

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

January 16, 2020

The meeting of the Board of Trustees was called to order by Chairman Kelly Arnold at 12:15 p.m. on January 16, 2020, in the Retirement System Board Room, Topeka, Kansas.

Board members present: Kelly Arnold, Chairman
 Ernie Claudel
 Ron Johnson
 Emily Hill
 Jake LaTurner
 Brad Stratton
 Ryan Trader
 James Zakoura

Board members absent: Suresh Ramamurthi, Vice Chairman

Chairman Kelly Arnold acknowledged the attendance of Representative Steven Johnson and Amit Patel, Kansas Legislative Research Department, and welcomed all participants.

Chairman Arnold addressed the Board and stated that the purpose of the meeting was to give the Board members another opportunity for a review and discussion on the Actuarial Triennial Experience Study, as the Board members are in the process of possibly making a decision on the economic assumptions at the Board Meeting on January 17, 2020.

**Review and Discussion of Actuarial Triennial Experience Study,
Including Long-Term Funding Issues**

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy stated that Cavanaugh Macdonald consultants will be presenting an overview of information that summarizes the Actuarial Triennial Experience Study, including the long-term funding issue that has been presented to the Board over the last several months. This will also allow Board members an opportunity to ask questions directly to the experts of Cavanaugh Macdonald and Meketa. Mr. Conroy stated that the decision the Board makes regarding the Asset Liability Study and the Actuarial Triennial Experience Study are the most important and foundational decisions the Board will make that will affect KPERS over the next several years.

Mr. Conroy introduced Pat Beckham, Principal and Consulting Actuary, Cavanaugh Macdonald, and Dr. Brent Banister, Chief Actuary, Cavanaugh Macdonald. Ms. Beckham summarized the general findings of the Actuarial Triennial Experience study, discussed the two alternate sets of economic assumptions that comply with the Actuarial Standards of Practice. Ms. Beckham reviewed the recommendation for demographic assumptions and the impact of demographic assumption changes. Dr. Banister reviewed the economic assumptions including future inflation expectations; payroll growth assumptions;

investment return assumptions; peer group return assumptions; real rate of return assumptions; KPERS 3 interest crediting assumptions; and economic assumption recommendations. Ms. Beckham and Dr. Banister responded to questions.

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy responded to questions from a Board member concerning what is the percentage cap on the annual increase for the KPERS State/School employer contribution that is statutorily limited. Mr. Conroy stated the annual allowable KPERS State/School employer contributions is capped by statute at no more than an increase of 1.2%.

Mr. Conroy, Executive Director, discussed the new assumption options of 7.5%, and 7.25%, and the projected unfunded actuarial liability for the total Retirement System, State/School, Local, Kansas Police and Fire, and Judges, and responded to questions.

Mr. Conroy, Executive Director, introduced Representative Steven Johnson who responded to a question from a Board member, who asked why in 2014, the Legislature changed the KPERS 3 interest credit that reduced the percent from 6.0% to 2% less than the actuarial assumed investment rate of return. Representative Johnson stated that the intent was to improve the funded status of the KPERS Trust Fund.

Mr. Conroy, Executive Director, introduced Jarod Waltner, Planning and Research Officer. Mr. Waltner reviewed the comparison of valuation results for a 7.5% investment return assumption and 7.75% return in 2019, versus new assumptions with 7.5% investment return assumption and 17% return in 2019. He also reviewed the comparison of valuation results for a 7.25% investment return assumption and 7.75% return in 2019 versus a 7.25% investment return assumption and 17% return in 2019.

Mr. Conroy, Executive Director responded to a question from the Board regarding the timing of making a decision on the assumptions. Mr. Conroy, Executive Director stated that under statutory requirements, the Board could postpone its decision until the March or May Board Meeting, but the actuaries need the selected assumptions from the Board to use for the 2019 Valuation that will be presented in July 2020.

Other Business

No other business was discussed.

Board Self Evaluation

There was no further discussion.

Chairman Arnold adjourned the meeting at 2:03 p.m.