

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

March 24, 2023

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 10:16 a.m. on March 24, 2023, in the Retirement System Board Room, Topeka, Kansas.

Board members present: James Zakoura, Chairperson
 Ron Johnson, Vice-Chairperson
 Ernie Claudel
 Emily Hill
 Steven Johnson
 Brad Stratton
 Ryan Trader
 Sam Williams
 Jo Yun

Board members absent: None

Chairperson James Zakoura welcomed Melissa Renick, Legislative Research, Jeff Arpin, Division of the Budget, and Ross Kerber, Thomson Reuters, (via Zoom). Chairperson Zakoura also welcomed Jeff Chanay and Tom Treacy, Kansas State Treasurer’s Office, and all other participants.

Public Comments

There were no public comments.

Outstanding Service Awards

Chairperson James Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy congratulated Jason McKinzie, Information Technology Security Analyst III, as the recipient of the KPERS Outstanding Service Award for the period of April 2023 through July 2023 because of the distinguished service he provided to KPERS. Mr. Conroy stated that Jason McKinzie led a significant firewall upgrade that enhanced the security framework and capacity of KPERS’ network. While he made the task look easy, it was very complex. It required weeks of research and planning to build the installation and configuration package. He had to consider the physical location for the hardware, ensuring we had enough space in the server room to accommodate the equipment.

Alan Conroy, Executive Director, and Chairperson James Zakoura awarded Jason McKinzie with an Appreciation Plaque, congratulating him for his accomplishments and great service to KPERS.

Consent Agenda

The consent agenda included the approval of Board minutes for the January 20, 2023, meeting, Power of Attorney for Investment Transactions Certificates, the consideration of KPERS 3 and Deferred Retirement Option Program (DROP) Interest Credits, and the appointment of Hearing Officers.

Trustee Claudel moved that the Board of Trustees adopt the consent agenda. Trustee Hill seconded the motion. The motion carried.

Executive Director's Report

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reported on recent agency activities including:

Benefits and Member Services staff handled approximately 18,800 incoming phone calls and 5,200 emails from members, employers, and others. Staff also assisted more than 640 members and survivors who visited the Retirement System's offices, a 60 percent increase over the number of visitors during January and February 2022.

Benefits and Member Services Educational team partnered with the Communications staff to present the quarterly Pre-Retirement Webinars with 809 members in attendees.

Staff also worked to complete the quality control reviews and distribution of the 2022 Member Annual Statements, implementing technology changes for the new federal tax withholding requirements, and participating in various activities for the pension administration modernization project and data governance initiatives.

Fiscal Service staff published the 2022 Governmental Accounting Standards Board (GASB) 68 report to the KPERS website on January 26, 2023. GASB 75 reports were made available to our employers February 15, 2023.

The Fiscal Services Employer Auditing Unit completed 15 employer audits since the January Board meeting, 55 in total for the Fiscal Year 2024. The Employer Auditing Unit also began working on employer payroll information in conjunction with Internal Audit for the 70 employers chosen for the Fiscal Year 2023 GASB 68 audit.

The Employer Reporting Unit also handled over 6,800 calls and emails and processed 520 certifications since the last Board meeting. In addition, staff sent almost 3,700 letters to agencies on various topics.

The Planning and Research staff worked on legislative issues including 21 fiscal notes, 22 bill summaries, 14 pieces of testimony on 12 bills, budget testimony, and overview presentations to three committees. Other legislative projects included requests for information on long-term funding, employer contributions, retiree benefits, working after retirement, and KPERS 3 plan design.

Planning and Research staff worked with the data stewards on several projects, the largest of which is identifying KPERS Master Data as staff anticipates the change to a new database.

This project will help with the data cleansing and migration that will be required for the new pension administration system.

The Investments staff worked with Meketa on the Asset/Liability Study in preparation for the presentations to the Investment Committee. Staff conducted their fourth quarter 2022 due diligence calls with each of the System's public market investment managers and held review meetings with several of the private markets investment managers.

Investment staff conducted private equity and real estate due diligence meetings with two investment managers and worked with Mercer and The Townsend Group to prepare two investment recommendations for the March Investment Committee meeting.

KPERS also welcomed Michael Cumming to the Investment Division team. Michael joined in February as the new Deputy Chief Investment Officer for Public Markets.

The Information Technology staff, and the Segal consultants worked towards finalizing the Request for Proposals for the modernization project. Staff finished the feasibility study and the high-level project plans, and both were approved and returned by the Kansas Information Technology Office.

In January, staff performed a firewall upgrade that enhanced the security posture and processing capacity of the KPERS network and worked towards transitioning the current Disaster Recovery site from the Caverns site in Johnson County to moving permanently to the Azure Cloud.

The KPERS 457 team added additional local government offices to the KPERS 457 plan. The most recent additions are the Barton County Conservation District, the City of Claflin, USD 265 Goddard, and the City of Attica. This brings the total number of joinders signed to four for the calendar year. Empower will continue to work with new plan members to facilitate the enrollment of participants and the posting of their deferrals to the KPERS 457 plan.

The KPERS 457 staff engaged with SageView Advisors, KPERS' 457 investment analysts, to begin working on the Request for Proposals to select a recordkeeper. The current contract with Empower expires at the end of the calendar year. An internal Procurement Negotiating Committee has been established to review submissions from qualified service providers with the intent of announcing a recommended finalist at the September 2023 Board meeting.

Communications team supported the Member Annual Statement project, and staff developed and distributed the retiree newsletter, *VestedInterest*, to all retirees and their beneficiaries. Communications rebranded the KPERS 457 401(a) employer presentation and updated with extensive video editing our "Good to Be Young" video used to recruit new participants. In addition, they sent 23 employer emails for KPERS and KPERS 457 on topics such as employer rate certification, summer pay, GASB, and member and employer educational opportunities.

Staff coordinated completion of KPERS' new communications studio, which provides a dedicated space for communications equipment and technology. The space is being used for headshots, webinars, and team photos.

The Project Management staff since the decision to publish an RFP for a new pension administration system in December of 2022, is focusing on Modernization and Legacy. Staff reviewed and finalized ten workbooks resulting in 120 pages of requirements toward the RFP for the Modernization project. Segal consultants expect us to receive three or four qualified bids. Staff will engage in an intensive review period of those bids from mid-June to mid-July with finalists checking solutions in mid-August. The plan is to have a decision by the end of August in time for the annual budgeting process. In addition, staff successfully engaged the Kansas Information Technology Office and have had both our feasibility and high-level project plans approved.

Staff reviewed and analyzed agency priorities for the legacy portion of this project, and ranked them for resource allocation, and directing our software partner, Sagitec, to focus on critical activities only: emergency needs, regular business operations, security findings and legislative demands.

As the pension administration modernization project gets fully under way, KPERS will need to hire additional temporary staff (three to five years) to backfill for staff who will be dedicated to the project.

Alan Conroy, Executive Director, made three external (non-legislative) presentations since the last Board meeting. These presentations included the Kansas State Council of Fire Fighters, Keeping the Kansas Promise, and the County Weed Directors Association of Kansas. He also presented the KPERS overview to the House Financial Institutions and Pensions Committee and a considerable amount of testimony to legislative committees during the 2023 Session of the Legislature.

Investment Operations Report

Chairperson Zakoura recognized Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed a Semi-Annual Investment Performance Report for the System's investments for time periods ending December 31, 2022. He reported that the Retirement System experienced a total return of -9.4% for calendar year 2022, which exceeded the Policy Index benchmark by 3.1%. Mr. Emkin reported that the System's investment portfolio has outperformed the Policy Index benchmark over the trailing one year, three-year, five-year and ten-year time periods by 3.1%, 1.9%, 1.3%, and 0.9%, respectively. Mr. Emkin responded to questions from the Board.

Chairperson Zakoura recognized Aysun Kilic, Meketa Investment Group. Ms. Kilic reviewed the organization's Investment Market Risk Metrics Report and responded to questions.

Investment Committee Report

The Investment Committee met on Thursday, March 23, 2023. Trustee Emily Hill, Chairperson of the Committee, provided a report and responded to questions.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$40 million to New Mountain Partners VII, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Claudel seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$60 million to AEW Partners Real Estate Fund X, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Yun seconded the motion. The motion carried.

Audit Committee Report

The Audit Committee met on Friday, March 24, 2023. Trustee Ron Johnson, Chairperson of the Committee, provided a report and responded to questions.

Deferred Compensation Committee Report

The Deferred Compensation Committee met on Thursday, March 23, 2023. Trustee Ryan Trader, Chairperson of the Deferred Compensation Committee, provided a report and responded to questions.

Personnel Committee Report

The Personnel Committee met on Friday, March 24, 2023. Trustee Claudel, Chairperson of the Committee, provided a report and staff responded to questions.

Trustee Claudel moved that the Board of Trustees approve the payment of incentive compensation awards to the eligible investment staff for Calendar Year 2022 as calculated by CBIZ Talent & Compensation Solutions and as recommended by the Personnel Committee and the Executive Director. Trustee Ron Johnson seconded the motion. The motion carried.

The New kpers.org Experience is Here

Chairperson Zakoura recognized Kristen Basso, Communications Officer. Ms. Basso introduced Connor Henrichs, Digital Communications Specialist. Mr. Henrichs reviewed the information for the new kpers.org experience. He discussed the top three reasons members visit the website; our approach for less words and more graphics; problem solving technics such as overwhelming content to the users; career stage/life stage information difficult to find, experience across all devices, retirement readiness and career stage information, communications survey results; and member focus groups. Ms. Basso and Mr. Henrichs responded to questions.

The Retirement System Monthly Operations Report and Retirement System Monthly Financial Report

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the monthly operations report of the Benefits and Member Services Division's performance and responded to questions.

The Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the monthly financial report and responded to questions.

Overview of 2022 Member Annual Statement Process

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the information to create the Member Annual Statement and the importance of

member communication including confirming the account balances, reviewing contributions, service, salary, and beneficiaries. The process involves Fiscal Service, Information Technology, Administration, and Benefits and Member Services. The Member Annual Statements are then distributed via electronic or a paper copy, at the request of the employer. The statements are also available on the KPERS web portal. Ms. Green introduced Heather McHardie, Deputy Benefits Officer. Ms. McHardie reviewed the 2022 Member Annual Statement preparation process which begins with the standard operating procedures and testing. Ms. McHardie stated the process of the Member Statements are then ready for quality assurance and production. Ms. McHardie reviewed each section of the Member Annual Statements. Ms. Green and Ms. McHardie responded to questions.

Status Report on the 2023 Legislative Session, Including the KPERS Operating Budget

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner reviewed the Status Report of the 2023 Legislative Session, including the KPERS operating budget. Mr. Waltner stated that 22 KPERS-related bills have been introduced on 12 KPERS policy topics including: KPERS alternative investments cap; KP&F coverage for certain State employees; Deferred Retirement Option Program (DROP) expansion; working after retirement; cost of living adjustments; environmental, social and governance (ESG) investments; retiree death benefits increase; re-opening KPERS 2; and the defined contribution plan design. Mr. Waltner responded to questions.

Extension of the Contract for Actuarial Services for the Death and Disability Plan

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the Extension of the Contract for Actuarial Services for the Death and Disability Plan. Ms. McNeal stated Milliman, Inc. serves as KPERS' consulting actuary for the Death and Disability Plan under a contract that ends on June 30, 2023. Staff recommends approval of two one-year extensions. Ms. McNeal responded to questions.

Trustee Zakoura moved that the Board direct staff to seek two one-year extensions of the contract with Milliman, Inc., for actuarial services on behalf of KPERS' Death and Disability Plan, ending June 30, 2025. Trustee Hill seconded the motion. The motion carried.

Initial Review of Proposed Board Meeting Dates for Fiscal Year 2024 (July 1, 2023 -June 30, 2024)

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the proposed Board Meeting dates for Fiscal Year 2024 and responded to questions.

Other Business

Mr. Conroy stated that the NCTR Trustees Meeting will be located at Raymond A. Mason School of Business College in Williamsburg, Virginia on July 16-19, 2023.

Trustee Ron Johnson inquired about an update on Modernization. Mr. Conroy stated that there is an RFP which will be issued in April 2023. The RFP will be reviewed over the summer months and a selected vendor will be presented for approval at the September 2023 Board meeting.

Trustee Claudel stated that he discussed several items with legislators during the 2023 Legislative Session including: KPERS 3; cost of living adjustments; working after retirement; and the KPERS 7.0% change rate of return.

Informational Items

Chairperson Zakoura called the Board's attention to the informational items behind Tab M in the Board Book.

Board Self Evaluation

There was no further discussion.

Meeting Adjourned

Trustee Hill moved to adjourn the meeting at 1:49 p.m. Trustee Stratton seconded the motion. The motion carried.