

KANSAS BOARD OF REGENTS  
**Retirement Plan Committee (RPC)**  
MINUTES  
March 16, 2021

The March 16, 2021, video conference meeting of the Kansas Board of Regents Retirement Plan Committee was called to order at 12:30 p.m.

Members Participating:

Regent Shane Bangerter, Chair	Debbie Amershek, PSU
Mike Barnett, FHSU	Dipak Ghosh, ESU
Dr. Rick Lecompte, WSU	Stacey Snakenberg, KUMC
Jay Stephens, KSU	Madi Vannaman, KBOR

President Steve Scott was unable to participate. Participating from Advanced Capital Group were consultants Brad Tollander and Justin Dorsey. Also participating, from TIAA: Nicolette Dixon, Senior Relationship Manager; Katie Skorupski, Senior Relationship Manager; and Kendra Kamesch, Senior Manager Communications Consultant; 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 Administration and Finance.

**Minutes**

Dipak Ghosh moved to approve the minutes from the September 8, 2020. Following the second of Rick LeCompte, the motion carried.

**Retirement plan contributions correction issue**

Natalie Yoza shared information about an issue impacting one university and the incorrect application of the 15-year catch-up provision allowed by the IRS over a five-year period (from 2014 to 2019). The university conducted an audit through each year until they found consecutive years without excess contributions. By identifying the error's source, training materials were created to ensure this would not occur again. The university partnered with a public accounting firm to complete tax amendments for any of the 108 impacted employees who needed assistance and reimbursed any late fees and IRS assessed penalties. The university also worked with legal counsel to ensure IRS compliance. This error was eligible for self-correction under the IRS' correction program and the Board of Regents is not required to file a correction with the IRS or to pay a fee.

**ACG semi-annual report through 12/31/20**

Brad Tollander presented highlights from the semi-annual report. The Executive Summary included review of items discussed at the September 2020 RPC meeting. ACG reviewed the one-year progress of the two funds placed on the Watch List at the Spring 2019 RPC meeting: TIAA-CREF Large-Cap Value Institutional and TIAA-CREF Mid-Cap Value Institutional.

*TIAA-CREF Large-Cap Value Institutional (Large Cap Value Option)*

ACG recommended keeping this fund on Watch. Near-term performance results have improved under the new manager. ACG's preference is to see meaningful improvement in the fund's long-term relative performance results and management team stability before recommending removal from Watch. This fund will be evaluated again at the Fall 2021 RPC Meeting.

*TIAA-CREF Mid-Cap Value Institutional (Mid-Cap Value Option)*

This fund has gone through two management team and strategy changes in the past three years. The current team has managed since January 17, 2020, and the fund underperformed severely relative to peers and benchmark during their tenure. While all active managers can be expected to go through periods of underperformance, this fund's team and strategy instability, as well as continued underperformance after team changes, warrants a fund search.

TIAA provided ACG with a number of mid-cap value options to evaluate. ACG narrowed the list to a manageable number by reviewing risk-adjusted performance, consistency of performance, management team and fees. ACG's recommendation is to replace this fund with the John Hancock Disciplined Value Mid Cap R6 fund due to the management and strategy instability and continued poor performance.

ACG's rationale for this change:

- Long-tenured strategy which balances a quantitative and fundamental process. The team narrows down options using three components: relative value (40%), momentum (40%), and business health (20%) reinforced with fundamental research. As a result, this fund tends to hold a quality bias relative to peers.
- Strong trailing, rolling and risk-adjusted performance numbers. Strongest consistency of performance when measured against the other managers.
- Strong Sharpe Ratio (defined as return per unit of risk) metrics over the long-term as well as over three- and five-year rolling periods relative to peers and benchmark.
- Tenured management team which has consistently executed the strategy for 20 years.

Rick LeCompte moved to replace the TIAA-CREF Mid-Cap Value Fund with the John Hancock Disciplined Value Mid Cap R6 Fund (JVMRX) in both the Mandatory and Voluntary Plans. Following the second of Dipak Ghosh, the motion carried.

*Provider Lineup Recommendations*

Voya was the only company that made a recommendation for a fund lineup change to replace the current suite of Vanguard Target Retirement Investor Share class funds with the less expensive Institutional share class.

Vanguard's Target Retirement funds added an Institutional share class in June 2015. This series is identical in underlying index options and glidepath methodology but uses lower fee versions of the index funds and, as a result, has a significantly lower expense ratio for every vintage relative to the Investor share class. Effective December 11, 2020, Vanguard lowered the minimum investment for the Institutional share class of their target date suite from \$100 million to \$5 million. This change allows the plan to access this share class, which would lower fund expenses from 12-15 bps to 9 bps.

ACG agrees with that recommendation and also recommends adding the 2065 vintage, which will be appropriate for employees age 20-25 and/or employees who plan to retire in the year 2065, to both the KBOR Mandatory and Voluntary Plans.

Rick LeCompte moved that the Vanguard Target Retirement Investor share class funds be moved to the Institutional share class funds and to add the 2065 fund in both the KBOR Mandatory and Voluntary Plans. Following the second of Dipak Ghosh, the motion carried.

It was noted that the TIAA-CREF Lifecycle 2065 Institutional Fund (TSFTX) will automatically be added to the Plans in the second quarter to complete the suite. Funds in the lifecycle suites can be automatically added to the Plans.

### **RFP for Legal Services**

Natalie Yoza presented the recommendation to ask the State's Procurement Office to issue a Request for Proposals (RFP) for retirement plan legal services. Several issues have arisen that demonstrate having a contract with legal counsel would be advantageous because State procurement laws make it challenging to hire counsel quickly each time an issue arises. The Retirement Plan Committee (RPC) would need to approve issuing the RFP and the statement of work. The RPC would then form a subcommittee, the Procurement Negotiating Committee (PNC), and one RPC member would serve as a named representative with the State's Procurement Office. Once bids are received, the PNC would make a recommendation to the RPC for approval. A proposed statement of work was reviewed.

If the RFP is posted soon, questions are received from vendors, and responses submitted, bids would close around the end of April at the latest. The PNC would have up to 30 days to review the technical responses and submit its review, the Procurement Office will provide the cost proposals. The PNC would make a recommendation to the RPC and the contract can be negotiated. Once the final selection is made, the Procurement Office finalizes the contract for signature. The goal would be to have a virtual RPC meeting at the end of May to review the PNC's recommendation.

Mike Barnett moved, and Stacey Snakenberg seconded the motion that the Board staff contact the State's Procurement Office to issue a Request for Proposals for retirement plan legal services based on the statement of work included in the issue paper and recommended that Natalie Yoza and Mike Barnett be named members of the Procurement Negotiating Committee. The motion also included the RPC establishing a subcommittee to review the responses and make a recommendation to the RPC. The members of the subcommittee will be Dipak Ghosh, Rick LeCompte, Stacey Snakenberg and Madi Vannaman.

### **Reports on various items**

#### **A. Voya's Voluntary Plan self-directed brokerage account**

With the first pay period in January 2021, the KBOR Voluntary Plan was consolidated to two vendors: TIAA and Voya. The new contracts included a number of benefits for participants, including reduced Plan pricing. For the TIAA contract, the new terms included a reduction in the Mandatory and Voluntary Plan pricing from .06% to .055%. And Voya reduced its pricing on the Voluntary Plan from .50% wrap plus a .75% revenue share to .12%.

The intent was to maintain the self-directed brokerage account with TIAA and to add a self-directed brokerage account for Voya participants. However, negotiations stalled with Voya's subcontractor, TD Ameritrade, because Ameritrade would not accept the Kansas Department of Administration's DA-146a (Rev. 07-19) addendum, which contains the standard terms required by the State including language that agencies will not agree to indemnify any contractor or third party for any acts or omissions. If these circumstances change, a self-directed brokerage account will again be pursued for Voya participants.

The self-directed brokerage account continues to be available for TIAA participants. As of March 2, 2021, there were 17 accounts with a total balance of \$829,259. Three accounts belong to participants

who are no longer employed, and six of those accounts contain less than \$100.00. This means there is low utilization, but the option continues to be available.

#### B. Planwithease complaint

Since 2008, Planwithease (PWE) has been the KBOR third-party administrator to authorize distributions for qualifying participants. A participant wanted a roll-over distribution and needed to obtain the PWE certificate which establishes eligibility to access funds. The certificate remains active for 30 days and is to be submitted along with the retirement company's distribution forms. Because the participant began trying to get distribution in April 2020, and was successful in August 2020, the participant is claiming losses because of the delay. The participant received the certificate from the employing university but did not process it within the 30-day period. While the participant struggled with securing the certificate on-line, the university HR offices now have the ability to get and email the certificates to participants and PWE also is now able to overnight the certificates to participants.

The KBOR Office is trying to ensure that participants have an easy and efficient process to get the certification for distribution but also to ensure that privacy and confidentiality is maintained to meet legal obligations. Looking toward the future, Natalie Yoza recommended a possible RFP to ensure due diligence to review available options to meet distribution requirements.

#### C. COVID-related distributions (CRDs)

Information about KBOR 403(b) Plan distributions that occurred the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was shared. There were 657 CRDS taken and about 30% of those were for participants with more than one request. The total amount distributed was \$13,995,471 and 97% of those distributions were from the Mandatory Plan.

#### **TIAA and Voya – Retirement Guide**

At the September 2020 RPC meeting, custom concepts were discussed, and the RPC requested that TIAA and Voya develop a Retirement Guide using those concepts. Once finalized, the Retirement Guide will replace the current Your Future, Your Choice brochure. It will be posted on the KBOR website and will be provided to the campuses to share with faculty and staff newly eligible for the KBOR retirement plans.

#### **Good of the Order**

1. Nicolette Dixon, who is moving into a different role within TIAA, expressed her appreciation for the RPC and the KBOR universities for making her feel a part of our family and for pouring into her many values and ideas that have enabled her to take her career to the next level. Nicolette is TIAA's Director of Communications and National Advocacy, and will be working with CUPA-HR, NACUBO and presidential and women's associations Nicolette quoted Maya Angelou: "People will forget what you said, people will forget what you did, but people will never forget how you made them feel." Nicolette's strong advocacy for KBOR, her professionalism and engaging personality will be missed!

#### **Next RPC meeting:**

The next regular RPC meeting will be scheduled for September 2021 TBD.