

MEETING NOTES

To: Kalamazoo Valley Community College Optional Retirement Plan Committee

Re: May 3, 2018 Meeting Notes

Attendees:

Brian Lueth
Aaron Hilliard
Philipp Jonas
David Brock
Susan Matlis
Jeremy Tollas (PMFA)
Paul Rogers (TIAA)

Notes:

TIAA Plan Review – Paul Rogers

In follow up from the previous meeting, TIAA came prepared to answer questions/items that the Committee had requested.

- TIAA discussed education capabilities and a potential campaign for the next year (which can be customized based on if the plan retains individual contracts or moves to the group contract moving forward). If the plan transitions to the Retirement Choice platform, its estimated that the transition process would take approximately 16 weeks. This would include transition seminars and one-on-one meetings to help participants enroll/transfer to the RC platform if they so choose.
- The current individual contracts can move from the R1 share class to the R2 once the CREF assets have a 12-month average of at least \$25 million in assets. Currently there is less than \$10 million invested in the CREF funds.
- Non-TIAA investment options such as Vanguard are available for individual contracts, essentially they would not pay TIAA revenue sharing for recordkeeping services, so TIAA would have to monitor the flow into these outside funds to ensure they are continuing to support the cost of the plan.

Being the Committee has had turnover in the past year, TIAA gave a high-level overview of the history of TIAA, a report on plan design and service utilization, and comparative details of their various platforms, including each platform's capability with TIAA Traditional. More details on TIAA Traditional can be found on page 39 of the PDF. TIAA highlighted the fact that although the current recordkeeping fees for the individual contracts are more expensive than the RC contract from a recordkeeping fee standpoint, there are ways to rebate revenue back to the plan (and eventually the participants) to make the recordkeeping fees essentially the same (although it is expected that TIAA would be still collecting fund management revenue in the individual contracts).

PMFA reiterated 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 and TIAA 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.

The Committee showed some concerns about the lower floor of the TIAA Traditional for the RC contract, (3% vs. 1-3%) as well as the lower minimum annuity payment amount (2.5% interest and a fixed mortality table vs. 2% interest and a mortality table that is updated each year). This is something that will be considered in making the decision, and can be revisited in the future if need be.

Action Items

Given all of the various factors that were discussed in the meeting, the Committee is going to meet internally discuss next steps for moving forward. The Committee will then follow up with TIAA and PMFA accordingly, with the thought of potentially having the next meeting around August .