

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
July 21, 2017

The meeting of the Board of Trustees was called to order by Chairperson Lois Cox at 10:02 a.m. on July 21, 2017, in the Retirement System Board Room, Topeka, Kansas.

Board members present:

- Lois Cox, Chairperson
- Kelly Arnold, Vice Chairperson
- Ernie Claudel
- Shawn Creger
- Jake LaTurner
- Suresh Ramamurthi
- Michael Rogers
- Ryan Trader

Chairperson Cox welcomed all members.

Oath of Office

Laurie McKinnon, General Counsel, administered the Oath of Office to Ryan Trader, Ernie Claudel and Suresh Ramamurthi.

Ryan Trader is the newly elected Non-School Member. Ernie Claudel was re-elected to a second term as the School Member, and Suresh Ramamurthi was reappointed to a second term by the President of the Senate.

Organization of the Board

Trustee Ernie Claudel nominated Lois Cox to continue to serve as Board Chairperson. Kelly Arnold seconded the motion. Motion passed.

Ms. Cox thanked members of the Board for their confidence in her leadership.

Chairperson Cox appointed Trustee Kelly Arnold to continue serving as Vice-Chairperson of the KPERS Board of Trustees.

Trustee Kelly Arnold moved that the Board of Trustees approve the Fiscal Year 2018 Board and Committee meeting schedule as presented by the staff. Trustee Ernie Claudel seconded the motion. Motion passed.

Public Comments

There were no public comments.

Outstanding Service Award

Chairperson Cox recognized Lisa Ngole as the recipient of the KPERS Outstanding Service Award for the period of August 2017 through November 2017. Chairperson Cox commended Ms. Ngole for her dedicated efforts serving our members.

Consent Agenda

The Consent Agenda included the approval of the May 19, 2017 Board meeting minutes, the Sudan Divestment Report, updated Power of Attorney for Investment Transactions Certifications and the appointment of a hearing officer for Carolina Flores.

Trustee Michael Rogers moved that the Board of Trustees adopt the Consent Agenda. Trustee Shawn Creger seconded the motion. The motion passed.

Executive Director's Report

Chairperson Cox recognized Alan Conroy, Executive Director, and welcomed to the meeting attendees Representatives Steven Johnson, Jim Kelly, and Tom Phillips, as well as Reed Holwegner from the Legislative Research Department.

Mr. Conroy reported on recent agency, department and legislative activities and responded to questions.

Investment Operations

Chairperson Cox recognized Liz Miller, Chief Investment Officer. Ms. Miller reviewed the May 31, 2017, Investment Performance Report. She reported that the Retirement System experienced a total return of 12.2% for the fiscal year to date (not annualized), 12.8% for the trailing one year, and a 6.1% average annualized total return for the trailing three years ending May 31, 2017. Over the long term, the System's total assets continue to exceed the 7.75% actuarial return assumption, with an 8.4% average annualized total return for the past twenty-five years.

Chairman Cox introduced John Burns, Pension Consulting Alliance. Mr. Burns reviewed PCA's Investment Market Risk Metrics Report and responded to questions.

Investment Committee Report

Chairperson Cox recognized Trustee Suresh Ramamurthi, Chairperson of the Investment Committee. Mr. Ramamurthi provided a report on the Committee meeting held on Thursday, July 20, 2017.

Trustee Ramamurthi moved that the Board of Trustees authorize the Executive Director to appoint a Procurement Negotiating Committee for the purpose of conducting a competitive Request for Proposal (RFP) process seeking qualified investment consulting firms to provide general investment consulting services to the Retirement System. Trustee Michael Rogers seconded the motion. Motion passed.

Trustee Ramamurthi moved that the Board of Trustees approve a commitment of up to \$75 million to New Mountain Partners V, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Ryan Trader seconded the motion. Motion passed.

Trustee Ramamurthi moved that the Board of Trustees authorize a commitment of up to \$50 million to AEW Partners Real Estate Fund VIII, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Ernie Claudel seconded the motion. Motion passed.

Personnel Committee Report

Chairperson Cox recognized Trustee Ernie Claudel, Chairperson of the Personnel Committee. Mr. Claudel provided a report on the Personnel Committee held on Friday, July 21, 2017.

Trustee Claudel moved that the Board of Trustees approve an adjustment in scheduled unclassified staff salaries for Fiscal Year 2018, as recommended by the Personnel Committee, including the promotion of the Senior Investment Analyst for Public Markets to an Assistant Investment Officer for Public Markets, the Investment Analyst for Private Markets to a Senior Investment Analyst for Private Markets, and the Portfolio Administrator/Investment Analyst to an Investment Analyst for Public Markets. Trustee Michael Rogers seconded the motion. Motion passed.

Trustee Claudel moved that the Board of Trustees recommend the Executive Director's Annual report be received positively. Trustee Shawn Creger seconded the motion. Motion passed.

Trustee Claudel moved that the Board of Trustees recommend a 4% raise of the Executive Director's salary and requested the Executive Director's salary range be reviewed and report made back to the Board. Trustee Suresh Ramamurthi seconded the motion. Motion passed.

Audit Committee Report

Chairperson Cox recognized Trustee Michael Rogers, Chairperson of the Audit Committee. Mr. Rogers provided a report on the Audit Committee held on Thursday, July 20, 2017 and responded to questions.

Actuarial Valuation Report

The Chairperson recognized KPERS' consulting actuary Pat Beckham, Cavanaugh Macdonald. Alan Conroy, Executive Director, provided a highlight of the function of the annual valuation reports for new Board members. Ms. Beckham presented the December 31, 2016 Actuarial Valuation Report and responded to questions.

Trustee Jake LaTurner moved that the Board of Trustees accept the December 31, 2016 Actuarial Valuation Report. Vice-Chairperson Kelly Arnold seconded the motion. Motion passed.

Recommendation for Death and Disability Program Actuarial Services

The Chairperson recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reported on the RFP process and recommendation that the Board select Milliman Inc. to perform actuarial services for the Death and Disability Program and responded to questions. Ms. Green introduced Daniel Skwire, Principal Actuary, Milliman, who spoke briefly and responded to questions.

Trustee Kelly Arnold moved that the Board of Trustees enter into negotiations with Milliman Inc. for KPERS' Death and Disability Program actuarial services, subject to staff negotiation of a satisfactory contract. Trustee Ernie Claudel seconded the motion. Motion passed.

Recommendation for KPERS 457 Audit Services

The Chairperson recognized Faith Loretto, Planning and Research Officer. Ms. Loretto reported on the RFP process and recommendation that the Board select Moss-Adams, LLP, to perform audit services for KPERS 457 Plan.

Trustee Kelly Arnold moved that the Board of Trustees direct staff to enter into negotiations with Moss-Adams, LLP for KPERS 457 plan auditing services as provided in K.S.A. 74-4927 and related sections, subject to staff negotiations of a satisfactory contract. Treasurer Jake LaTurner seconded the motion. Motion passed.

Review of Initial Order

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided an overview of the appeal process for new trustees, reviewed the Initial Order in the Deborah A. Redifer appeal and responded to questions.

Trustee Ernie Claudel moved that the Board of Trustees adopt the Presiding Officer's Initial Order in the Deborah A. Redifer appeal and direct the Executive Director to draft the final order containing the Board's decision. The final order is to be signed by the Chairperson and served on the parties by the Executive Director in accordance with the provisions of the Kansas Administrative Procedure Act. Vice-Chairperson Kelly Arnold seconded the motion. The motion passed.

Other Business

Chairperson Cox proposed adjourning the meeting early to accommodate the scheduling conflicts of two trustees. Meeting adjourned at 1:10 p.m. by Chairperson Cox.