

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

March 16, 2018

The meeting of the Board of Trustees was called to order by Chairperson Lois Cox at 9:30 a.m. on March 16, 2018, in the Retirement System Board Room, Topeka, Kansas.

Board members present:                   Lois Cox, Chairperson  
  Kelly Arnold, Vice-Chairperson  
  Ernie Claudel  
  James C. Cusser  
  Jake LaTurner  
  Suresh Ramamurthi  
  Michael Rogers  
  Ryan Trader

Board member absent:                   Shawn Creger

Chairperson Cox welcomed all participants.

**Public Comments**

Chairperson Cox acknowledged Mr. Sonny Scroggins, a retired KPERS member who addressed the Board members concerning investments KPERS has in gun manufacturing and other areas.

**Outstanding Service Award**

Chairperson Cox presented Amber Tarrant, Benefits Analyst, with an Outstanding Service Award. Chairperson Cox congratulated Ms. Tarrant for consistently exhibiting KPERS Core Values of service, accountability, innovation, and teamwork.

Chairperson Cox recognized Alan Conroy, Executive Director, who also congratulated Ms. Tarrant for her accomplishments and great service to KPERS members, and to the KPERS team.

**Chairperson Cox Farewell Comments**

Chairperson Cox commented this will be her last meeting to serve as the Chairperson for the KPERS Board of Trustees, as an appointee of the Governor. She reflected on the accomplishments of the KPERS Board of Trustees over the past five years including the years that she served as the Chairperson. Chairperson Cox stressed the importance of the fiduciary role that Board members play in serving the KPERS Trust Fund. She also stated her appreciation to the KPERS staff, and thanked her fellow Board members.

Chairperson Cox recognized Kelly Arnold, Vice-Chairperson, who thanked Chairperson Cox for her service on the Board and as the Chairperson of the Board. On behalf of the Board, Vice-Chairperson Kelly presented Chairperson Cox a plaque in honor of her years of service.

### **Consent Agenda**

The consent agenda included approval of minutes January 19, 2018 meeting. Consideration of KPERS 3 and Deferred Retirement Option Program (DROP) Interest Credits, and appointment of Hearing Officer for the Jeffrey DeBell case.

Michael Rogers moved that the Board of Trustees adopt the consent agenda. Ernie Claudel seconded the motion. Motion passed.

### **Executive Director's Report**

Chairperson Cox recognized Alan Conroy, Executive Director. Mr. Conroy introduced two new staff members to the Board. Ms. Laurie Rueschhoff, Deferred Compensation Officer, KPERS 457 Plan, and Ms. Sheila Putman, Executive Assistant to the Executive Director.

Mr. Conroy reported on recent agency activities including the re-design of the Employer Web Portal, the 2017 Member Annual Statements, and the Fiscal Year GASB 68 Report.

### **Investment Operations Report**

Chairperson Cox recognized Allan Emkin, Pension Consulting Alliance, LLC (PCA). Mr. Emkin reviewed PCA's Semi-Annual Investment Performance Report for the time period ending December 31, 2017. Mr. Emkin reported that the System's total investment portfolio tracked or outperformed the Policy Index benchmark for the most recent quarter, three and five year periods, gross of fees. The Retirement System's investment portfolio produced a total return of 3.7% for the quarter (not annualized), and a total return of 14.4% for the one year period ending December 31, 2017. For the five year period ending December 31, 2017, the total investment portfolio produced an average annualized total return of 9.5%, outperforming the Policy Index benchmark by 0.4% and outperforming the median public pension fund by 0.6%. Mr. Emkin responded to questions from the Board.

The Chairperson recognized John Burns, PCA. Mr. Burns reviewed PCA's Investment Market Risk Metrics Report and responded to questions.

### **Investment Committee Report**

Chairperson Cox recognized Suresh Ramamurthi, Chairperson of the Investment Committee. Mr. Ramamurthi stated the Investment Committee met on Thursday, March 15, 2018. Mr. Ramamurthi, Chairperson of the committee, provided a report and responded to questions.

Mr. Ramamurthi, moved that the Board of Trustees approve a commitment of up to \$75 million to TowerBrook Investors V, L.P. and authorize staff to proceed with the investment

pending a satisfactory and final legal review of corresponding partnership documents. Mr. Kelly Arnold seconded the motion. Motion passed.

Mr. Ramamurthi, moved that the Board of Trustees approve a commitment of up to \$50 million to Waterton Residential Property Venture XIII, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Mr. Ernie Claudel seconded the motion. Motion passed.

Mr. Ramamurthi, moved that the Board of Trustees approve an additional commitment of up to \$50 million to IFM Global Infrastructure (US), L.P. and to authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Mr. Michael Rogers seconded the motion. Motion passed.

Mr. Ramamurthi, moved that the Board of Trustees approve an additional commitment of up to \$50 million to J.P. Morgan infrastructure fund, IIF L.P. and to authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Mr. Ryan Trader seconded the motion. Motion passed.

### **Audit Committee Report**

The Audit Committee met on Friday, March 16, 2018. Michael Rogers, Chairperson of the Committee, provided a report and responded to questions.

### **Deferred Compensation Committee Report**

The Deferred Compensation Committee met on Thursday, March 15, 2018. Chairperson Cox recognized Ryan Trader, Acting Chairperson. Mr. Trader provided a report on the Deferred Compensation meeting, and responded to questions.

### **KPERS Death and Disability Plan Valuation**

Chairperson Cox recognized Daniel Skwire, FSA Principal, Milliman, Inc. Mr. Skwire reviewed the KPERS Death and Disability Plan actuarial valuation for Fiscal Year 2017. Mr. Skwire reported overall plan experience has continued to be favorable. There are signs of lower recovery rates in early claim durations, a trend which he will monitor with KPERS and its claim administrator. The contribution rate of 1.0% is expected to exceed annual plan costs in the near term, in the absence of funding moratoriums. Due to adoption of Governmental Accounting Standards Board (GASB) 75, the employer's share of the total liability should be included in its financial statements. GASB 75 requires unfunded plans to use interest rates based on a 20 year government bond index. Annual changes to these rates add volatility to the liability and annual expense calculations. Mr. Skwire responded to questions.

### **Overview of New KPERS Employer Web Portal**

Chairperson Cox recognized Kristen Basso, Communications Director. Ms. Basso reviewed the new KPERS Employer Web Portal and responded to questions.

## **Status Report on 2018 Legislative Session**

Chairperson recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided summaries and Status Report of the current KPERS related legislation in the 2018 Legislative Session, and responded to questions.

## **Retirement System Monthly Operations Report**

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

## **Monthly Financial Report**

The Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the preliminary February 28, 2018, financial statements, and responded to questions.

## **Review of Initial Order**

Chairperson Cox moved that the Board of Trustees recess in executive session for the purpose of discussing confidential legal matters. Chairperson Cox made the following motion:

*"I move that the Board of Trustees recess into executive session at 12:05 p.m. to discuss confidential legal matters under K.S.A. 75-4319(b). The following person are included in the executive session: members of the Board, Alan Conroy, Executive Director, Laurie McKinnon, General Counsel, Kathleen Billings, Staff Attorney, and Mary Beth Green, Chief Benefits Officer. We will reconvene the open meeting in the KPERS Board Room at 12:20 p.m. No binding action will be taken in the executive session."*

The motion was seconded by Vice-Chairperson Kelly Arnold. Motion passed.

At 12:20 p.m. the open session of the Board was reconvened by Chairperson Cox. Chairperson Cox announce that no binding action was taken in the executive session.

## **Informational Items**

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

## **Board Self Evaluation**

There was no further discussion.

## **Meeting adjourned**

Chairperson Cox adjourned the meeting at 12:34 p.m.