

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

May 18, 2018

The meeting of the Board of Trustees was called to order by Chairperson Kelly Arnold, at 10:04 a.m. on May 18, 2018, in the Retirement System Board Room, Topeka, Kansas.

Board members present:

- Kelly Arnold, Chairperson
- Suresh Ramamurthi, Vice Chairperson
- James C. Cusser
- Ernie Claudel
- Shawn Creger
- Jake LaTurner
- Michael Rogers
- Ryan Trader
- James Zakoura

Chairperson Kelly Arnold welcomed all participants. He announced Suresh Ramamurthi is assigned the position of Vice-Chairperson.

Oath of Office

Laurie McKinnon, General Counsel, administered the Oath of Office to new trustee Mr. James Zakoura. Mr. Zakoura replaces former trustee Lois Cox, and was appointed by the Governor. Mr. Zakoura is a statutory member of KPERS' Board of Trustees. Chairperson Arnold welcomed Trustee Zakoura to the Board.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included approval of the March 16, 2018 meeting minutes, and the appointment of Hearing Officer for the appeals of M. Sue Wilson and Tracy King. Trustee Jake LaTurner moved the Board of Trustees adopt the consent agenda. Michael Rogers seconded the motion. Motion carried.

Executive Director's Report

Chairperson Arnold recognized Alan Conroy, Executive Director. Mr. Conroy introduced Lane Wiley, new Chief Information Officer for KPERS to the Board of Trustees.

Mr. Conroy reported on recent agency activities including final information system testing and release of the new Employer Web Portal, pre-retirement seminars for KPERS members, CliftonLarsonAllen on-site fiscal year 2018 audit, first quarter 2018 investment performance, outlook, and portfolio positioning, review of the actuarial files, design and configuration of

the disaster and recovery site and systems project, staff training for the new Public Square website, KPERS 457 strategic planning for 2018 , and reviewed the Legislative Post Audit performance audit regarding KPERSs and responded to questions

Investment Operations Report

The Chairperson recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the March 31, 2018, Investment Performance Report. He reported that the Retirement System experienced a total return of 6.5% for the fiscal year to date (not annualized), 9.6% for the trailing one year, 6.7% for the trailing three years and 8.3% for the trailing five years ending March 31, 2018. Mr. Fink reviewed the performance of the System's active international equity managers. The report included a review of the investment managers' performance against both risk and return metrics, as stated in the Statement of Investment Policy, Objectives and Guidelines. Eric Wigginton, Investment Officer for Public Markets, reported on the performance of the System's Yield Driven investment managers and the passive domestic and international equity managers. Daniel Wadsworth, Assistant Investment Officer for Public Markets, reported on the performance of the System's core fixed income and real return investment managers.

Investment Committee Report

Chairperson Arnold recognized Suresh Ramamurthi, Chairperson of the Investment Committee. Mr. Ramamurthi reported on the Investment Committee's meeting on Thursday May 17, 2018, and responded to questions

Mr. Ramamurthi moved that the Board of Trustees authorize staff to negotiate a new contract with Pension Consulting Alliance, LLC (PCA) to provide general investment consulting services to the Retirement System, for an initial term of three (3) years, with optional annual renewals for an additional seven (7) years. Shawn Creger seconded the motion. Motion carried.

Mr. Ramamurthi moved that the Board of Trustees approve changing the mandate for the BlackRock Global ILB account from an active mandate to a passive mandate with BlackRock and benchmarked to the Bloomberg Barclays World Government Inflation-Linked Bond (USD Hedged) Index. Ryan Trader seconded the motion. Motion carried.

Mr. Ramamurthi moved that the Board of Trustees approve a commitment of up to \$75 million to TPG Partners VIII, L.P. 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 carried.

Mr. Ramamurthi moved that the Board of Trustees approve an additional commitment of up to \$60 million to JPMCB Strategic Property Fund and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Ernie Claudel seconded the motion. Motion carried.

Mr. Ramamurthi moved that the Board of Trustees authorize staff to negotiate a new contract with KS Commercial Real Estate Services, Inc. to provide property management and leasing services to the Retirement System, for an initial term of five (5) years with biennial

(every two years) options to renew for up to an additional four (4) years. Ryan Trader seconded the motion. Motion carried.

Investment Operations Report (continued)

Chairperson Arnold recognized John Burns of Pension Consulting Alliance (PCA). Mr. Burns reviewed PCA's Investment Market Risk Metrics Report and responded to questions.

Personnel Committee Report

Chairperson Arnold recognized Ernie Claudel. The Personnel Committee met on Friday, May 18, 2018. Ernie Claudel, Chairperson of the Committee, provided a report and responded to questions.

Trustee Claudel moved that the Board of Trustees approve the adoption of the unclassified Pay Grade adjustments for investment and non-investment staff as recommended by the Executive Director, and that such Pay Grade adjustments be implemented at the beginning of Fiscal Year 2019, or as soon thereafter as practical. Ryan Trader seconded the motion. Motion carried.

Trustee Claudel moved that the Board of Trustees approve the adoption of the updated pay grades for non-investment staff as recommended by the Executive Director and CBIZ Talent & Compensation Services, as a result of the non-investment compensation study that was recently completed and that such pay grades be implemented at the beginning of Fiscal Year 2019, or as soon thereafter as practical. Ryan Trader seconded the motion. Motion carried.

Deferred Compensation Committee Report

Chairperson Arnold recognized Shawn Creger. The Deferred Compensation Committee met on Thursday, May 17, 2018. Shawn Creger, Chairperson of the Committee, provided a report and responded to questions.

Mr. Creger moved that the Board of Trustees direct staff to replace the current 'Investor' Share Class of the Vanguard Target date Fund Series with the less expensive 'Institutional' Share Class of the same series as soon as administratively feasible. Ryan Trader seconded the motion. Motion carried.

Appointment of a Procurement Negotiating Committee for Kansas Police and Fire Retirement System Medical Disability Determinations

Chairperson Arnold recognized Mary Beth Green Ms. Green provided information on the appointment of a Procurement Negotiating Committee.

Mr. Ramamurthi moved that the Board of Trustees authorize the Executive Director to convene a Procurement Negotiating Committee and publish a Request for Proposals for medical consulting services for the Kansas Police and Firemen's Retirement System disability retirement plan. Jake LaTurner seconded the motion. Motion carried.

2018 Legislative Session Report

Chairperson Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an overview of KPERS related bills presented in the 2018 Legislative Session, which included the Sudan divestment repeal, the annual financial audit, cybersecurity, and the legislative discussion and assignment of the 2018 legislative interim study to transfer selected employee groups from KPERS to KP&F, and responded to questions.

Chairperson Arnold recognized State Representative Steven Johnson. Representative Johnson provided information on the bills in the 2018 Legislative Session relating to KPERS, and responded to questions.

KPERS Funding Changes by the 2018 Legislature

Chairperson Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner stated that the 2018 Legislative Session was the second year of the two-year budget cycle, The 2018 Legislature made no changes to the KPERS budget request for FY 2019, and no changes in KPERS benefit policies that will require additional expenditures to implement. Mr. Waltner provided information that the State is on schedule to pay the full statutory rate for FY 2018 at 12.01%, the highest rate ever contributed by the State. The 2018 Legislature did maintain the \$194 million delayed employer contributions in FY 2019 (paid over 20 years), but they included additional funding in FY 2019 and FY 2020 to reduce the unfunded actuarial liability. Mr. Waltner responded to questions.

Retirement System Operations

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

The Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the monthly financial report and responded to questions.

FY 2018 Board of Trustee Tentative Meeting Dates

Chairperson Arnold introduced Alan Conroy, Executive Director. Mr. Conroy presented a tentative FY 2019 Board and Committee meeting schedule. The official action to set the meeting dates is required by statute to take place at the July Board meeting.

Chairperson Arnold consulted with the Trustees regarding the date of the July Board meeting. It was decided that July 26-27, 2018 would be the dates for the July Board meetings.

Mr. Conroy announced the National Council on Teacher Retirement (NCTR) 2018 Annual Trustee Workshop would be held on July 22-25, 2018, in Berkeley, California. Mr. Conroy responded to questions.

Review of Initial Orders

Chairperson Arnold recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the Initial Orders and responded to questions.

Mr. LaTurner moved that a Final Order be made, adopting all of the Presiding Officer's Initial Order by fully informing the Executive Director of its decision at the conclusion of the review and by delegating to the Executive Director the authority to draft a Final Order containing the Board's decision, thereafter to be approved and signed by the Chairperson and to be served on the parties by the Executive Director in accordance with the provisions of the Kansas Administrative Procedure Act. James Zakoura seconded the motion. Motion carried.

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 Arnold adjourned the meeting at 11:58 a.m.