

**MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT
SYSTEM BOARD OF TRUSTEES**

NOVEMBER 17, 2017

The meeting of the Board of Trustees was called to order by Chairperson Lois Cox at 9:32 a.m. on November 17, 2017, in the Retirement System Board Room, Topeka, Kansas.

Board members present:

- Lois Cox, Chairperson
- Kelly Arnold, Vice Chairperson
- Ernie Claudel
- Shawn Creger
- James C. Cusser
- Jake LaTurner (by phone)
- Michael Rogers
- Ryan Trader

Chairperson Cox welcomed all participants.

The opening order of business was to ceremonially administer the Oath of Office to recently appointed Trustee James C. Cusser. Trustee Cusser had previously taken the oath of office via the telephone at a previous Board meeting.

Public Comment

Chairperson Cox recognized Liz Miller, Chief Investment Officer. Ms. Miller Received a certificate of achievement from the CFA Institute for thirty consecutive years of participation in the CFA Institute Continuing Education Program.

Chairperson Cox recognized Faith Loretto, Research and Planning Officer. Ms. Loretto announced her retirement from the System effective December 15, 2017.

Outstanding Service Award

Chairperson Cox awarded Emily Wilson, Communications Specialist, the KPERS Outstanding Service Award winner for the months of December 2017 through March 2018. Chairperson Cox commended Ms. Wilson for her outstanding efforts to serve the employers and members of KPERS.

Consent Agenda

The Consent Agenda contained the minutes of the September 22, 2017 and September 27, 2017 Board meetings and the minutes of the October 19-20, 2017 Educational and Planning Session.

Kelly Arnold moved that the Board of Trustees adopt the Consent Agenda. Michael Rogers seconded the motion. The motion passed.

Executive Director's Report

Chairperson Cox recognized Alan Conroy, Executive Director. Mr. Conroy provided a report on recent agency, department and legislative activities and responded to questions.

Investment Operations

The Chairperson recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the September 30, 2017 Investment Performance Report. The Retirement System's total assets experienced a total return of 3.0% for the fiscal year to date time period, a total return of 12.2% for the trailing one-year time period, and an average annualized total return of 7.1% for the three years ending September 30, 2017. Bruce Fink reviewed the performance of the active international equity managers in the portfolio. Eric Wigginton, Investment Officer for Public Markets, reported on the performance of the passive equity managers and the investment managers in the yield driven asset class. Daniel Wadsworth, Assistant Investment Officer for Public Markets, reported on the performance of the core fixed income investment managers and the real return investment managers. Investment staff responded to questions from Board members.

Chairperson Cox recognized Representative Steven Johnson and Reed Holwegner, Principal Research Analyst, Kansas Legislative Research Department, who joined the meeting.

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

Investment Committee Report

The Investment Committee met on Thursday, November 16, 2017. Kelly Arnold, Chairperson of the Investment Committee, provided a report and responded to questions.

Mr. Arnold moved that the Board of Trustees revoke the KPERS Active Business Operations Meeting Divestment Criteria List that was approved on July 21, 2017. Michael Rogers seconded the motion. The motion passed.

Mr. Arnold moved that the Board of Trustees authorize an additional commitment of up to \$60 million to LaSalle Property Fund, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Ryan Trader seconded the motion. The motion passed.

Deferred Compensation Report

The Deferred Compensation Committee met on Thursday, November 16, 2017. Shawn Creger, Chairperson of the Committee, provided a report.

Mr. Creger moved that the Board of Trustees direct staff to add the Metropolitan West Total Return Bond, the American Funds Europacific Growth Fund, and the Schwab Treasury Inflation-Protected Securities Index Fund. Ryan Trader seconded the motion. The motion passed.

Audit Committee Report

The Audit Committee meeting was held on Friday, November 17, 2017. Michael Rogers, Chairperson of the Audit Committee, provided a report and responded to questions.

Continued Board Discussion on KPERS Retirement Readiness

Chairperson Cox recognized Faith Loretto, Planning and Research Officer, Kristen Basso, Communications Officer, and Alan Conroy, Executive Director. Ms. Loretto provided an overview of potential future strategies to support retirement readiness preparations for KPERS members. Ms. Basso discussed communication strategies to support retirement readiness education. Ms. Loretto, Ms. Basso and Mr. Conroy responded to Board questions and summarized current retirement readiness practices.

A question was raised by Trustee Shawn Creger why some employers choose not to participate in the KPERS 457 plan. Ms. Loretto responded that several issues may be attributed to those employers' decisions, including participation in other plans, inertia, and control. Ms. Basso added that another issue is a perception that involvement in another KPERS plan might be unsafe. Mr. Creger discussed potential issues with employers' fiduciary responsibility and whether it would be prudent to reach out to them.

Trustee Ryan Trader concurred with Mr. Creger and stated that his city refers to KPERS 457 as "Empower" for the purpose of keeping the plans separate to avoid the perception of the plans being associated with each other. Ms. Loretto reiterated the importance of communication and education regarding that issue.

Trustee Ernie Claudel addressed the issue of educating members of the need to have additional retirement financing and stressed the importance of adequate funding by the State for the required employer contributions.

Chairperson Cox asked if KPERS has the capability to study specific employers' data to assess their needs with the possibility of approaching those employers. Ms. Basso responded that the actuarial experience data is an effective tool for that.

Trustee Creger suggested that auto-enrollment might transition contribution behaviors over time. Chairperson Cox asked staff to survey non-participating employers to determine the reasons they do not participate in the KPERS 457 plan to determine whether to introduce auto-enrollment to the 2019 Kansas Legislature.

After further discussion, Chairperson Cox concluded that the Board supports KPERS' proposed steps in this process, will consider auto-enrollment initiatives for a later legislative session and will add some survey options for the employer base for data that is not currently available.

Possible Legislation for Consideration by the Next Session of the Legislature

Chairperson Cox recognized Jarod Waltner, Assistant Planning and Research Officer. Mr. Waltner reviewed matters of potential legislative issues in the upcoming 2018 session and responded to questions.

Monthly Operations Report

The Chairperson recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed Member Services activities, performance reports and responded to questions.

Monthly Financial Report

The Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed Fiscal Services activities, financial statements, performance reports and responded to questions.

Public Pension Coordinating Council 2017 Public Pension Standards Award for Funding and Administration

Chairperson Cox recognized Jarod Waltner, Assistant Planning and Research Officer. Mr. Waltner reported that KPERS had applied for and was awarded the Public Pension Coordinating Council 2017 Public Pension Standards Award for the third year in a row and responded to questions.

Status Report on Appeals and Litigation

Kelly Arnold moved that the Board recess into executive session to discuss confidential personnel issues under K.S.A. 75-4319(b). The following personnel were included in the session: members of the Board and staff members Alan Conroy, Laurie McKinnon, Kathleen Billings, Elizabeth Miller, Bruce Fink, and Julie Baker. Mr. Arnold stated that the Board would reconvene the open meeting in the Retirement System Board Room at 12:25 p.m. Mr. Arnold also stated that no binding action will be taken in the Executive Session. Ernie Claudel seconded the motion. Motion passed.

At 12:25 p.m. Chairperson Cox reconvened the Board into public session. She announced that no binding action was taken in the executive session.

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Informational Items

Chairperson Cox called the Board's attention to the informational items in the Board book.

Other Business

Chairperson Cox called the Board's attention to the subject of Faith Loretto's retirement and the prospect of splitting the positions held by Ms. Loretto, Planning and Research Officer and KPERS 457 Plan Manager, into two separate positions. Alan Conroy, Executive Director, summarized the overview of both positions and responded to questions.

Ernie Claudel moved that the Board of Trustees approve the request of the Executive Director for the separation of responsibilities of the Planning and Research Officer into two positions, the current Planning and Research Officer, at Pay Grade L and a Deferred Compensation Plan Officer at Pay Grade K. Michael Rogers seconded the motion. The motion passed.

Board Self Evaluation

There was no further Board discussion.

The meeting adjourned at 12:46 p.m.