

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

November 22, 2019

The meeting of the Board of Trustees was called to order by Chairman Kelly Arnold at 9:17 a.m. on November 22, 2019, in the Retirement System Board Room, Topeka, Kansas.

Board members present:                    Kelly Arnold, Chairman  
    Suresh Ramamurthi, Vice-Chairman (via phone)  
    Ernie Claudel  
    Emily Hill  
    Ron Johnson  
    Jake LaTurner  
    Brad Stratton  
    Ryan Trader  
    James Zakoura

Board members absent:                    None

Chairman Kelly Arnold welcomed all participants.

**Oath of Office**

Laurie McKinnon, General Counsel, administered the Oath of Office to new Trustee, Brad Stratton. Mr. Stratton replaces former Trustee James Cusser, and was appointed by Governor Laura Kelly. Mr. Stratton is a statutory member of KPERS' Board of Trustees. Chairman Arnold welcomed Trustee Stratton to the Board.

**Public Comments**

There were no public comments.

**Outstanding Service Award Presentation**

Chairman Arnold recognized Ms. Annika Bush as the recipient of the KPERS Outstanding Service Award for the period of December 2019 through March 2020. Chairman Arnold congratulated Ms. Bush for consistently demonstrating KPERS' core values of service, innovation, and providing empathy, compassion, and excellence in going above and beyond in customer service to our members and retired members.

Chairman Arnold recognized Alan Conroy, Executive Director, who also congratulated Ms. Annika Bush. She was nominated because of the empathy and compassion she recently showed a retired member. Mr. Conroy stated that Annika consistently provides outstanding service and concern for our members. This is a great example of the extra effort she takes to meet our core values. KPERS and our members are very fortunate to have Annika on our team.

## **Consent Agenda**

The consent agenda included approval of the September 20, 2019 and October 15-16, 2019 meeting minutes and the Certificate Resolutions for Alternative Investment Transactions, Real Estate Transactions, and Real Return Transactions.

*Chairman Arnold moved the Board of Trustees adopt the consent agenda. Trustee LaTurner seconded the motion. Motion carried.*

## **Executive Director's Report**

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy reported on recent agency activities including:

Benefits and Member Services staff conducted 34 Employers Workshops with approximately 740 employer representatives in attendance. For member education, staff conducted 30 pre-retirement seminars with more than 600 members in attendance and five pre-retirement webinars with nearly 500 members participating.

Fiscal Services staff received an unqualified opinion from the outside auditor, CliftonLarson Allen on the System's financial statements for Fiscal Year 2019. Staff is currently working with the Communications staff to publish the System's 2019 Comprehensive Annual Financial Report (CAFR).

The Investment Division welcomed Heather Williamson, CFA, as the System's new Deputy Chief Investment Officer for Private Markets, on October 7, 2019. Ms. Williamson participated in the Board Educational and Planning Session on October 15-16, 2019. The entire Investment Division team and the Executive Director met with representatives of Meketa Investment Group, Mercer Alternatives, and The Townsend Group on October 17, 2019. Senior investment staff have continued working with Meketa Investment Group on the Asset/Liability Study project. The Investment Division hosted a site visit by representatives of State Street, the System's global master custodian on October 23, 2019.

The Information Technology staff continues to enhance and monitor our network security and functional capabilities. Staff are currently working with our application vendor Sagitec to upgrade the proprietary software for our applications. A number of needed functional and security updates are included. The staff is continuing the technical redesign of the annual IRS 1099-R Form tax solutions and the technical redesign of the Member Annual Statements solutions, which is a major automation initiative.

The Planning and Research staff activities consisted of the actuarial services Request for Proposal, and materials for the Joint Committee on Pensions, Investments, and Benefits meeting on November 4, 2019. Staff also worked on the triennial experience study information, presentations for the Kansas Association of School Business Officials, and finalizing the FY 2021 budget narrative.

The Communications Team projects consisted of continuing efforts on the redesign of the Member Annual Statements. Staff has finalized content and continue with programming and testing to match templates to the original design concepts. Staff is also working with potential vendors to print the new statements, along with upcoming 1099-R tax forms.

Staff has also continued to provide support for Optional Group Life Insurance open enrollment. About 4,800 members enrolled for new or increased insurance coverage, up by about 500 from last year. The number of coverages increased as well, with 70 to 75% using the guaranteed coverage amounts, which do not require evidence of insurability.

Also, the Communications Team hosted five pre-retirement webinars. On the employer front, Communications provided support to the Training and Education team for Employer Workshop Webinars, with the new "From Hire to Rehire" concept, helping employers understand what they need to know over the lifespan of a member's career.

KPERS 457 Deferred Compensation staff along with the help of Empower, has added eight additional local government units to the KPERS 457 Plan. For the 2019 calendar year, this makes 26 new joinder agreements signed with employers. The KPERS 457 Employer Satisfaction Surveys were sent out in mid-September. The responses have been overwhelmingly positive.

KPERS 457 staff finalized the agreement for a one year contract extension with SageView Advisory Group, LLC. The extension continues the agreement until the end of the 2020 calendar year. The agreement has a provision to extend through the 2021 calendar year, which will be re-evaluated in the coming year.

Mr. Conroy made presentations to the Kansas Association of School Business Officers in Manhattan, Kansas, the Kansas Association of School Boards, and the Joint Committee on Pensions, Investments, and Benefits. Mr. Conroy attended the Empower Client Government Advisory Board meeting in Greenwood, Colorado in early October.

KPERS' staff participated in the Employee Appreciation Week on October 28 through November 1, 2019, hosted by the Executive Committee. Mr. Conroy responded to questions from the Board.

### **Investment Operations Report**

The Chairman recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the September 30, 2019, Investment Performance Report, utilizing a new reporting format. He reported that the Retirement System experienced a total return of 12.4% for the calendar year to date (not annualized), 5.0% for the trailing one year, 8.4% for the trailing three years and 8.9% for the trailing ten years ending September 30, 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. Mr. Fink reported on the performance of the System's active yield driven investment managers and the passive domestic equity, international equity, and real return investment managers. Daniel Wadsworth, Assistant Investment Officer for Public Markets, reported on the performance of the System's core fixed income investment managers.

The Chairman recognized Ryan Lobdell, Meketa Investment Group. Mr. Lobdell reviewed the organization's Investment Market Risk Metrics Report and responded to questions.

## **Investment Committee Report**

Chairman Arnold recognized James Zakoura, Vice-Chairman of the Investment Committee. Trustee Zakoura reported on the Investment Committee's meeting on Thursday, November 21, 2019, and responded to questions.

## **Deferred Compensation Plan Committee Report**

Chairman Arnold recognized Ryan Trader, Chairman of the Deferred Compensation Committee. Trustee Trader provided a report of the Deferred Compensation Committee meeting held on Thursday, November 21, 2019.

## **Audit Committee Report**

Chairman Arnold recognized James Zakoura, Chairman of the Audit Committee. Trustee Zakoura provided a report of the Audit Committee meeting held on Friday, November 22, 2019, and responded to questions.

## **Actuarial Experience Study – Part III, Including Demographic Assumptions**

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy gave an introduction of the third and final piece of the Actuarial Experience Study - Demographic Assumptions, and stated that Pat Beckham, Principal and Consulting Actuary, and Dr. Brent Banister, Chief Actuary, Cavanaugh Macdonald, will be available to provide answers to Board member's questions to better assist them before making decisions (tentatively) at the January or March 2020 Board meeting. Mr. Conroy introduced Dr. Brent Banister, Chief Actuary, Cavanaugh Macdonald. Mr. Banister gave an overview of the demographic assumptions, measuring demographic assumptions, key findings, and recommendations for demographic assumptions. Ms. Pat Beckham, Principal Consulting Actuary, Cavanaugh Macdonald, gave an overview of the retirement and mortality assumptions, and responded to questions.

## **Retirement System Operations**

Chairman Arnold recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the Key Performance Measures of the Benefits and Member Services Division for September and October, 2019 and responded to questions.

The Chairman recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the October, 2019 monthly financial reports and responded to questions.

## **Possible Legislation for Consideration by the Next Session of the Legislature**

Chairman Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided a report on possible legislation for consideration by the 2020 Session of the Legislature. Mr. Waltner stated that staff was not recommending any possible legislation for consideration by the Board at this time. Mr. Waltner did highlight the alternative investment cap, which includes private equity, private credit, hedge funds, infrastructure, and commodities. Mr. Waltner also discussed budget initiatives and reamortization discussions, and responded to questions.

Chairman Arnold recognized Representative Steven Johnson. Representative Johnson answered questions from the Board of Trustees regarding reamortization discussions, and other issues in respect to the 2020 Legislative Session.

### **Presentation of Finalist for Actuarial Consulting Services as Recommended by the Procurement Negotiating Committee**

Chairman Arnold recognized Laurie McKinnon, General Counsel. Ms. McKinnon gave an overview of the interview process from the Procurement Negotiating Committee to determine its selection for the Actuarial Consulting Services for KPERS.

Ms. McKinnon introduced Joe Newton and Ryan Falls with Gabriel Roeder Smith and Company. Mr. Falls gave an overview of their vision, mission, and services offered by Gabriel Roeder Smith and Company. Mr. Newton discussed managing uncertainty and the strategy approach of Gabriel Roeder Smith and Company, and responded to questions.

Ms. McKinnon introduced Pat Beckham, Principal and Consulting Actuary, Dr. Brent Banister, Chief Actuary, and Ed Koebel, CEO Resource Actuary, Cavanaugh Macdonald Consulting LLC. Ms. Beckham gave a presentation of the services that Cavanaugh Macdonald provides to KPERS. Ms. Beckham stated they have extensive institutional knowledge, experience, and continuity with KPERS. Mr. Koebel described the firm's mission and philosophy, key differences, the people of Cavanaugh Macdonald, and their dedication to clients, and their focus on communication with their clients. Mr. Banister gave an overview of the wide range of clients that Cavanaugh Macdonald has in regards to geography, government type, and plan design features. As leaders in the industry, the consultants regularly exchange ideas and discuss trends. Cavanaugh Macdonald brings experience and resources with a dedicated staff to KPERS. Ms. Beckham and Dr. Banister responded to questions.

*Chairman Arnold moved that the Board of Trustees direct staff to enter into negotiations with Cavanaugh Macdonald Consulting, LLC, to provide actuarial consulting services for the Kansas Public Employees Retirement System, subject to staff negotiations of a satisfactory contract. Trustee Trader second the motion. The motion carried.*

### **KPERS Strategic Plan Fiscal Years 2021-2025 Strategic Plan**

Chairman Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner gave an overview of the KPERS Strategic Plan for Fiscal Years 2021 – 2025 and responded to questions.

*Chairman Arnold moved that the Board of Trustees approve the FY 2021 – FY 2025 Strategic Plan. Trustee Claudel seconded the motion. The motion carried.*

### **Review of Initial Orders**

Chairman Arnold recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the Initial Order regarding the appeal of Herbert Llewellyn and respond to questions.

*Chairman Arnold moved to recess into executive session to discuss confidential member information regarding the Presiding Officer's Initial Orders in the Herbert Llewellyn appeal 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, and Mary Beth Green. We will reconvene the open meeting in the Retirement System Board Room at 2:47 p.m. No binding action will be taken in the Executive Session. Trustee Claudel seconded the motion. The motion carried.*

Chairman Arnold reconvened the meeting at 2:47 p.m. and announced that no binding action was taken in the executive session.

*Trustee Claudel moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Herbert Llewellyn appeal and delegate to the Executive Director the authority to draft a Final Order containing the Board's decision, thereafter to be approved and signed by the Chairman and to be served on the parties by the Executive Director in accordance with the provisions of the Kansas Administrative Procedure Act. Trustee Johnson seconded the motion. The motion carried.*

### **Informational Items**

Chairman Arnold called the Board's attention to the informational items behind Tab M in the Board book.

### **Other Business**

Chairman Arnold discussed the 2020 October Educational Planning Meeting to be held at the Johnson County Community College, on October 8 – 9, 2020. There was consensus by the Board that the suggested meeting dates of October 8 and 9, 2020 would be acceptable.

### **Board Self Evaluation**

There was no further discussion.

### **Meeting adjourned**

Chairman Arnold adjourned the meeting at 2:51 p. m.