan Committee Charter, changes to the recordkeeping contracts require Board approval but the Committee can approve amendments to the PlanWithEase contract without further Board action. Board staff recommend that the Retirement Plan Committee approve execution of the PlanWithEase contract amendment. Board staff also recommend that the RPC recommend to the Board that it approve the amendments to the TIAA and Voya contracts.

Cybersecurity and Missing Participant Amendments

At its October 19, 2021, meeting the Retirement Plan Committee (RPC) authorized Board staff to work with Ice Miller, the Board's outside counsel, to negotiate cybersecurity amendments to the TIAA and Voya recordkeeper contracts. The proposed amendments also include provisions assisting with the location and distribution of retirement benefits to missing participants. The United States Department of Labor had recently issued guidance related to cybersecurity and missing participants, and the proposed contract amendments are consistent with that guidance.

The Board's third-party administrator contract with PlanWithEase also provides access to Plan data, so Board staff worked with Ice Miller to negotiate up-to-date cybersecurity provisions in that contract as well.

The proposed contract amendments address how TIAA, Voya and PlanWithEase will respond to any security breaches, instances in which they are required to indemnify the Board, confidentiality of data, insurance coverage, and require written policies regarding missing participants. TIAA's and Voya's written information security program commitments are also incorporated into the agreements.

Under the RPC's Charter, the Committee can enter contracts with third parties like PlanWithEase, and Board staff recommend that the Committee authorize execution of the amendments to the PlanWithEase contract. For the TIAA and Voya recordkeeping contract amendments, the RPC is to make a recommendation to the Board. Board staff suggest that the RPC recommend that the Board approve the amendments.

Proposed Reductions to the TIAA and Voya Revenue Requirements

Periodic review of Plan fees is also part of the RPC and Board's fiduciary duties. TIAA and Voya have both proposed a reduction in their revenue requirements for recordkeeping services. Board staff suggest that the RPC recommend that the Board adopt the proposed reductions to the revenue requirements.