

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

May 17, 2019

The meeting of the Board of Trustees was called to order by Chairman Kelly Arnold, at 9:30 a.m. on May 17, 2019, in the Retirement System Board Room, Topeka, Kansas.

Board members present: Kelly Arnold, Chairman
Suresh Ramamurthi, Vice Chairman
Ernie Claudel
Jake LaTurner
Ryan Trader
James Zakoura

Board members absent: James C. Cusser
Shawn Creger
Michael Rogers

Chairman Kelly Arnold welcomed Eileen Ma, Office of Revisor of Statutes, and Reed Holwegner, Legislative Research Department, and all other participants.

Public Comments

Chairman Kelly Arnold acknowledged Mr. Clarence "Sonny" Scroggins, a retired KPERS member who addressed the Board members asking for the KPERS Board not to include KPERS investments in organizations that are associated with dictators (*i.e.*, Sudan and Nigeria), pharmaceutical companies that sell opioids, or gun manufacturers. Mr. Scroggins also presented Mr. Alan Conroy, Executive Director, with an American Flag, and thanked him for his dedicated service to Kansas.

Consent Agenda

The consent agenda included approval of the March 22, 2019 meeting minutes, and the appointment of a Hearing Officer for the appeals of Michelle Johnson and Qi Yu.

Trustee Jake LaTurner moved that the Board of Trustees adopt the consent agenda. Trustee James Zakoura seconded the motion. The motion carried.

Executive Director's Report

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy reported on some of the recent key activities at KPERS, and responded to questions. Highlights of some of the activities included:

Benefits and Member Services educational staff presented 40 Pre-Retirement Seminars for KPERS members approaching retirement, and 24 Pre-Retirement Seminars for KP&F members. They also assisted the Communications staff with five Pre-Retirement Webinars with approximately 400 attendees, and participated in another 18 conferences or presentations with 720 attendees.

Staff members have been assisting members with benefit counseling, benefit estimates and decisions related to more than 1,200 applications already received from members planning to retire in June and July. Staff has been working with the Information Technology Division to implement a business process management system for handling retirement applications.

Fiscal Services has contracted with CliftonLarsonAllen (CLA) for KPERS' Financial Audit and SOC 1 Type 2 engagements, which have been negotiated and finalized.

Fiscal Services coordinated with other KPERS divisions to provide CLA-requested information for their initial on-site visit for the Fiscal Year 2019 Financial Audit, and the 2019 SOC1 Type 2 engagement.

Moss-Adams was on site for the annual financial audit of the KPERS 457 deferred compensation plan and the plan compliance audit.

The private markets investment staff has completed due diligence meetings and attended a private equity firm's annual investors meeting. The public markets staff conducted due diligence meetings. The public markets investment staff have begun first quarter 2019 review conference calls and meetings with the investment managers for the publicly-traded investment portfolios.

The entire Investment Division staff and the System's Executive Director met with Meketa Investment Group and representatives of MSCI Barra in an offsite meeting in early April. The discussions focused on the asset/liability study project, and Barra's new "MAC" multifactor risk model.

Planning and Research staff has worked diligently on Legislative matters. At the end of March, staff worked with the Legislative Conference Committee on finalizing the policy bills that passed during the 2019 session, and responded to individual requests on funding, cost of living adjustments, and cost impact information on proposed additional payments.

Planning and Research staff finalized and transmitted the annual census data files for the December 31, 2018 actuarial valuation to the consulting actuary. Staff also had initial planning meetings on the system and process changes that will be required due to the new legislation and responded to individual members and employer questions about the new law changes. In addition, Planning and Research prepared one outside presentation for the Kansas Association of School Business Officials.

The Information Technology staff completed implementation of the cloud-based Amazon Connect call center system to enhance our employers support call response and expand services and management to internal KPERS staff.

KPERS Information Technology has provided information to support KPERS work on SOC 1 Type 2 compliance and continues implementation of a digital process automation software to meet a number of audit compliance requirements.

The Communications team has been working to develop a campaign to encourage members to use the beneficiary online function.

The Communications Team is developing the member engagement and retirement readiness initiative. The multi-year project and researching technology will require significant resources from across the agency.

KPERS 457 Communications staff finalized a new KPERS 457 Brand Promise and Style Guide and created an “evergreen” employer eNews for Empower to use when prospecting for new employers. KPERS 457 communications won two Hermes Creative Awards. One for the “It’s good to be young” video <https://www.kpers.org/kpers457.html> and the other for the “One Fund” campaign. The Association of marketing and Communications Professionals oversees the international award program. Mike Gilliland and Stephanie Moore made significant contributions to these projects.

Mr. Conroy introduced Arlen Zentner, the new Deferred Compensation Plan Officer for KPERS to the Board of Trustees. The KPERS 457 team, with the help of Empower, have completed the addition of six joinders for new employers as well as the addition of a 401(a) employer. KPERS 457 also served as hosts to Topeka Public Schools USD 501 (TPS) officials and their representatives from Proactive Capital Management.

KPERS 457 staff continues to work on a participant data file transmission from KPERS to Empower (KPERS 457 record keeper). This data file will be used to direct electronic mailings to designated agents to introduce KPERS 457 to new employees.

Mr. Conroy has provided testimony to numerous legislative committees on KPERS, benefit enhancements, KPERS funding, and other KPERS-related issues. Mr. Conroy has made a presentation on KPERS funding issues and 2019 legislative activities to the Kansas Association of School Business Officials in Mulvane, Kansas.

Mr. Conroy has been invited to be a member of Empower’s Client Advisory Board for a three-year term. Service on the advisory Board entails an annual one-day meeting in Denver, Colorado, and an annual conference call meeting.

The staff participated in a canned food drive for the local Harvesters Food Bank. The annual staff celebration of Cultural Diversity Day potluck luncheon will be held on May 21, 2019.

Investment Operations Report

The Chairman recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the March 31, 2019, Investment Performance Report. He reported that the Retirement System experienced a total return of 3.3% for the fiscal year to date (not annualized), 5.5% for the trailing one year, 9.1% for the trailing three years and 11.1% for the trailing ten years ending March 31, 2019. 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.

The Chairman recognized Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed the organization’s Investment Market Risk Metrics Report and responded to questions.

Investment Committee Report

Chairman Arnold recognized Suresh Ramamurthi, Chairman of the Investment Committee. Mr. Ramamurthi reported on the Investment Committee's meeting on Thursday May 16, 2019, and responded to questions.

Trustee Ramamurthi moved that the Board of Trustees approve a commitment of up to \$50 million to Apex X USD L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Zakoura seconded the motion. The motion carried.

Trustee Ramamurthi moved that the Board of Trustees approve a commitment of up to \$50 million to New Enterprise Associates 17, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Trader seconded the motion. The motion carried.

Personnel Committee Report

Chairman Arnold recognized Ernie Claudel, Chairman of the Personnel Committee. The Personnel Committee met on Friday, May 17, 2019. Chairman Claudel 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 non-investment staff as recommended by the Personnel Committee and the Executive Director and that such Pay Grade adjustments be implemented at the beginning of Fiscal Year 2020, or as soon thereafter as practical. Trustee Trader seconded the motion. The motion carried.

Trustee Claudel moved that the Board of Trustees approve the compensation philosophy put forth by the KPERS staff, and as presented by the Executive Director. Trustee LaTurner seconded the motion. The motion carried.

Deferred Compensation Committee Report

Chairman Arnold recognized Ernie Claudel Acting Chairman of the Deferred Compensation Committee. The Deferred Compensation Committee met on Thursday, May 16, 2019. Acting Chairman Ernie Claudel provided a report and responded to questions.

Recommendation for Outside Disability Appeals Legal Counsel

Chairman Arnold recognized Laurie McKinnon, KPERS General Counsel. Ms. McKinnon provided information on the recommendation for outside disability appeals legal counsel and responded to questions.

Chairman Arnold moved that the Board of Trustees direct staff to enter into negotiations with Vincent Cox of Cavanaugh, Biggs & Lemon to represent KPERS in long-term disability appeals, subject to staff negotiations of a satisfactory contract. Trustee Claudel seconded the motion. The motion carried.

2019 Legislative Session Report

Chairman Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an overview of KPERS related bills presented in the 2019 Legislative Session, which included the KP&F service connected definition for death and disability benefits, KPERS Administrative Language, Working After Retirement; STARBASE exemption, KPERS KP&F Deferred Retirement Option Program (DROP) Extension, and Community Developmental Disability Organizations (CDDO) waiting period. Mr. Waltner responded to questions.

KPERS Funding Changes by the 2019 Legislature

Chairman Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner reviewed the 2019 legislative session KPERS funding changes and responded to questions.

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.

Recommendation for Kansas Police and Fire Retirement System Medical and Disability Determination Consultant

Chairman Arnold recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the recommendation for Kansas Police and Fire Retirement System Medical and Disability Determination Consultant, and responded to questions.

Chairman Arnold moved that the Board of Trustees direct staff to enter into negotiations with Disability Management Services, Inc. for providing medical consulting services for the Kansas Police & Firemen's Retirement System disability and death benefits, subject to staff negotiations of a satisfactory contract. Trustee LaTurner seconded the motion. The motion carried.

FY 2020 Board of Trustee Tentative Meeting Dates

Chairman Arnold introduced Alan Conroy, Executive Director. Mr. Conroy presented two options for a tentative FY 2020 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.

Chairman Arnold consulted with the Trustees regarding the dates of the July Board meetings and the October Board Educational and Planning meeting dates and location change to the Kansas City area. The general consensus was to tentatively plan for the October meeting on October 15 and 16, 2019.

Mr. Conroy announced the 2019 NCTR Annual Trustee Workshop would be held on July 21-24, 2019, in Berkeley, California. Mr. Conroy responded to questions.

Review of Current Professional Contracts for Services

Chairman Arnold recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the current professional contracts for services and responded to questions.

Status Report on Appeals and Litigation

Chairman Arnold recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the status report on appeals and litigation and responded to questions.

Chairman Arnold moved that the Board recess into executive session to discuss confidential information regarding the Status Report on Appeals and Litigation under K.S.A. 75-4319(b). The following persons are included in the executive session: members of the Board and staff members Alan Conroy, Laurie McKinnon, Kathleen Billings, Julie Baker, Elizabeth Miller, Bruce Fink, and outside legal counsel Thomas Murray and Tammy Somogy, Lathrop and Gage, LLP. We will reconvene the open meeting in the Retirement System Board Room at 12:10 p.m. No binding action will be taken in the Executive Session. Trustee LaTurner seconded the motion. The motion carried.

Chairman Arnold reconvened the meeting at 12:10 p.m. and announced that no binding action was taken in the executive session.

Chairman Arnold again moved that the Board continue in executive session to discuss confidential litigation information regarding KPERS' litigation under the K.S.A. 75-4319(b). The following personnel are included in the session: members of the Board and staff members Alan Conroy, Laurie McKinnon, Kathleen Billings, Julie Baker, Elizabeth Miller, Bruce Fink, and outside legal counsel Thomas Murray and Tammy Somogy, Lathrop and Gage, LLP. We will reconvene the open meeting in the Retirement System Board Room at 12:20 p.m. No binding action will be taken in the Executive Session. Trustee LaTurner seconded the motion. The motion carried.

Chairman Arnold reconvened the meeting at 12:20 p.m. and announced that no binding action was taken in the executive session.

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 12:21 p.m.