

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

January 19, 2018

The meeting of the Board of Trustees was called to order by Chairperson Lois Cox at 10:04 a.m. on January 19, 2018, 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
- Suresh Ramamurthi (by phone)
- Michael Rogers
- Ryan Trader

Chairperson Cox acknowledged the attendance of Representative Steven Johnson and Dylan Dear, Legislative Research Department, and welcomed all participants.

Public Comments

There were no public comments.

Chairperson Cox acknowledged three members of the KPERS staff leaving the agency: Mike Branam, Chief Information Officer, Jeanette Branam, Project Manager, and Annette Kuti, Administrative Specialist. Chairperson Cox discussed the contributions each of these three staff members have made to the success of KPERS and wished them all the best.

Consent Agenda

The consent agenda included the minutes of the November 17, 2017 meeting, Appointment of Hearing Officer for Steven D. Moody, the annual Proxy Voting and Disclosure Report, and new employer affiliations for 2018.

Mike Rogers moved that the Board of Trustees adopt the consent agenda. Kelly Arnold seconded the motion. Motion passed.

Executive Director's Report

The Chairperson recognized Alan Conroy, Executive Director. Mr. Conroy reported on recent agency and legislative activities and responded to questions.

Investment Operations

The Chairperson recognized Liz Miller, Chief Investment Officer. Ms. Miller reviewed the November 30, 2017 performance report. She reported that the Retirement System experienced a total return of 3.8% for the quarter (not annualized), 13.2% for the calendar year to date (not annualized), 14.9% for the trailing one year, and 7.2% for the trailing three years ending November 30, 2017. The average annualized total return was reported at 8.5% for the twenty-five years ending November 30, 2017.

The Chairperson recognized 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, January 18, 2018. Lois Cox, acting Chairperson of the Committee, provided a brief report.

Lois Cox moved that the Board of Trustees authorize an additional commitment of up to \$60 million to PRISA LP and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Shawn Creger seconded the motion. Motion passed.

Lois Cox moved that the Board authorize the Chief Investment Officer to appoint a Procurement Negotiating Committee for the purpose of conducting a competitive Request for Proposal (RFP) process seeking qualified property management and leasing service providers for the KPERS headquarters property. Kelly Arnold seconded the motion. Motion passed.

Audit Committee Report

The Audit Committee met on Friday, January 19, 2018. Michael Rogers, Chairperson of the Committee, provided a report and responded to questions.

Personnel Committee Report

The Personnel Committee met on Thursday, January 18, 2018. Ernie Claudel, Chairperson of the Committee, provided a report and responded to questions.

Report and Review of Governor's Budget Recommendations for KPERS for Fiscal Years 2018 and 2019

The Chairperson recognized Alan Conroy, Executive Director, who informed the Board that the Governor did not make any adjustments to the KPERS FY 2018 or FY 2019 budgets as approved by the 2017 Legislature and as recommended by the Board of Trustees in the agency's budget submission to the Governor during the fall of 2017.

Representative Steven Johnson discussed legislative activity from the 2017 Session and possible legislative action in the 2018 Session regarding KPERS State/School employer contributions. He reviewed the need for suitable funding by the State for KPERS State/School employer contributions. In responding to questions from the Board, Representative Johnson also reviewed the status of the revenue stream for the State General Fund in FY 2018 and FY 2019, any possible additional adjustments by the 2018 Legislature, and the impact on state revenue by the recent federal tax law changes.

Presentation of KPERS Summary Overview for Policy Makers

The Chairperson recognized Jarod Waltner, Planning and Research Officer, who presented a KPERS Summary Overview for Policy Makers. The document was prepared for Lieutenant Governor Colyer in the event that he would become Governor if Governor Brownback would resign his office to assume a federal ambassadorship. The KPERS Overview included general information on KPERS, the KPERS Trust Fund, KPERS investments, how benefits are funded, KPERS short-term and long-term funding and Kansas pension obligation bonds. Mr. Waltner respond to questions.

Chairperson Cox noted the need to include information on the other activities within KPERS such as the death and disability program, optional group life insurance, and the KPERS 457 deferred compensation plan. Staff indicated that information would be added to the document.

Ernie Claudel highlighted the underfunding in the past by the Legislature for the KPERS School group and the need to note that underfunding at the appropriate time and within the appropriate documents. Trustee Claudel also discussed the potential impact on KPERS funding information by the Governmental Accounting Standards Board (GASB) No. 68.

Presentation of the KPERS Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017

The Chairperson recognized Alan Conroy, Executive Director, and Judy McNeal, Chief Fiscal Officer. Ms. McNeal presented the highlights of the KPERS Comprehensive Annual Financial Report for Fiscal Year 2017 and responded to questions.

Sample Legislative Activity Report on KPERS Related Issues

The Chairperson introduced Jarod Waltner, Planning and Research Officer. Mr. Waltner provided a summary of current legislative issues pertaining to KPERS, discussed up-to-date e-mail communications of KPERS' legislative activity and responded to questions.

Monthly Operations Report

The Chairperson recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed member service performance and responded to questions.

Monthly Financial Report

The Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the preliminary December 31, 2017 financial statements and responded to questions.

Review of Initial Orders

The Chairperson recognized Kathleen Billings, Staff Attorney. Ms. Billings provided an overview of the appeal process for new trustees, reviewed the Initial Order in the Sandra Tanner appeal and responded to questions.

Jake LaTurner moved that the Board of Trustees adopt the Presiding Officer's Initial Order in the Sandra Tanner 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. Shawn Creger seconded the motion. The motion passed.

Other Business

No other business was discussed.

Informational Items

The Chairperson called the Board's attention to the informational items behind Tab L in the Board book.

Board Self Evaluation

There was no further discussion.

Meeting adjourned at 1:14 p.m.