KANSAS BOARD OF REGENTS
Retirement Plan Committee
March 17, 2020

Curtis State Office Building
1000 SW Jackson, Suite 520
Topeka, KS 66612

AGENDA
Kansas Board of Regents
Retirement Plan Committee
March 17, 2020 at 12:30 p.m.

1. Approve: Minutes from September 17, 2019

2. Introductions
    A. Jay Stephens, KSU, new RPC member representing HR
    B. Justin Dorsey, ACG

3. KBOR Voluntary Retirement Plan Update
    A. Retirement Regulations Revocation – Natalie Yoza
    B. Communications Regarding Deselected Vendors – Natalie Yoza
    C. TIAA/Voya contracts – Justin Dorsey/Brad Tollander

4. ACG Investment Analysis – through 12/31/19 – Brad Tollander

5. ACG Fund Line-up Recommendations – Brad Tollander

6. KUMC Research Institute Retirement Plan – update, Natalie Yoza

7. Voya's response to Baron's 1/10/20 article – John O'Brien
    A. Article is on the following page

8. Brief Overview of Employee Engagement Outcomes – TIAA and Voya

9. Next meeting September xx, 2020

Voya Financial Could Attract Foreign Buyers, Private Equity
By Luisa Beltran Jan. 10, 2020 5:53 pm ET

Voya Financial may not be officially on the block but a possible sale could attract large buyout shops and foreign buyers.

The New York insurer (ticker: VOYA) could sell for $10 billion, according to the Financial Times. Such a high price means big private-equity firms like Apollo Global Management (APO) or Carlyle Group (CG) would be among the logical buyers, investment bankers said. Large foreign bidders, from Japan or Canada, such as Sun Life Financial (SLF), are seen vying for the insurer, while U.S. strategic buyers like Lincoln Financial could also be interested, bankers and analysts said.

Voya held talks to sell itself in late 2019, the FT said. Principal Financial Group (PFG), Prudential Financial (PRU) and American International Group (AIG) engaged in the discussions, which did not result in a sale, it said.

“Our policy is to not comment on rumor or speculation,” a Voya spokesman said in an emailed response to questions. A spokesperson for Lincoln also declined to comment. Apollo and Carlyle didn’t respond to requests for comment.

News of the talks caused Voya’s stock to rise more than 5% to close at $62.25 Thursday. The shares lost 51 cents to $61.74 on Friday.

Voya is not believed to be in a formal auction process and it’s not clear if it has hired an investment bank to handle a sale. The insurer’s board is open to discussions, the FT said. Goldman Sachs Group (GS) has advised Voya on several transactions, including the recent sale of the company’s individual life and other legacy non-retirement annuities businesses to Resolution Life Group Holdings in December.
Goldman couldn’t be reached for comment.

Sun Life, a Canadian financial services company with a $29 billion market capitalization, is “always actively looking for opportunities that add scale and capabilities to our organization, as well as help us meet our medium term financial objectives,” a spokesman said.

The private-equity question

Voya Financial is the former U.S. insurance unit of ING Group (ING). In 2013, the unit went public on the NYSE and rebranded itself as Voya Financial in 2014.

The insurer provides retirement products, employee benefits and investment management to customers. Voya employs about 6,000 people and produced $8.5 billion in 2018 revenue. Voya’s market capitalization on Friday was $8 billion.

Voya has been up for sale before. In 2017, AIG and Voya discussed a sale of the company for more than $10 billion, but there was no deal, press reports said at the time.

Voya "has simplified its operations through the sale of its life and annuity operations, and now focuses on higher multiple, capital-light businesses," according to Nigel Dally, a Morgan Stanley managing director, in a Thursday research note. "The CEO Rod Martin is currently 67 years old, and often, deals are announced prior to a CEO succession. Last, the company is in an overcapitalized position and generates a large amount of cash."

Foreign buyers are the most likely acquirers of Voya at this point, said Dally, without mentioning names.

Private equity has a strong history of buying insurers. Apollo, Blackstone Group and Carlyle Group have been involved in a significant number of public-company deals involving life and annuity companies, the private-equity lobbyist American Investment Council said in February.
Blackstone told investors that it plans to build its insurance unit into a powerhouse, the Wall Street Journal reported in May. In 2017, Blackstone acquired Fidelity & Guaranty Life for $1.85 billion. Blackstone is not interested in Voya, a person familiar with the situation said.

One of the more famous insurance deals involves Apollo, which in 2009 backed ex-AIG executive James Belardi to create Athene Holding, an affiliated life-insurance company. More recently, in 2019, Carlyle acquired a small stake in SBI Life Insurance, of India.

Regulatory issues could inhibit a private-equity acquisition of Voya. State regulators require insurers to hold significant amounts of assets on their balance sheets in order to fund future liabilities that may arise, the AIC said. State regulators have become more comfortable with private equity, but they still draw more scrutiny as buyers than other financial institutions, the AIC said.

"Stripping capital out of life insurance companies is restricted by various insurance regulations, which makes [buying Voya] significantly more complex," one analyst said.

Private equity, however, needs to put money to work. Buyout firms are sitting on $1.4 trillion of cash, *Barron's* reported in December, citing Preqin data. This figure hits $2.4 trillion if real estate, infrastructure, natural resources, and private debt are included. The need to invest is expected to push private equity into consummating more take-private transactions, bankers said.
"There is a need for consolidation in the [life insurance] space," a banker said.

Write to Luisa Beltran at luisa.beltran@dowjones.com

KANSAS BOARD OF REGENTS

Retirement Plan Committee (RPC)

MINUTES

September 17, 2019

Regent Bangerter called the September 17, 2019, 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
Diane Goddard, KU
Gary Leitnaker, KSU
Madi Vannaman, KBOR
President Steve Scott, PSU
Dr. Dipak Ghosh, ESU
Dr. Rick Lecompte, WSU
Michele Sexton, PSU

Also present were Brad Tollander and Bernie Heffernon, Advanced Capital Group consultants. From TIAA: Nicolette Dixon, Senior Relationship Manager; Tom Carmody, Managing Director, Retirement Plan Sales; Ray Bellucci, Senior Managing Director and Gary Merlette, Senior Relationship Manager. From Voya: John O'Brien, Regional Vice President; and Cindy Delfelder, Client Relations. From the Board Office: Natalie Yoza, Associate General Counsel, Julene Miller, General Counsel, and Elaine Frisbie, Vice President Administration and Finance. Stacey Snakenberg, KUMC, participated by phone.

Minutes

The minutes from the March 19, 2019, and June 13, 2019, meetings were approved unanimously.

Introductions

Dr. Steve Scott, President of Pittsburg State University, was introduced and welcomed as the representative for the KBOR Council of Presidents.

KBOR Voluntary Retirement Plan

Natalie Yoza provided the RPC with information about the following:

1. Hardship withdrawal provision update – In 2018, the federal rules governing hardship withdrawals were relaxed and by January 1, 2020, the Voluntary Plan Document must be amended to remove the six-month suspension of elective deferrals after a hardship withdrawal is taken. Board Staff recommends the following changes:

a. 6-month suspensions are no longer required when a Participant takes a hardship withdrawal and such suspensions must cease by January 1, 2020:
   i. Effective date of January 1, 2020
   ii. End all previously initiated suspensions as of January 1, 2020.

b. Loans - Plan participants are no longer required to take nontaxable loans before taking a hardship withdrawal.
   i. Effective date of January 1, 2020.

c. Additional circumstances can be included that qualify as an "immediate and heavy financial need"
   i. Expenses to repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code section 165

DRAFT

ii. Expenses and losses incurred on account of a disaster declared by FEMA.

Michele Sexton moved to adopt amendment three to the Voluntary Retirement Plan Document, as presented, by making all changes effective January 1, 2020, and by including the two optional circumstances in 9.05(b)(6) and (b)(7). Mike Barnett seconded the motion that passed unanimously.

2. KBOR regulation changes – The Board's regulations have not been amended since 1985, and the governing statues were materially amended in 2005. Because these regulations are no longer consistent with the statutes, Natalie recommend the RPC move to begin the process to revoke the regulations. After the Administrative Rules and Regulations Filing Act requirements are met and a public hearing held, the proposed revocations would be presented to the Board for a vote. New regulations will be drafted in the future and presented to the RPC for review and then the Board for adoption.

Regent Bangerter asked whether Board action will be required and Natalie Yost responded that after the public hearing is held, a roll call vote of the Board will be required to revoke the regulations. We will not be harmed in the interim, before the new regulations are developed, as the Plan Document provides policy direction.

Michele Sexton moved to authorize Board Staff to begin revocation of the retirement plan regulations, K.A.R. 88-10-1 et. seq. and K.A.R. 88-11-1 et. seq. Dr. LeCompte seconded the motion that passed unanimously.

3. Consolidation of recordkeepers – as discussed on the June 13, 2019, conference call, actions to address the KBOR Voluntary 403(b) Retirement Plan the RPC voted to adopt the recommendations from the 2017 RFI for the Mandatory Plan and select TIAA and Voya as the only active vendors for the Voluntary Retirement Plan. The Kansas Department of Procurement and Contracts approved contract negotiations with TIAA and Voya. Procurement also approved KBOR amending the ACG Mandatory Plan consulting contract to assist with the consolidation process and, ultimately, serve as an investment consultant for the Voluntary Plan.

There is not enough time to get those changes implemented by January 2020, so Board Staff recommend making the change effective with the first paycheck in January 2021. Board staff also recommend the following timeline:

a. Send communications to deselected vendors, plan participants, and institutional key stakeholders as soon as possible.
b. Prepare the new recordkeeper contracts with TIAA and Voya for the March RPC meeting.
c. Prepare a draft communications plan for the RPC's review in March.

Michele Sexton moved to adopt the pay period associated with the first January 2021 check as the implementation date for the consolidation project and to authorize ACG and Board Staff to send communications to the deselected vendors, plan participants, and key stakeholders at the institutions regarding the upcoming changes as soon as possible. Gary Leitnaker seconded the motion that passed unanimously.

4. Advanced Capital Group contract –ACG is the Mandatory Plan investment consultant and their services are required on the Voluntary Plan too. First, ACG would be assisting with the

DRAFT

consolidation of Voluntary Plan recordkeepers for $20,000 billed in June 2020 and December 2020. Second, ACG would become the investment consultant for the Voluntary Plan once that consolidation is complete in 2021. The annual fee for the Voluntary Plan investing consulting will be $25,000.

To pay for these services, Board Staff recommend billing the expenses to TIAA and Voya expense recapture accounts based on their proportionate share of assets held in the Voluntary Plan as of March 31, 2020.

Dr. LeCompte moved to adopt the amendment to the ACG Mandatory Plan contract and to bill the expenses to TIAA and Voya expense recapture accounts based on their proportionate share of the assets held in the Voluntary Plan on March 31, 2020. Gary Leitnaker seconded the motion that passed unanimously.

ACG Semi-Annual Report through June 30, 2019

Bernie Heffernon provided the following information:

1. Industry trends – information was shared about Higher Education litigation.

2. Plan document review

A. Mandatory Retirement Plan – the Plan Document has been reviewed and no changes were recommended. The recommendation for the Plan Document is to reflect on the coverage page "Reviewed and Approved September 17, 2019."

B. Investment Policy Statement – the Appendix is updated whenever there are changes to the fund lineup or benchmarks. The Policy itself was reviewed and no changes were recommended. The recommendation for the IPS is to reflect on the coverage page "Reviewed and Approved September 17, 2019."

C. Vendor Management Document – recommended changes to reflect updates to the company names, consistency of terminology as well as an addition to provide a frequency guideline for formal benchmarking and RFI/RFP processes.

Dr. LeCompte moved to adopt ACG's recommended changes to the Plan documents. Diane Goddard seconded the motion that passed unanimously.

Brad Tollander provided an overview of ACG's semi-annual analysis.

1. Watch list funds – the following funds were placed on the watch list at the March 2019 RPC meeting and ACG's recommendation is to re-evaluate at the Spring 2020 meeting. TIAA: Large-Cap Value Institutional, Mid-Cap Value Institutional, and Voya Small-Cap Opportunities Portfolio.
2. On October 1, 2019, the TIAA Lifecycle and Lifecycle Index Funds will be extending the final landing point for their glidepaths from 10 years past retirement to 30 years past retirement. The current glidepath (e.g., up until 10 years past retirement), will remain unchanged. ACG states that TIAA's rationale for changing the glidepath seems reasonable and prudent, especially for those participants in their second or third decade of retirement. Dr. LeCompte asked why the real estate was cancelled out after 15 years. Mike Barnett asked why is 35% equity for an 85 year-old is considered to be high exposure, recognizing there is volatility but at that point it could be an estate plan and not a retirement plan. For both questions, Tom Carmody will consult with the TIAA investment team and report back.

DRAFT

3. Highlights for performance, utilization and expenses for TIAA and Voya were shared.

Regent Bangerter referred to Biznews.com article that looked at the relationship between how long you work and how long you are likely to enjoy your retirement and an actuarial study conducted on some of the larger U.S. Pension Funds that indicates employees who retired at age 65 died within two years of retirement. For those who retired at age 65, the average number of pension payments was 17 months. TIAA will provide data about the age of KBOR retirees and the average number of payments they receive (compared to their other higher education clients) to see how KBOR retirees fare in comparison. [After the meeting, in a September 24, 2019, email, additional information was shared on this topic. In a previous email, this article was shared: https://www.biznews.com/thought-leaders/2013/09/10/retire-at-55-and-live-to-80-work-till-youre-65-and-die-at-67-startling-new-data-shows-how-work-pounds-older-bodies Nicolette Dixon found the following: The "Boeing study" has been quoted by newspapers, magazines and pundits. It's circulated on the internet for years. The problem with it is that Boeing itself says it's simply not true. https://www.bbc.com/news/magazine-18952037.]

Good of the Order

1. KU Medical Center Research Institute retirement plan (KUMCRI) – KU Medical Center brought an issue to the attention of Board staff. Employees of the KUMC Research Institute (KUMCRI), a not-for-profit corporation subordinate entity to KUMC, transitioned employment to KUMC. As part of that transition, employees were terminated from KUMCRI, and were hired by, KUMC. As a result, employees enrolled in the KUMCRI retirement plan have been caught in limbo with an inability to rollover their funds. Ice Miller has been hired to provide counsel and guidance about what options are available for the KUMCRI retirement plan, merged with or transferred to the KBOR retirement plan.

2. Board Staff is working with Ice Miller and ACG to identify an appropriate organization to join that will provide training opportunities, webinars and other plan sponsor resources for administering the Board's 403(b) plans. Annual membership fee will be capped at $800, with approval to attend conferences as appropriate. Associated expenses can be billed as a plan administrative expense which includes items such as educational seminars, retirement planning software, and investment advice, electronic access to plan information, daily valuation, and online transactions.

Mike Barnett asked if there should be a cap on conference expenses as there is for membership expenses. Natalie Yoza stated that conference attendance would be approved as a billable expense, if approved by the RPC acting under their fiduciary responsibilities. Regent Bangerter stated that there would be lag time if the RPC is involved in the approval. Mike Barnett suggested that the RPC chair could approve conference attendance.

Dr. LeCompte moved to authorize Board Staff to join an organization with membership fees capped at $800/year and any conference travel approved through normal Board Office processes and the RPC chair. Expenses will be billed to the Mandatory Retirement Plan expense recapture accounts. Mike Barnett seconded the motion that passed unanimously.

3. President Scott asked whether the RPC looks at the way TIAA and Voya interact with the participants to enhance knowledge about and understanding of the retirement plan. Regent

DRAFT

Bangerter shared that a deep review occurred a few years ago that revealed how little participants interact with the retirement plan companies that are always looking for ways to increase interaction. Nicolette Dixon stated that in June, employee engagement touchpoints were reviewed with a RPC subcommittee and also that each individual campus receives employee engagement information and campaign information. Bernie Heffernon reiterated that communication and education information was shared in June and that there is a need for participants to better understand the value of the plan. Rick LeCompte stated that with upcoming change to the Voluntary Retirement Plans to have the same retirement companies, it will be a good time to consolidate education efforts for both plans. For the March 2020 meeting, a brief overview of employee engagement outcomes will be provided and will be regularly scheduled in the future.

4. Best wishes and congratulations were extended to Gary Leitnaker, a founding member of the RPC, as we celebrated his birthday and last official RPC meeting as he will retire at the end of the year. A cake and decorations, all appropriately themed with fishing and camping motifs, were enjoyed.

Next RPC meeting:

The next regular RPC meeting will be scheduled for March 2020 TBD.

DRAFT

KANSAS BOARD OF REGENTS

Employee Engagement

March 17, 2020

Measuring outcomes

3,647

Took advantage of in person advice available to all plan participants.

As of 12/31/2019

4,472

Took an action: **574** completed online advice,**1,313** started contributions, **1,297** reallocated/re-balanced, **1,288** updated beneficiaries

As of 12/31/2019

96%

Reported TIAA's Financial Consultants considered their interests first and acted with integrity and objectivity.

As of 12/31/2019

1,862

KBOR former employees received **$40M** in lifetime income payments in 2019. The average annual payout is $21,453

As of 12/31/2019

Kansas Board of Regents has 9,879 employees in their plans recordkept by TIAA; 15,996 former employees have a balance in the plans.

These statistics are meant to reflect customer satisfaction with services provided through TIAA financial consultants. Results experienced may not be typical of all participants and are not indicative of future performance or success. Individual results will vary.

Measuring outcomes - continued

10,626

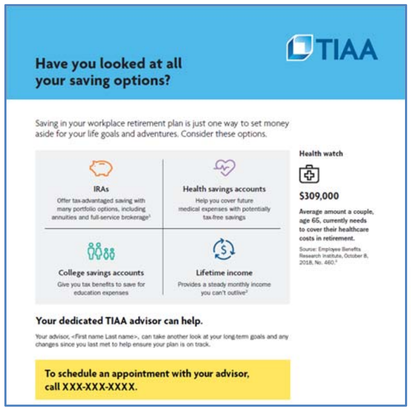
Employees engaged through multi- touch targeted campaigns.

17 workshops and benefits fairs

1,710 contacted via the Stay Smart for Life program and **9,046** contacted via the Financial Foundation campaigns

As of 12/31/2019

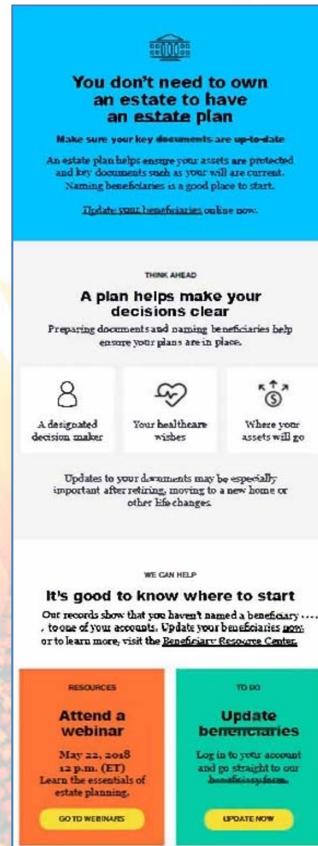
Save More



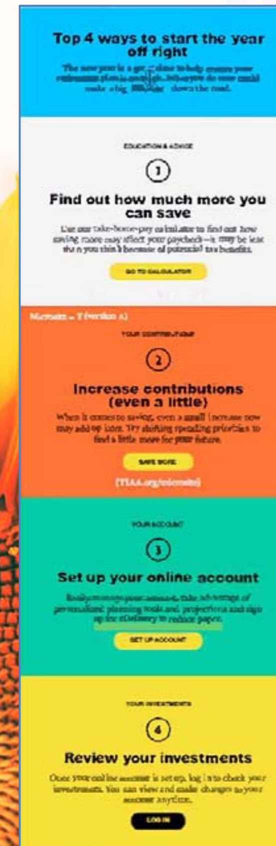
Diversification

Income in Retirement

Estate Plan/Beneficiary



Annual Checklist



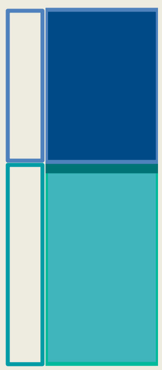
Measuring outcomes - continued

Your participants' average retirement income replacement ratio[1]

81.6% Total Plan Assets + Social Security

35.0% Variable Income

46.5% Guaranteed Lifetime Income



Variable income sources include mutual funds & CREF Variable Annuities

2.2% TIAA Traditional

44.3% Social Security

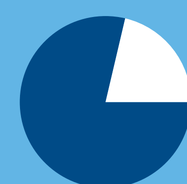
Your actively contributing participants

Average account balance	$159,422
Average annual salary (pretax)	$84,309
Average annual retirement income (after-tax)	$49,812
Average contribution rate	13.2
Average age	45
Average tenure in years	10.5

This data is as of 12/31/2019 and is based on 9,351 participants who are actively contributing to KANSAS BOARD OF REGENTS. This report uses estimated salary and/or compensation data. [1]The median income replacement ratio for this analysis is 77.7%.

All TIAA recordkept assets

21% of your participants have additional balances in other TIAA recordkept retirement plans. Their average income replacement ratio is **84.1%**.[1]



2019 Participant Overview

8,062	Participant Accounts with a Balance
$59,000	Median Participant Salary
51	Average Participant Age
$114,409	Average Savings Balance

342 Transfers into the Plan

337 Participants Receiving Income

3,844 Local 1x1s

837 CSR Calls

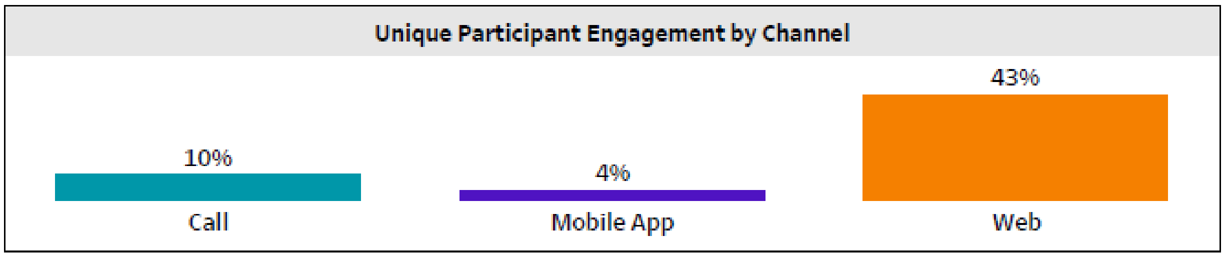
611 New Enrollments

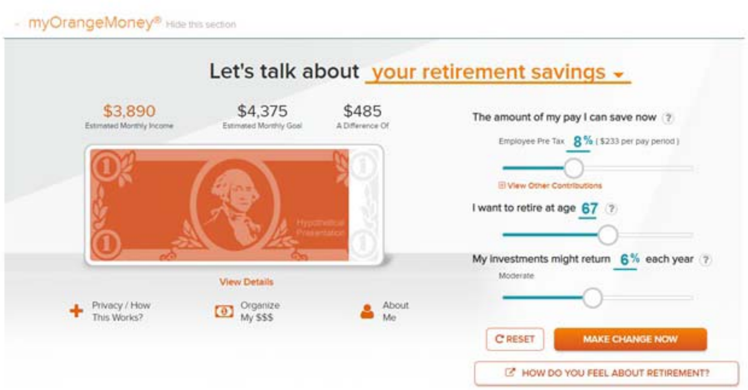
1,041 Investment Changes

PLAN | INVEST | PROTECT

2019 Digital Engagement Overview

46% of plan participants have engaged (used web, mobile, or called) over the past 12 months
43% of plan participants have digitally engaged over the past 12 months

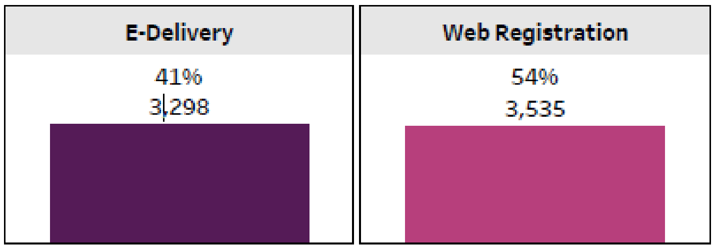




Unique Participant Activity	Participants
Logged in with access to myOrangeMoney	3,148
Viewed myOrangeMoney	2,486
Engaged and interacted with myOrangeMoney	969

PLAN | INVEST | PROTECT

2019 Personalized Email Messaging Overview

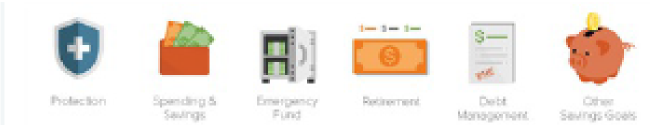


	Quarterly Education	Beneficiary	Diversification
Unique participants delivered	3,273	221	388
Unique participants opened	1,443 44%	113 51%	205 53%
Unique participants clicked	236 16%	37 33%	45 22%
Participants took action after opening	52 4%	21 19%	5 2%

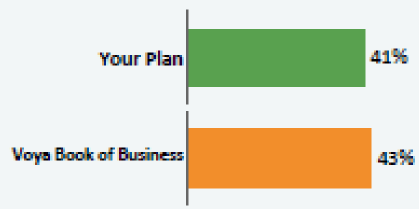
2019 Financial Wellness Assessment Overview

KANSAS BOARD OF REGENTS RETIREMENT PLAN

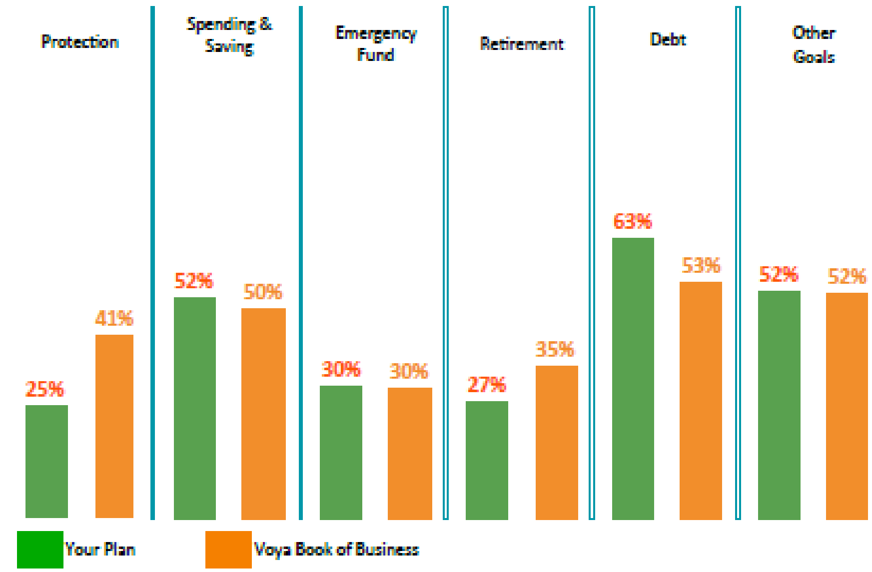
Your Plan's Financial Wellness Summary Metric



41% of participants' pillar scores are green



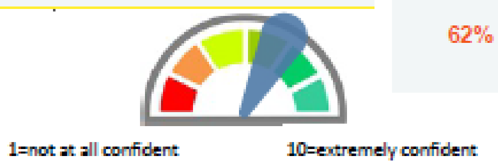
Percent of Employees On Track by Pillar



For Summary Wellness metric and Percent On Track by Pillar, gray scores for Other Goals pillar are counted as green and gray scores for Retirement pillar counted as red.

How do your employees feel about their current financial situation?

Your employees have an average financial confidence of 6.7
(Voya Book of Business: 6.3)



62% have a financial confidence of 7 or more *(Voya book of business: 53%)*