

**MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
EDUCATIONAL AND PLANNING MEETING**

October 18, 2018

The meeting was call to order by Alan Conroy, Executive Director, KPERS at 10:05 a.m. in the Shawnee Room at the Capitol Plaza Hotel in Topeka, Kansas.

Board Members Present: Kelly Arnold, Chairman
Ernie Claudel
Shawn Creger (Thursday)
James C. Cusser
Jake LaTurner (Thursday)
Michael Rogers
James Zakoura (Thursday)

Board Members Absent: Suresh Ramamurthi, Vice Chairman
Ryan Trader

KPERS 101 – A Basic Overview

Alan Conroy, Executive Director welcomed all participants, discussed the goals of the session, provided a summary of the meeting’s topics and responded to questions.

Basics of KPERS Benefit Structure, Including How Benefits are Earned and Calculated for KPERS 1, KPERS 2, and KPERS 3

Alan Conroy, Executive Director introduced Mary Beth Green, Chief Benefits Officer. Ms. Green provided an overview of how KPERS benefits are earned and calculated for KPERS 1, KPERS 2, and KPERS 3 members; KP&F Tier I and Tier II members; and Judges. Ms. Green stated KPERS members are included in one specific benefit plan depending on their hire date. KPERS 1 members, hired before July 1, 2009 which comprise 46.7% of the total KPERS members (2017); KPERS 2 members, hired between July 1, 2009 and December 31, 2014, include 22.7% of the total number of KPERS members (2017), and KPERS 3 members hired January 1, 2015 or later contain 25.5% of the total KPERS members. (2017); KP&F members include Tier I members hired before July 1, 1989 and Tier II members hired July 1, 1989 or later, which together include 4.9% of the total KPERS members (2017). Judges comprise 0.2% of the total KPERS members (2017). Ms. Green discussed the defined benefits plan background, the working years, collecting retirement benefits for KPERS 1 and KPERS 2, KP&F, and Judges, and KPERS 3 benefits, and responded to questions.

Investment Basics for Trustees

Alan Conroy, Executive Director recognized Allan Emkin, Managing Director, Pension Consulting Alliance. Mr. Emkin provided a comprehensive overview of relevant investment issues for Board members, including investment policy, asset liability process, role of assets, asset allocation targets, portfolio rebalancing, performance measurements, investment style - active vs. passive, investment timeframes, and risk management,. Mr. Emkin responded to questions.

Actuarial Basics and Overview for Trustees

Alan Conroy, Executive Director recognized Pat Beckham, Principal Consulting Actuary, Cavanaugh Macdonald. Ms. Beckham provided an actuarial basics overview of pure defined contribution plans, hybrid plans, purposes of actuarial valuations, components of actuarial valuations, measurement of assets, valuation control cycle and responded to questions.

Alan Conroy, Executive Director adjourned the meeting for a lunch break at 12:21 p.m.

Lunch was served to members of the Board of Trustees, and all participants.

Welcome and Review of Meeting Goals

Chairman Arnold called the meeting to resume at 1:16 p.m. Chairman Arnold welcomed all participants and reviewed the goals of the session.

Disability Review and Appeal Process

Chairman Arnold recognized Mary Beth Green, Chief Benefits Officer and Kathleen Billings, Staff Attorney. Ms. Green provided an overview of the disability appeal process, which include the submission of application and supporting documentation; initial eligibility review by KPERS, and referral to disability management services or KPERS consulting physicians; review by third party administrator for final agency determination. Ms. Green responded to questions.

Ms. Billings provided an overview of the law governing administrative appeals including the administrative hearing before the Office of Administrative Hearings, initial order issued by the Administrative Law Judge; and review and final order provided by the Board of Trustees; appellate review by the Shawnee County District Court, Kansas Court of Appeals, and Kansas Supreme Court. Ms. Billings responded to questions.

KPERS Communications Plan Update

Alan Conroy, Executive Director recognized Kristen Basso, Communications Officer. Ms. Basso provided an overview of the KPERS communications highlights from FY 2018, including the rollout of the employer webportal redesign with a high degree of customer satisfaction, projects for FY 2019 including member engagement initiative, member portal

redesign, member annual statement redesign, KPERS 3 campaigns, and optional group life insurance online anytime projects. Ms. Basso responded to questions.

KPERS Standing in Comparison with Other Public Pension Plans

Alan Conroy, Executive Director recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an overview comparison of KPERS with other public pension plans including retirement rankings, pensions and investment rankings, retirement funds based on asset size, funded ratios in the 2017 valuations, funded ratios comparisons, and KPERS actual and projected funded ratios. Mr. Waltner responded to questions.

Recent Actuarial Standard Change Overview

Alan Conroy, Executive Director recognized Pat Beckham, Principal Consulting Actuary, Cavanaugh Macdonald. Ms. Beckham provided an overview of the recent actuarial standard change including actuarial standards of practice, maturity measures, impact of assets volatility ratio on contribution rates, impact of investment return, stochastic analysis, impact of extending amortization, potential demographic risk analysis, and qualitative risk evaluation. Ms. Beckham responded to questions.

KPERS 457 Fees and Fee Benchmarking

Alan Conroy, Executive Director recognized Laurie Rueschhoff, KPERS 457 Deferred Compensation Plan Officer. Ms. Rueschhoff gave a brief overview of the KPERS 457 Plan contract with Empower, and introduced Jake O'Shaughnessy, Managing Director, SageView Advisory Group. Mr. O'Shaughnessy presented an overview of the KPERS 457 plan fees analysis and fee benchmarking. Mr. O'Shaughnessy discussed a range of tools used by record keepers such as Empower to help employees learn more about the KPERS 457 plan, in order to enroll and save for retirement. He stated that public employers are beginning to adopt a wider array of approaches, including several technologically oriented strategies, such as general education with the KPERS website, welcome letters, newsletters, pre-retirement seminars, and mobile app, as well as traditional methods of group and individual meetings. Mr. O'Shaughnessy responded to questions.

Strategic Plan Update

Alan Conroy, Executive Director introduced Jarod Waltner, Planning and Research Officer. Mr. Waltner presented an overview of the KPERS Strategic Plan progress and initiatives. Current strategic initiatives include long-term funding and retirement plan design, death and disability program, investment management, service to members, communication, education, technology, risk management, and staffing. Mr. Walter responded to questions.

Overview of Current Status of Professional Contracts with Vendors

Alan Conroy, Executive Director recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the current status of professional contracts and how KPERS track the contracts. Ms. McKinnon stated that KPERS staff maintain key information regarding the System's contracts and Requests for Proposals (RFP) to keep apprised of contracts close to terminating, and whether or not a Request for Proposal is due. Ms. McKinnon responded to questions.

CEM Benchmarking Analysis of KPERS Operations

Alan Conroy, Executive Director recognized Michael Reid, Vice President, Customer Experience Management (CEM) Benchmarking. Mr. Reid presented an overview of the KPERS Operations Benchmarking Report - FY 2017 including total pension administration costs, total service score, total website visits, and satisfaction surveying. Mr. Reid noted that KPERS operations were high service and low cost as compared to KPERS' peers. Mr. Reid responded to questions.

Survey Results of Members Interaction with Benefits and Member Services

Alan Conroy, Executive Director recognized Mary Beth Green, Chief Benefits Officer. Ms. Green provided an overview of the survey results of the member's interaction with Benefits and Member Services, including telephone calls, one-on-one counseling, and retirement process. Overall, members were very satisfied with their level of service they received from Benefits and member Services. Ms. Green responded to questions.

Alan Conroy adjourned the meeting at 4:47 p.m.

Dinner and Presentation in the Shawnee Room

Chairman Arnold welcomed Board members, and all other participants to the Dinner Presentation in the Shawnee Room at the Capitol Plaza Hotel at 6:05 p.m.

Current Market Conditions and Outlook for Private Equity and Real Estate

Chairman Arnold recognized Elizabeth Miller, Chief Investment Officer who gave a brief introduction of the presentation topics. Ms. Miller introduced Dr. Asieh Mansour, Senior Advisor, Townsend Group and Dr. William Charlton, Managing Director, Pavilion Alternatives Group. Dr. Mansour presented an overview of the current market conditions and outlook for real estate, which included the economic environment, asset class returns, valuation environment, and outlook. Dr. William Charlton, Managing Director, Pavilion Alternatives Group, presented an overview of the current market conditions and outlook for private equity.

Dean Roney, Deputy Chief Investment Officer for Private Markets served as the moderator for the Q&A session with the presenters and the System's private market consultants, including Dr. Asieh Mansour, Senior Advisor, Townsend Group, Martin Rosenberg, Managing Director, Townsend Group, Dr. William Charlton, Managing Director, Pavilion Alternatives Group, and Allen Waldrop, Managing Director, Pavilion Alternatives Group.

Dean Roney dismissed the meeting at 7:47 p.m.

October 19, 2018

Elizabeth Miller, Chief Investment Officer, opened the meeting at 8:36 a.m. in the Shawnee Room at the Capitol Plaza Hotel in Topeka, Kansas. Ms. Miller provided a brief overview of the Investment Session topics. Ms. Miller introduced speakers Michael Reid, Vice President, CEM Benchmarking, Allan Emkin, Managing Director, Pension Consulting Alliance, and Allan Waldrop, Managing Director, Pavillion Alternatives Group.

CEM Investment Benchmarking Analysis of KPERS

Michael Reid, Vice President CEM Benchmarking, provided a report on the results of the KPERS Investment Benchmarking Analysis for the five year period ending December 31, 2017. CEM's Investment Cost Effectiveness Analysis utilizes CEM's proprietary database and methodology to analyze investment returns and costs in comparison to other comparable institutional investors. Mr. Reid responded to questions.

Recent Trends in Capital Market Assumptions/ Overview of Asset/Liability Study Process

Alan Conroy recognized Allan Emkin, Managing Director, Pension Consulting Alliance. Mr. Emkin presented an overview of the recent trends in Capital Market Assumptions and an overview of the KPERS/PCA asset/liability study process. Mr. Emkin responded to questions.

Fundamentals of Private Equity Investments

Allan Waldrop, Managing Director, Pavillion Alternatives Group reviewed the fundamentals of private equity investments, including private equity fees, valuation and returns, investment structure and fees, performance measurement, market trends, and the Pavillion due diligence process. Mr. Waldrop responded to questions.

Board Discussion on Informational Needs and Self Evaluation

There was no further discussion.

Alan Conroy, Executive Director adjourned the meeting at 11:10 a.m.