MEETING NOTES

To: Kalamazoo Valley Community College Optional Retirement Plan Committee

Date: February 15th, 2019

Re: Meeting Notes

Attendees: Brian Lueth, Aaron Hilliard, Philipp Jonas, David Brock, Susan Matlis, Jeremy Tollas (PMFA), Justin Cohen (PMFA), Paul Rogers (TIAA), Brian Fors (TIAA)

Plante Moran Financial Advisors – Presented by Jeremy Tollas and Justin Cohen

Investment Policy Statement

PMFA reviewed the changes made by KVCC to the draft IPS which outlines the purpose and objectives of the Plan, roles and responsibilities of KVCC, PMFA, investment managers, etc., and various performance and monitoring criteria. The IPS will serve as a road map to the 401(k) Plan.

The body of the IPS will be updated with the changes discussed during the meeting, including further clarity around investment options for annuitizing and the real estate asset class.

Addendum A will be updated to have the TIAA CREF Lifecycle Inst series to be the QDIA.

Addendum B will be updated to reflect the funds being implemented within the ORP Plan.

The KVCC committee will review the draft IPS one last time and let PMFA know if they have any suggested changes. If not, PMFA will finalize the IPS and send to KVCC for signature.

Investment Menu

PMFA initially presented their recommended investment options in the committee meeting on September 28th, 2018. The meeting materials PDF from the prior meeting contains a summary of the investment options that were recommended from an asset class and individual manager perspective. During the prior meeting, PMFA reviewed with the Committee the asset classes that they prefer to see available in a fund lineup and spent time explaining why they structure an investment menu in this manner, which includes considerations around fiduciary best practices.

After separate deliberation from the Committee after the September 2018 meeting, it was ultimately concluded it was in the best interest of employees to offer investment options in the Plan that offered broad “total” exposure to various asset classes in the capital markets. The Committee outlined seven asset classes including Domestic Fixed Income, International Fixed Income, Domestic Equity, International Equity, Money Market, Balanced, and Real Estate, along with both a Fixed and Variable Annuity option. PMFA conducted due diligence on the asset classes decided by the Committee and have outlined the analysis in the PDF 2/15/2019 meeting materials. In order to have exposure to “total” areas of the market, the only plausible option is passively managed index strategies. The Committee approved all of PMFA’s index recommendations for the various asset classes.

The Committee again voiced their desire to offer annuities in the Plan, including TIAA Traditional. PMFA expressed to the Committee that they would not recommend adding a Fixed Annuity such as TIAA Traditional due to lack of similar peers, concentrated credit risk, liquidity concerns, and potential conflict of interest, specifically in TIAA Traditional. With that being said, it was discussed how the Plan is "non-ERISA", and potential benefits were also discussed, including being able to guarantee a rate of return to employees for a given time period, the strong reputation and financial backing of TIAA and the ability to help participants with the distribution stage. PMFA also discussed the pros and cons of variable annuities, which they also don't traditionally recommend, due to the lack of peer groups, ability for participants to invest in them outside of the Plan and higher associated relative expenses. Ultimately, the Committee stated they understood the pros/cons of both options, and concluded to implement TIAA Traditional and CREF Stock.

PMFA discussed the differences between direct real estate vs. REITS. PMFA does not typically recommend a fund dedicated to real estate in a participant directed retirement plan due to the more concentrated nature within the asset class. PMFA stated that if a real estate fund was wanted in the plan, a REITs fund is recommended over a fund dedicated to direct real estate. REITs typically are a more liquid option for access to real estate securities versus private real estate which can lock up a participant's money for an extended period of time. Public REITs also typically have a greater amount of transparency when compared to private, non-listed real estate. With that being said, direct real estate also has its benefits, including exposure to an asset class that typically would be hard for an employee to invest in outside of the plan, as well as diversification benefits. After discussion, the Committee concluded to implement the TIAA Real Estate Account in the Plan.

PMFA presented the Committee with a detailed target date fund analysis highlighting four different series that are widely used within the industry and recommended by PMFA. Each series has its own set of unique characteristics which could make it attractive and PMFA explained each of these to the Committee such as "to vs. through", equity allocation through the glide path and specifically at retirement, management style, number of underlying investments, historical performance, etc. After discussions related to the demographics of the participants in the Plan and their overall retirement readiness and age, the Committee determined that they would implement the TIAA CREF Lifecycle Inst target date series based on their management style, historical performance, and glide path. It was also approved by the Committee to utilize the target date series as the QDIA for the Plan.

Fee Update and Fee Policy

PMFA discussed that the goal of the Plan should be to make fees as transparent as possible and to consider utilizing the cheapest share class available (based upon the fee policy selected) to be most fair to participants in allocating recordkeeping fees.

KVCC determined that they would implement a zero revenue sharing fund line up; however, would credit revenue sharing back to the participant's accounts who earned it if a fund happened to share revenue (no zero revenue sharing option available).

KVCC would like TIAA's fee of .19% to be paid on a pro-rata basis from plan assets. KVCC will pay PMFA fees for the time being, and will reassess once more participants contribute to the Retirement Choice contracts.

TIAA Discussion – Presented by Paul Rogers and Brian Fors

TIAA discussed the timeline of the conversion to the Retirement Choice (RC) Contracts with the Committee. Please see the timeline for proposed dates and milestones. The Committee concluded for TIAA to adjust this timeline for a September rollout of the RC contract. All future ORP contributions will be directed to the RC contract, regardless if employees are currently utilizing TIAA or VALIC.

The Committee discussed updating their plan document to the TIAA volume submitter. This will be the first part of the conversion process. Paul will send KVCC a sample plan doc for KVCC's attorney's to review. Moving forward, it was decided that VALIC will also follow this new plan document. As part of the plan document discussion, TIAA will look into if loans are allowed in the Plan as well as limiting them to one.

The Committee also concluded to offer the same "new" investment lineup for the VALIC and TIAA 403(b) and 457(b) contributions going forward for new contributions. It was concluded to hold off on freezing other provider options for the 403(b) and 457(b), but Susan was looking into who was actually participating in the other platforms for future consideration.

Action Items

PMFA to update the IPS as noted above and will send for final review and signature.

PMFA will draft an asset change form summarizing all of the investment related decisions made during the meeting.

Susan will follow-up on participants in the 403(b) and 457(f) plans that are not currently using VALIC or TIAA as service providers.

TIAA will send plan document that can be implemented going forward for the ORP. This will also assist in the timing of a potential "kick-off" call or meeting in order to revisit the timeline and potential action items/deadlines going forward in order to stay on track for a September 2019 rollout.

TIAA will confirm that loans can be allowed in the ORP going forward, and if they can be limited to one outstanding per participant.

Additional details on all outlined items above can be found in the PMFA meeting materials dispersed.