

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

July 27, 2018

The meeting of the Board of Trustees was called to order by Chairman Kelly Arnold, at 10:07 a.m. on July 27, 2018, in the Retirement System Board Room, Topeka, Kansas.

Board members present:                    Kelly Arnold, Chairman  
                                                      Suresh Ramamurthi, Vice Chairman  
                                                      Ernie Claudel  
                                                      Shawn Creger  
                                                      Michael Rogers  
                                                      Ryan Trader  
                                                      James Zakoura  
                                                      Jake LaTurner - (by phone)

Board member absent:                    James C. Cusser

Chairman Kelly Arnold welcomed all participants.

**Organization of the Board**

Treasurer LaTurner nominated Kelly Arnold to continue to serve as Board Chairman. Trustee Creger seconded the motion. There were no other nominations. The nomination for Kelly Arnold to serve as Board Chairman carried.

Chairman Arnold thanked members of the Board for their confidence in his leadership.

Chairman Arnold appointed Trustee Suresh Ramamurthi to continue serving as Vice-Chairman of the KPERS Board of Trustees. Chairman Arnold announced that he would appoint the Chairs of the Board Committees at a later time.

*Trustee Rogers moved that the Board of Trustees approve the Fiscal Year 2019 Board and Committee meeting schedule as presented by staff. Trustee Creger seconded the motion. Motion carried.*

**Public Comments**

Chairman Arnold acknowledged Mr. Mark Galbraith, a retired KPERS member and a member of the Kansas Coalition of Public Retirees (KCPR). Mr. Galbraith testified on behalf of the KCPR regarding their position on a periodic cost of living adjustment for retirees. Mr. Galbraith urged the Board to actively support a cost of living adjustment for retirees with the Governor and Legislature. Mr. Galbraith responded to questions.

**Outstanding Service Award**

Chairman Arnold recognized Mike Gilliland as the recipient of the KPERS Outstanding Service Award for the period of August 2018 through November 2018. Chairman Arnold congratulated Mr. Gilliland for consistently demonstrating KPERS' core values of service, innovation, and teamwork.

Chairman Arnold recognized Alan Conroy, Executive Director, who also congratulated Mr. Gilliland for his accomplishments. Mr. Conroy stated that Mr. Gilliland is a tremendous asset to the KPERS members, and to the KPERS team.

Chairman Arnold and Alan Conroy, Executive Director, recognized Alberta Rea on her retirement from KPERS with a plaque for her dedicated service as the KPERS Internal Auditor for over 14 years. Ms. Rea was the first Internal Auditor for KPERS, and has set a high standard of excellence with her dedicated service to KPERS.

### **Consent Agenda**

The consent agenda included approval of the May 18, 2018 meeting minutes and the appointment of a hearing officer for the appeal of Mary Hale.

*Trustee Claudel moved the Board of Trustees adopt the consent agenda. Trustee Rogers seconded the motion. Motion carried.*

### **Certificate of Achievement for Excellence in Financial Reporting**

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy informed the Board that KPERS received the Certificate of Achievement for Excellence in Financial Reporting for its FY 2017 Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. It represents a significant accomplishment by KPERS, and in particular the Fiscal Services Division under the leadership of Chief Fiscal Officer Judy McNeal. The following staff received recognition for their contribution: Judy McNeal, Chief Fiscal Officer; Jason VanFleet, Deputy Chief Fiscal Officer; Jessica Tufts, Investment Controller; Candace Blythe, Senior Investment Accountant; Debra Lewis, Accountant; John Hooker, Senior Corporate Accountant; Teresa Jurgens, Corporate Accountant; Amy Whitmer, Senior Corporate Accountant; and Kristen Basso, Communications Officer.

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

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy reported on recent agency activities including: successfully processing the May and June retirement applications using features on the new Employer Web Portal and employers reported through an online survey that 90 percent were very satisfied with the new Employer Web Portal; KPERS sponsored two live training sessions for implementation of GASB Statement 75; the implementation of the eNewsletter being sent directly to active members' individual emails; hosting quarterly pre-retirement webinars; preparation for the Employer Workshops and updating employer manuals; Investments Division staff met offsite with Pension Consulting Alliance (PCA) and Pavilion Alternative Group (PAG); the Information Technology team continues to monitor KPERS network security capabilities; the disaster recovery planning program; and completion of the December 31, 2017 actuarial valuation.

Chairman Arnold and Alan Conroy, Executive Director, recognized Elizabeth B.A. Miller, Chief Investment Officer, for being selected by *Trusted Insight* as one of the "Top 30 Public Pension Chief Investment Officers" in the nation. The well-deserved award places Ms. Miller in the top tier of all public pension plan chief investment officers.

## **Investment Operations Report**

Chairperson Arnold recognized Elizabeth B. A. Miller, Chief Investment Officer. Ms. Miller reviewed the May 31, 2018, Investment Performance Report. She reported that the Retirement System experienced a total return of 8.5% for the fiscal year to date (not annualized), 9.0% for the trailing one year, and a 6.7% average annualized total return for the trailing three years ending May 31, 2018. The investment portfolio's total return has exceeded that of the Policy Index for all time periods reported. Over the long term, the System's total assets continue to exceed the 7.75% actuarial return assumption, with an 8.3% average annualized total return for the past twenty-five years.

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

## **Investment Committee Report**

Chairman Arnold recognized Suresh Ramamurthi, Chairman of the Investment Committee. Trustee Ramamurthi reported on the Investment Committee's meeting on July 26, 2018, and responded to questions.

*Trustee Ramamurthi moved that the Board of Trustees approve a commitment of up to \$75 million to Hellman & Friedman Capital Partners IX, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Claudel seconded the motion. Motion carried.*

## **Personnel Committee Report**

Chairman Arnold recognized Trustee Ernie Claudel, Chairman of the Personnel Committee. The Personnel Committee met on July 27, 2018. Trustee Claudel, provided a report and responded to questions.

*Trustee Claudel moved that the Board of Trustees approve compensation adjustments for selected unclassified staff as recommended by the Personnel Committee and that such adjustments be implemented as soon as practical in Fiscal Year 2019. Trustee Trader seconded the motion. Motion carried.*

*Trustee Claudel moved that the Board authorize the Executive Director to interview candidates for the Internal Auditor position from existing KPERS staff and make an employment offer for the position if a viable candidate is selected and the salary be no more than the mid-point of the current Pay Grade for the position. Trustee Rogers seconded the motion. Motion carried.*

*Trustee Claudel moved that the Board direct staff to permit those employees at the end of their respective Pay Grades to receive the equivalent of any cost-of-living adjustment that is approved by the Board for all other employees. Trustee Trader seconded the motion. Motion carried.*

## **Audit Committee Report**

Chairman Arnold recognized Trustee Michael Rogers, Chairman of the Audit Committee. Trustee Rogers provided a report on the Audit Committee held on July 26, 2018, and responded to questions. Trustee Rogers also commended retiring Internal Auditor Alberta Rea for her outstanding service to KPERS.

## **Retirement System Operations**

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

## **Actuarial Valuation Report**

The Chairman recognized KPERS' consulting actuary Pat Beckham, Principal and Consulting Actuary with Cavanaugh Macdonald. Ms. Beckham presented the December 31, 2017 Actuarial Valuation, and responded to questions.

Chairman Arnold recognized Representative Steve Johnson, Vice-Chairperson of the Joint Committee on Pension, Investments, and Benefits in attendance via conference call. He addressed a question to Ms. Beckham regarding the difference in the normal cost rate between the state group and the school group.

*Chairman Arnold moved that the Board accept the December 31, 2017 Actuarial Valuation as presented. Trustee Trader seconded the motion. Motion passed.*

## **Appointment of a Procurement Negotiating Committee for the KPERS External Financial Auditor**

Chairman Arnold recognized Judy McNeal, Chief Financial Officer. Ms. McNeal provided information on the appointment of a Procurement Negotiating Committee to start the selection process for a new KPERS external financial auditor. The 2018 Legislature approved a change in the statute that transferred the selection process for the external financial auditor from the Legislative Post Audit Committee to the KPERS Board of Trustees.

Staff recommends that the Board authorize the Executive Director to convene a procurement negotiating committee, consisting of Alan Conroy, Judy McNeal, Jason VanFleet, Janette Martin, and Laurie McKinnon, and to publish a Request for Proposal for auditing services. This Procurement Negotiating Committee would then make a recommendation of a finalist for consideration by the Board.

*Chairman Arnold moved that the Board of Trustees authorize the Executive Director to convene a Procurement Negotiating Committee, and publish a Request for Proposals for financial statement audits for the Kansas Public Employees Retirement System. Trustee Creger seconded the motion. Motion carried.*

## **Pending Litigation Status Report**

Chairman Arnold made the following motion regarding an executive session related pending litigation.

*Chairman Arnold moved that the Board recess into executive session at 1:30 p.m. to discuss confidential litigation matters in the Smith v. KPERS case. The following persons are included in the*

*executive session: members of the Board, outside legal counsel Thomas Murray and Tammy Somogye, and staff members Alan Conroy, Laurie McKinnon, Kathleen Billings, Elizabeth Miller, Bruce Fink, and Julie Baker. The Board will reconvene the open meeting in the Retirement System Board Room at 1:50 p.m. No binding action will be taken in the Executive Session. Trustee Creger seconded the motion. Motion carried.*

At 1:50 p.m., Chairman Arnold reconvened the public meeting of the Board and announced that no binding action was taken in the executive session.

*Chairman Arnold moved that the Board recess into executive session at 1:51 p.m. to continue discussing confidential litigation matters in the Smith v. KPERS case. The following persons are included in the executive session: members of the Board, outside legal counsel Thomas Murray and Tammy Somogye, and staff members Alan Conroy, Laurie McKinnon, Kathleen Billings, Elizabeth Miller, Bruce Fink, and Julie Baker. The Board will reconvene the open meeting in the Retirement System Board Room at 2:00 p.m. No binding action will be taken in the Executive Session. Trustee Ramamurthi seconded the motion. Motion carried.*

At 2:00 p.m. the open session of the Board was reconvened by Chairman Arnold. Chairman Arnold announce that no binding action was taken in the executive session.

### **Other Business**

Chairman Arnold recognized various Board members who discussed the recent National Conference on Teachers Retirement Trustee Workshop.

Chairman Arnold stated that he would be contacting Alan Conroy, Executive Director to coordinate and offer individual background briefings between any interested Board member and selected department heads of KPERS.

### **Informational Items**

The Chairman called the Board's attention to the informational items behind Tab N in the Board book.

### **Board Self Evaluation**

There was no further discussion.

### **Meeting adjourned**

Chairman Arnold adjourned the meeting at 2:06 p.m.