

## **MEETING NOTES**

**To:** Kalamazoo Valley Community College Optional Retirement Plan Committee

**Re:** January 29, 2018 Meeting Notes

**Attendees:**

Brian Lueth  
Aaron Hilliard  
Philipp Jonas  
David Brock  
Dori Drayton (PMFA)  
Jeremy Tollas (PMFA)

**Notes:**

**PMFA Plan Review – Presented by Dori Drayton and Jeremy Tollas**

Being the Committee has had turnover in the past few months (David Brock, Philipp and Aaron are all new to the Committee), PMFA gave a high-level overview of the analysis that they previously took the Committee through. PMFA began by outlining their role as an independent consultant and fiduciary in relation to the Committee and the Plan. They emphasized that they would be working alongside the Committee to ensure that all fiduciary responsibilities related to the Plan are met.

PMFA provided a summary of the relevant fiduciary responsibilities including creating an investment policy statement, maintaining diversified investments, using professional money managers, managing expenses, monitoring managers and providers, and avoiding conflicts of interest. They went on to summarize their five step process to meet the above responsibilities and explained that today's meeting would be covering most of step one, "Analyze Current Position".

PMFA discussed current trends in the higher education retirement planning industry relating to vendors, fees, participant education, plan design, compliance, and the hiring of independent fiduciaries. They highlighted items including moving away from proprietary investment options with withdrawal restrictions, vendor consolidation, and fee transparency.

PMFA reviewed the current structure of the Plan, its investment, current fees, and performance. They noted that there was a very large number of investment options, nearly all of which are variable annuity contracts managed by the Plan's two providers, TIAA – CREF and VALIC. The Plan's investment options also include proprietary fixed accounts with withdrawal restrictions at each provider. Plan fees and net-of-fee performance had to be estimated due to a lack of transparency from the providers.

PMFA concluded with a discussion of individual contracts versus group contracts and how they could impact the Plan. A group contract structure generally allows for access to a large universe of investments, more fiduciary control over assets, the ability to "map" assets from one manager to another if needed, greater transparency, lower fees, increased service from providers, and fewer proprietary investment requirements. PMFA reiterated that they recommend that the plan moves to a group contract structure.

PMFA had obtained quotes from both current service providers (TIAA and VALIC) for group contract services. A provider comparison was reviewed in the meeting, which highlighted/compared items for both service providers such as fees, education capabilities, and various other services. Also, PMFA highlighted sections of the specific responses of the two provider proposals, which were included in the meeting materials.

Being some of the Committee members were so new to the role, they wanted to take some time to reflect on the above analysis, as well weigh their options of moving forward with the Plan and service providers. The Committee would like to reconvene with PMFA and TIAA before making decisions to move forward, being the Committee continued to think that TIAA may be the best option if implementing one provider for a group contract structure. Some of the questions that they would like to discuss in the next meeting are outlined below.

### **Action Items**

Paul Rodgers at TIAA will join the next meeting. Questions/items that the Committee would like Paul to talk to include:

- Discuss education capabilities and a potential campaign for the next year (whether the plan retains individual contracts or moves to the group contract moving forward).
- If the current individual contracts can move from the R1 share class to the R2
- Vanguard's availability for individual contracts, and how pricing would work for these funds

Brian will pass on PMFA's current fee schedule to the Committee (currently the minimum \$2,500 quarterly fee is being charged).