

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

October 15, 2019

The meeting was called to order by Alan Conroy, Executive Director, at 10:07 a.m. in Room 270 – The Cube at the Johnson County Community College, 12345 College Boulevard, Overland Park, Kansas.

Board Members Present:

- Kelly Arnold, Chairman
- Suresh Ramamurthi, Vice Chairman (Tuesday)
- Ernie Claudel
- Emily Hill (Tuesday)
- Ron Johnson
- Jake LaTurner (Tuesday)
- Ryan Trader
- James Zakoura

KPERS 101 – A Basic Overview

Alan Conroy, Executive Director, welcomed guests Brad Stratton, Jeff Arpin, Division of the Budget, Eileen Ma, Revisor of Statutes Office, David Wiese, Revisor of Statutes Office, and all other participants. Mr. Conroy provided the summary of the meeting's topics and discussed the goals of the KPERS 101 session.

Basics of KPERS Retirement Benefits

Alan Conroy, Executive Director, introduced Mary Beth Green, Chief Benefits Officer. Ms. Green provided an overview of the basics of KPERS Retirement Benefits. As plan sponsor, the Kansas Legislature establishes the benefits and plan provisions. KPERS has three separate defined benefit plans including:

- Kansas Public Employees Retirement System (KPERS) including KPERS 1, KPERS 2 and KPERS 3;
- Kansas Police and Fire Retirement System (KP&F) including Tier I and Tier II; and
- Kansas Retirement System for Judges.

Ms. Green stated that all KPERS members receive guaranteed, lifetime benefit payments upon retirement. Ms. Green discussed the defined benefit plan background, years' of service credit, collecting retirement benefits for KPERS 1 and KPERS 2, KP&F Tier II, and Judges, and KPERS 3 cash balance plan benefits. Ms. Green responded to questions.

Investment Basics for Trustees

Alan Conroy, Executive Director, recognized Allan Emkin, Managing Principal, Meketa Investment Group. Mr. Emkin provided a comprehensive overview of relevant investment issues for Board members. He discussed investment policy, asset liability process, asset allocation targets, portfolio rebalancing, performance measurements, and investment style - active vs. passive, investment timeframes, risk metric – standard deviation, active risk measures, and other risk measures. Mr. Emkin responded to questions.

Actuarial Basics and Overview for Trustees

Alan Conroy, Executive Director, recognized Dr. Brent Banister, Chief Actuary, and Pat Beckham, Principal Consulting Actuary, Cavanaugh Macdonald. Dr. Banister and Ms. Beckham provided an actuarial basics overview of pure defined benefit plans, basic retirement funding formula, funding concepts, purposes of actuarial valuations, elements of an actuarial valuation, demographic actuarial assumptions, economic actuarial assumptions, components of actuarial valuations, measurement of assets, actuarial vs market value of assets, actuarial cost method, funding process, actuarial liability, amortization, and valuation control cycle. Ms. Beckham and Dr. Banister responded to questions.

Alan Conroy, Executive Director, adjourned the meeting for a lunch break at 12:13 p.m.

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

Welcome and Review of Meeting Goals

Chairman Kelly Arnold called the Educational and Planning meeting to resume at 1:04 p.m. Chairman Arnold welcomed all participants and reviewed the goals of the session.

Engaging Members for Retirement Readiness

Alan Conroy, Executive Director, recognized Kristen Basso, Communications Officer. Ms. Basso provided an overview of engaging members for retirement readiness. Ms. Basso discussed communications methods to members including the engagement initiative goals, three pronged strategy, targeted communications strategy, milestone communications strategy, and general communication strategy. Ms. Basso responded to questions.

KPERS Strategic Plan Fiscal Years 2021 - 2025

Alan Conroy, Executive Director, introduced Jarod Waltner, Planning and Research Officer. Mr. Waltner presented an overview of the KPERS Strategic Plan for Fiscal Years 2021 - 2025. Mr. Waltner provided information on the strategic initiatives including dedicated fiduciary, core values, strategic goals, prudent investments, quality service, reliable and secure data, and talent management. Mr. Walter responded to questions.

Overview of the KPERS Internal Audit Function

Alan Conroy, Executive Director, recognized Janette Martin, Internal Auditor. Ms. Martin presented an overview of Internal Auditing. Ms. Martin discussed the responsibilities of the Internal Auditor to provide independent, objective assurance to the Board of Trustees, Audit Committee, and Management. Internal Auditors ensure that KPERS assets are safeguarded, operating efficiency is enhanced, and compliance is maintained within the laws, regulations, policies, and procedures. The Audit Committee's purpose is to assist the Board of Trustees in fulfilling its fiduciary responsibilities to the Retirement System's reporting practices. Ms. Martin responded to questions.

Actuarial Experience Study – Part II Economic Assumptions – Follow-up

Alan Conroy, Executive Director, recognized Pat Beckham, Principal Consulting Actuary, and Dr. Brent Banister, Chief Actuary, Cavanaugh Macdonald. Ms. Beckham discussed the follow-up information requested at the Board of Trustees meeting on September 20, 2019. Ms. Beckham and Dr. Banister reviewed the data for economic assumptions, general impact of assumption changes, major drivers of liabilities/costs, impact of change to investment return assumption, inflation assumptions, component of salary growth, payroll growth assumption, trends to lower return assumptions, expectations for investment returns, investment return assumption, summary of initial recommendations, and responded to questions.

Board of Trustee Fiduciary Duties, Ethics, and the Kansas Open Meetings Act

Alan Conroy, Executive Director, recognized Laurie McKinnon, General Counsel. Ms. McKinnon presented an overview of Board fiduciary duties, ethics, and the Kansas Open Meetings Act. Ms. McKinnon discussed the laws governing the Trustees' responsibilities including general fiduciary principles, fiduciary duties in the Retirement Act, Kansas Governmental Ethics guidelines, the Kansas Open Meetings Act, and the Board Policy Manual. Ms. McKinnon responded to questions.

KPERS Member Demographics

Alan Conroy, Executive Director, recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner presented an overview of the KPERS member demographics. He described demographics for current active membership and current retired membership. Mr. Waltner responded to questions.

Disability Review and Appeal Process

Alan Conroy, Executive Director, recognized Mary Beth Green, Chief Benefits Officer, and Laurie McKinnon, General Counsel. Ms. Green provided an overview of the KPERS disability plan and KP&F Disability plan, which included the submission of application and supporting documentation; initial eligibility review by KPERS; referral to Disability Management Services or KPERS consulting physicians; review by third party administrator for final determination; notice of appeal rights; administrative hearing with the Office of Administrative Hearings; initial order issued by Administrative Law Judge; review by the

Board of Trustees; final order issued by the Board of Trustees; potential appellate review by Shawnee County District Court, Kansas Court of Appeal, and Kansas Supreme Court. Ms. Green responded to questions.

Ms. McKinnon provided an overview of the Administrative Appeals procedures including the appeal rights, the request for a Hearing Officer, Board of Trustees action on an appeal, and summary of final legal actions. Ms. McKinnon described the Retirement Act, the requests for hearing officers being considered at Board of Trustee Meetings, Initial Orders with Board of Trustees issuing Final Orders, potential appellate review by Shawnee County District Court, Kansas Court of Appeals, and Kansas Supreme Court. Ms. McKinnon responded to questions.

Review of Current Statutory Limitations on Alternative Investments

Alan Conroy, Executive Director, recognized Elizabeth Miller, Chief Investment Officer. Ms. Miller presented a review of the history of the statutory restrictions on Alternative Investments, discussed the statutory definition of Alternative Investments, discussed the role of Private Equity in the Retirement System's investment portfolio, and explained the current statutory requirements with respect to Alternative Investments. Ms. Miller answered questions from the Board.

Alan Conroy adjourned the meeting at 4:56 p.m.

Dinner and the Soul Town Syndicate at the Grand Street Café

The meeting moved for dinner which was held at the Grand Street Café, Lenexa for the Board of Trustees, staff, and guests. Following the dinner, the Soul Town Syndicate performed which included Trustee Ernie Claudel as a band member.

October 16, 2019

Alan Conroy, Executive Director, opened the meeting at 8:38 a.m. Mr. Conroy explained there would be an adjusted schedule to the agenda due to a travel delay for one of the presenters.

Best Practices in Public Deferred Compensation Plans and How Does KPERS 457 Compare

Alan Conroy, Executive Director, introduced Jake O'Shaughnessy, Managing Director, SageView Advisory Group. Mr. O'Shaughnessy presented an overview of the 457 Deferred Compensation Plan. Mr. O'Shaughnessy described the KPERS 457 Plan Year in review, how KPERS compares with peers, KPERS 457 Plan Administrative fee structure, and KPERS 457 Plan Areas future focus. Mr. O'Shaughnessy 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 Pension Administration Benchmarking Report - FY 2018. Mr. Reid described the

benchmarking service measured cost and service in relation to KPERS peers. Mr. Reid stated in relation to peers KPERS' operating cost was lower and higher in performance due to efficient methods. The measurement of service to KPERS members included a wait time of only eight seconds as KPERS is one of the highest scoring in comparison to peers. Mr. Reid responded to questions.

KPERS 457 Plan Overview

Alan Conroy, Executive Director, introduced Arlen Zentner, Deferred Compensation Plan Officer. Mr. Zentner provided the KPERS 457 Plan overview. Mr. Zentner discussed the KPERS 457 plan as a savings plan, being established in 1980 for State Employees, the plan has been adopted by over 340 local employers and over 25,000 participants. The KPERS 457 benefits for employees includes retirement plan counselors, retirement specialists, twenty quality investment options, free online investment advice, a simplified administration for employers through service providers. Mr. Zentner responded to questions.

Actuarial Experience Study – Actuarial Methods by Consulting Actuary – Cavanaugh Macdonald

Alan Conroy, Executive Director, recognized Pat Beckham, Principal Consulting Actuary, and Dr. Brent Banister, Chief Actuary, Cavanaugh Macdonald. Ms. Beckham and Dr. Banister presented an overview of the actuarial cost method, asset valuation method, and amortization method. Ms. Beckham and Dr. Banister responded to questions.

Board Discussion on Informational Needs and Self Evaluation

There was no further discussion.

Alan Conroy, Executive Director, adjourned the meeting at 12:21 p.m.