

B. Retirement

1. Act on the Board’s Retirement Plan Committee Appointments

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Summary and Staff Recommendation

To fulfill the Board’s fiduciary responsibility for oversight of its Mandatory Retirement Plan, appropriate management and periodic review of the investment options provided under the Plan are required. In order to better provide such oversight, in July 2005, the Board delegated responsibility for plan administration and investment oversight to the Board-created “Retirement Plan Committee” (RPC) and established the composition of and membership for that Committee. Terms for four members are expiring on June 30, 2017. Staff recommends the re-appointment of these four current RPC members who will each serve a three-year term.

Background on the Kansas Board of Regents Retirement Plans

The Kansas Board of Regents (KBOR) Retirement Plan is an essential component of the benefits and compensation package available to faculty and certain staff who serve at the six state universities and the Board office. The KBOR Plan has four components: (1) a mandatory 403(b) retirement plan; (2) a voluntary 403(b) retirement plan; (3) a long term disability plan; and (4) a phased retirement plan. This issue paper addresses the Board’s oversight of the Mandatory Retirement Plan and the composition of the Board-created Retirement Plan Committee (RPC).

Background on Mandatory Retirement Plan

In 1962 the Legislature authorized the Board to establish a Mandatory Retirement Plan under Internal Revenue Code Section 403(b) in order to provide retirement income for faculty and unclassified employees at the state universities and Board staff. The creation of the KBOR Mandatory Plan allowed eligible employees an alternative to KPERS, which was also established in 1962.

Then, as now, the KBOR retirement plan is an essential tool used to attract and retain quality faculty and unclassified employees to the state universities and to the Board office. With features such as portability and immediate vesting, the KBOR Plan has aspects that differ from KPERS and are more suitable in the competitive environment of higher education.

Each participating employee is required to contribute a percentage of their compensation to the Mandatory Plan (currently 5.5%). The employer, a State university or the Board office, is required to contribute an additional percentage to the Mandatory Plan (currently 8.5%). Thus, participating employees have a total of 14% of their compensation directed as pretax contributions to their retirement.

As of April 30, 2017, the total value of the retirement funds in the Mandatory Plan (with the two Board approved investment providers, TIAA and Voya) was \$3.539 billion dollars.

Retirement Plan Committee and Appointments In June 2005, the Board created the RPC and appointed its first members¹ By Board policy, the RPC is composed of representatives from the Board itself, the Council of Presidents (COPs), the Council of Business Officers (COBO) and the Advisory Committee on Retirement and Benefits (ACORB). Subject matter experts from the campuses provide additional expertise. The RPC’s assigned duties include oversight of the Mandatory Retirement Plan, including its administration and its investments, as well as having the responsibility for creating and reviewing plan documents and investment provider agreements, implementing an investment policy with performance standards, and reviewing the investment performance on a semi-annual basis. In 2012, after a competitive bid process, Segal Rogerscasey was awarded a contract in order

¹ See Board Policy Manual Section A.4.a.(3).

to provide the RPC with consulting services regarding the oversight and performance of investment options and in 2015 the Board approved a five-year extension of that consulting contract.

In accordance with Board policy, the RPC is comprised of ten individuals, with nine voting members, eight of whom represent the universities and members are appointed to serve staggered three year terms. The RPC is currently chaired by Regent Brandau-Murguia and Regent Bangerter also participates.

The terms for the following appointed RPC members will expire on June 30, 2017:

- Michael Barnett, Vice President for Administration and Finance at Fort Hays State University, representing the Council of Business Officers (COBO).
- Dr. Dipak Ghosh, Professor of Economics, Herman B. Baehr Distinguished Professor, Department of Accounting and Information Systems, Emporia State University School of Business, subject matter expert.
- Dr. Rick LeCompte, Chair of Wichita State's Department of Finance, Real Estate and Decision Sciences department, the H. Dene Heskett Chair in Finance and the Director of the Professional Financial Planning Program, subject matter expert.
- Michele Sexton, Director of Budget & Human Resource Services at Pittsburg State University, representing Human Resource Directors/ACORB.

Staff recommends that the Board reappoint the four current RPC members who will each serve three year terms.