

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

May 22, 2020

The meeting of the Board of Trustees was called to order by Chairman Kelly Arnold, at 9:35 a.m. on May 22, 2020, 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 – (via phone)
Brad Stratton
Ryan Trader
James Zakoura

Board members absent:

Chairman Kelly Arnold welcomed all participants.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included approval of the March 20, 2020 meeting minutes.

Trustee Trader moved that the Board of Trustees adopt the consent agenda. Trustee Claudel 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. Highlights of some of the activities included:

Mr. Conroy discussed the COVID-19 pandemic and how the main focus of the agency has been for staff to continue to provide essential services to carry out our fiduciary duties during this time of the COVID-19 pandemic. Mr. Conroy reviewed the timeline of action by Governor Kelly addressing the pandemic and KPERS' response to the Governor's directives. Mr. Conroy responded to questions.

Benefits and Member Services staff members continued to support our members and employers during March and April, including the period beginning March 23, 2020, when the KPERS office closed to the public to help prevent the spread of COVID-19. Staff members successfully processed retirement benefit applications from 565 new retirees, and paid out

monthly retirement benefits of more than \$143 million each month. In addition, staff members issued \$6.3 million to withdrawing members, and \$4.2 million to beneficiaries of deceased active members and deceased retirees.

In Fiscal Services the Employer Auditing Unit has completed 76 multi-year employer audits since July 1 with 75 in progress. The Auditing Unit is also working with KPERS Internal Audit on 70 Fiscal Year 2020 GASB 68 audits. An audit reference tool for the Auditing Unit has been published on the KPERS intranet, the Loop.

The Employer Reporting Unit has handled over 700 calls and emails, almost 11,000 payroll reports and 123 enrollments for employees working after retirement.

We also have three external audits in progress. Moss Adams is auditing calendar year 2019 for the KPERS 457 plan. CliftonLarsonAllen is conducting its second SOC 1 Type 2 audit of the Death & Disability plan. CliftonLarsonAllen has also begun the annual financial audit of the KPERS pension plan. All audits are being conducted remotely due to COVID-19 restrictions.

The Investment Division staff have been working from home since March 23, using iPads to connect to our desktops remotely. The Investment staff have participated in a high volume of conference calls, webinars, and virtual meetings with the System's investment consultants, investment managers, and general partners, in order to effectively monitor the rapidly changing investment environment and its impact on the System's investments. The volume of communication from all of the System's business partners has been extraordinary. We have stayed in touch and facilitated teamwork through frequent conference calls, weekly Investment Staff Zoom meetings, and daily email communications.

Planning and Research has worked on the completion and transmission of the annual census data file to the actuary to complete the 12/31/2019 actuarial valuation and worked with the audit team from Legislative Post Audit as they began their performance audit on the Deferred Retirement Option Program (DROP). On the legislative front we have responded to questions regarding funding, early impacts of the market downturn due to COVID-19 and employer contributions.

The Information Technology team welcomes John Cahill as our new Chief Information Officer. John brings a wealth of experience and knowledge to KPERS both inside and outside of State government. KPERS is pleased to have someone of John's talents and skills leading the KPERS Information Technology Division.

The Communications team has spent much of the last two months providing support for KPERS' COVID-19 response, including tactics for employees, employers, and members. One notable project was hosting KPERS' first virtual staff "town hall" meeting to bring everyone together despite many working remotely. We provided numerous employer emails and a new quick video to help employers understand how COVID-19 affects administering KPERS. This includes support for KPERS 457 employers.

Since the March 2020 Board meeting the KPERS 457 team, with the help of Empower, has added two additional local government offices to the KPERS 457 Plan. The two most recent plans added are the city of La Harpe, Kansas and the Wyandotte County Extension Council.

Staff also opened a new 401(a) plan for Kansas Power Pool. Empower will continue to work with new plan members to facilitate the signing of participants and funding of the plans.

During April we signed an engagement letter with Moss Adams' auditing firm to perform the annual financial audit of the KPERS 457 plan. Most individuals are working remotely therefore staff has facilitated requests via email and teleconferences. Moss Adams is expected to complete the audit before the next Board meeting.

Due to the pandemic, Mr. Conroy made only one presentation to an outside group, the Topeka Chapter of the Kansas Department of Transportation Retirees. That presentation was done electronically, but thanks to the KPERS Communications and Information Technology staff, the participants were able to electronically ask questions.

Investment Operations Report

The Chairman recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the March 31, 2020, Investment Performance Report. He reported that the Retirement System experienced a total return of -6.9% for the fiscal year to date (not annualized), -3.8% for the trailing one year, 3.6% for the trailing three years and 7.2% for the trailing ten years ending March 31, 2020. 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. Daniel Wadsworth, Assistant Investment Officer for Public Markets, reported on the performance of the System's core fixed income and real return investment managers. Mr. Fink responded to questions from the Board.

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 May 21, 2020, and responded to questions.

Trustee Zakoura moved that the Board of Trustees approve the termination of the Templeton bank loan mandate, that the bank loan portfolio be liquidated in a timely and prudent manner and that the assets be reallocated to Western Asset Management and Loomis Sayles in substantially equal amounts. Trustee Johnson seconded the motion. The motion carried.

Trustee Zakoura moved that the Board of Trustees approve a commitment of up to \$50 million to New Mountain Partners, VI, 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. The motion carried.

Personnel Committee Report

Chairman Arnold recognized Ernie Claudel, Chairman of the Personnel Committee. The Personnel Committee met on Friday, May 22, 2020. Chairman Claudel provided a report and responded to questions.

Trustee Johnson moved that the Board of Trustees approve the adoption of the unclassified Pay Grade adjustments for unclassified staff as recommended by the Executive Director and that such Pay Grade adjustments be implemented at the beginning of Fiscal Year 2021, or as soon thereafter as practical. Trustee Claudel seconded the motion. Trustee LaTurner voted no. The motion carried.

Deferred Compensation Committee Report

Chairman Arnold recognized Ryan Trader, Chairman of the Deferred Compensation Committee. The Deferred Compensation Committee met on Thursday, May 21, 2020. Chairman Trader provided a report and responded to questions.

2020 Legislative Session Report Including KPERS Approved Funding

Chairman Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an overview of KPERS related bills presented in the 2020 Legislative Session. He stated no changes were made to KPERS policies. Mr. Waltner also stated that KPERS funding was approved. Mr. Waltner responded to questions.

Review of Current Professional Contracts for Services

Chairman Arnold recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided an overview of the terms and termination dates for vendor contracts. Ms. McKinnon explained the procedure for staff to maintain key information regarding the System's contracts and Requests for Proposals by updating tables of both in order to keep apprised of when contracts are close to terminating and whether or not a Request for Proposal is due.

Fiscal Year 2021 Board of Trustee Tentative Meeting Dates

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the Fiscal Year 2021 Board of Trustee tentative meeting dates. Mr. Conroy stated the official action to set the meeting dates is required by statute to take place at the July Board meeting.

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.

Review of Initial Order

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

Trustee Stratton moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Qi Yu 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 Claudel seconded the motion. The motion carried.

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 KPERS' 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 Somogye, Lathrop Gage, LLP. We will reconvene the open meeting in the Retirement System Board Room at 12:15 p.m. No binding action will be taken in the Executive Session. Trustee Johnson seconded the motion. The motion carried.

Chairman Arnold reconvened the meeting at 12:15 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 L in the Board book.

Board Self Evaluation

There was no further discussion.

Meeting adjourned

Chairman Arnold adjourned the meeting at 12:17 p.m.