

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

November 20, 2020

The meeting of the Board of Trustees was called to order by Chairman Kelly Arnold at 9:17 a.m. on November 20, 2020, in the Retirement System Board Room, Topeka, Kansas.

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

Board members absent: None

Chairman Kelly Arnold welcomed Eileen Ma, Revisor of Statutes Office (via Zoom), and Melissa Renick, Kansas Legislative Research Department, (via Zoom), and all other participants.

Public Comments

There were no public comments.

Outstanding Service Award Presentation

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy congratulated Tyler Caleb, Business Systems Analyst, as the recipient of the KPERS Outstanding Service Award for the period of December 2020 through March 2021. Mr. Conroy stated that the Business Systems Analyst is a relatively new position for Benefits and Member Services. In a short time, Tyler has developed a real understanding of KPERS' business rules and highly-detailed policies and procedures. With this technical knowledge, he is able to convey those business requirements to the staff in Information Technology. Tyler works cohesively with the other divisions to find solutions that are mutually beneficial. He quickly analyzes a situation and summarizes the important details for key players. Tyler genuinely believes in the KPERS' mission and supports the KPERS core values of providing excellent service to our members. KPERS is very fortunate to have Tyler on our team.

Chairman Arnold also congratulated Tyler for consistently demonstrating KPERS' core values of service, innovation, and excellence. Chairman Arnold and Alan Conroy, Executive Director, awarded Tyler with an Appreciation Plaque.

Consent Agenda

The consent agenda included approval of the September 18, and October 8-9, 2020, meeting minutes.

Trustee Trader moved the Board of Trustees adopt the consent agenda. Trustee Stratton seconded the motion. Motion carried.

Certificate of Achievement for Excellence in Financial Reporting

Chairman Arnold recognized Alan Conroy, Executive Director. Mr. Conroy informed the Board that KPERS received the Certificate of Achievement for Excellence in Financial Reporting for its FY 2019 Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. It represents a significant accomplishment by KPERS, and in particular, the Fiscal Services Division under the leadership of Chief Fiscal Officer Judy McNeal. The following staff received recognition for their contribution: Alan Conroy, Executive Director; Judy McNeal, Chief Fiscal Officer; Jason VanFleet, Deputy Chief Fiscal Officer; Jessica Tufts, Investment Controller; Candace Blythe, Senior Investment Accountant; Debra Lewis, Accountant; Krystal Yegon, Investment Accountant; Raquel Talavera, Investment Accountant; John Hooker, Fiscal Analyst; Teresa Jurgens, Senior Corporate Accountant; and Kristen Basso, Communications Officer.

Trustee Jake LaTurner Farewell

Chairman Arnold recognized Trustee Jake LaTurner, who will be leaving the Board of Trustees, as he was recently elected to the U.S. Congress to represent Kansas in the 2nd Congressional District. Chairman Arnold stated that Trustee LaTurner served as a Trustee since April 2017, and did an excellent job on the Board. The Chairman stated an Appreciation Plaque will be sent to Trustee Jake LaTurner for his outstanding service on the Board. The Trustees thanked Trustee LaTurner for his service. Trustee LaTurner thanked Alan Conroy and noted the excellence of KPERS under the outstanding leadership of Mr. Conroy. He also thanked the Trustees and stated it was an honor to serve on the Board with them.

Executive Director's Report

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

KPERS has continued to monitor the COVID-19 situation:

Recently, a couple of KPERS employees have tested positive for COVID-19. The building manager is providing extra cleaning with a special sanitizing process, and the air handling system is left on 24 hours a day to keep fresh air coming into the building.

The KPERS building will be closed to outside visitors starting November 23, 2020, and staff will continue to work remotely if able until at least December 11, 2020.

KPERS has continued to follow Governor Kelly's recommendations in her Ad Astra Plan to open the State and Shawnee County's guidelines which includes maintaining social distancing, continuing staff health screening, requiring masks when staff is out of their own work areas, and providing extra cleaning of the building during the day, as previously mentioned.

KPERS has established procedures for staff that have or are being tested for COVID19, or have been exposed to someone with COVID-19.

Benefits and Member Services staff processed higher volumes of applications for both retirement benefits and account withdrawals in September and October. The number of retirement applications increased 28.5 percent over the number submitted in September (1,087) and October 2019 (846). The number of payments to members withdrawing increased by nearly 100 percent when compared with the same two-month period of the previous year. The actual withdrawals for the two-month time-period were 3,517 this year compared to 1,761 for last year. Based on anecdotal information from members, many are retiring or withdrawing because of changes or circumstances related to the COVID-19 pandemic.

During September and October, the Education team conducted 38 virtual employer seminars with 341 employer representatives in attendance. Staff members have been participating in virtual benefit fairs and pre-retirement webinars as well as conducting virtual counseling sessions with individual members.

Fiscal Services staff received an unqualified opinion from the outside auditor, CliftonLarson Allen (CLA) on the System's financial statements for Fiscal Year 2020. CLA is in the process of completing the GASB 68 audit for our employers for Fiscal Year 2020.

In addition, KPERS received the GFOA Certificate of Achievement for the Fiscal Year 2019 CAFR report.

The Employer Reporting Unit handled 639 calls and 1,812 emails from our employers since September. There were 7,651 payroll reports processed through the Employer Web Portal and 2,698 adjustments submitted and approved.

The Employer Auditing Unit completed 17 standard employer audits since September, and 22 in total this Fiscal Year.

Investment Division staff have continued to work from home. Jordan Hecker, joined the Investment Division as our new Portfolio Administrator/Investment Analyst. Lindsey Leslie will take on her new role as the Investment Analyst for Private Markets. The Investment Division has also hired Kyle Grimes, a new Investment Analyst for Public Markets.

The private markets staff has been conducting due diligence and working with The Townsend Group to prepare an add-on real estate investment recommendation for the November Investment Committee meeting. The public markets staff have been working to obtain annual disclosure and proxy voting reports from the System's investment managers and other business partners. They have also begun third quarter performance and portfolio review calls with investment managers.

The Communications team facilitated a webinar entitled “Funding Basics,” which I shared with participants. About 300 members attended. Post-survey results show increases in how well respondents understand how KPERS is funded and their confidence that KPERS benefits will be there when it is time for them to retire. A copy of the webinar presentation is available in the Diligent Resource Center and on the KPERS.org website.

Communications staff developed a series of all-agency videos with updates from each division director in lieu of an all-agency in-person meeting. The team also facilitated staff activities to encourage engagement across the agency.

In addition, the Communications staff provided communications support for the Member Annual Statement modernization project as part of KPERS’ Roadmap initiative, Optional Group Life Insurance open enrollment, online seminars that replaced the annual in-person employer workshops, KPERS 457 participant and employer emails and other content, the upcoming Board of Trustees election, and working with the new email platform.

KPERS 457 team, with the help of Empower, has added six additional local government employers to the KPERS 457 Plan. The most recent plans added are Labette Community College, Strother Field Commission, City of Silver Lake, William Newton Memorial Hospital, City of Galena and Western Kansas Community College Virtual Educational Consortium (EDUKAN). This brings the total number of joinders signed to twenty-three so far this year. Empower will continue to work with new plan members to facilitate the signing of participants and funding of the plans.

Investment Operations Report

The Chairman recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the September 30, 2020, Investment Performance Report. He reported that the Retirement System experienced a total return of 1.9% for the calendar year to date (not annualized), 6.5% for the trailing one year, 6.6% for the trailing three years and 8.4% for the trailing ten years ending September 30, 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 active yield driven investment managers. Daniel Wadsworth, Investment Officer for Public Markets, reported on the performance of the System’s core fixed income investment managers. Mr. Fink reviewed the performance of the System’s passive investment managers in the domestic equity, international equity, and real return asset classes.

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 Suresh Ramamurthi, Chairman of the Investment Committee. Trustee Ramamurthi reported on the Investment Committee’s meeting on Thursday, November 19, 2020, and responded to questions.

Trustee Ramamurthi moved that the Board of Trustees approve an additional commitment of up to \$20 million to AEW Partners Real Estate Fund IX, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Hill seconded the motion. Motion carried.

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 19, 2020.

Trustee Trader moved that the Committee recommend that the Board direct SageView Advisory Group, LLC and KPERS 457 staff to terminate the Vanguard Selected Value Fund and replace it with the Victory Sycamore Established Value Fund, and map the existing assets in the Vanguard Selected Value Fund to the Victory Sycamore Established Value Fund as soon as practical. Trustee Claudel seconded the motion. Motion carried.

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 20, 2020, and responded to questions.

November State General Fund Consensus Revenue Estimates for the Current Fiscal Year (FY 2021) and the Budget Year (Fiscal Year 2022)

Chairman Arnold recognized Jarod Waltner, Planning and Research Director. Mr. Waltner reviewed the November State General Fund Consensus Revenue Estimates. At the April 2020 meeting, the Consensus Revenue Estimating Group reduced combined FY 2020 and FY 2021 estimated revenues by \$1.27 billion. The reduced estimated revenues pushed the projected FY 2021 State General Fund ending balance below \$0, which triggered the Governor's allotments. The Board reviewed the Governor's allotments for FY 2021 during the July meeting. KPERS was included in the FY 2021 budget allotments through a 12-month moratorium on Death and Disability plan contributions.

Since April, the overall State General Fund revenue picture improved significantly. Actual revenues have exceeded the revenue estimates over the past six months. The Consensus Revenue Estimating Group adjusted the FY 2021 revenue projection upward by more than \$477 million. Combined with the Governor's allotments (\$374.5 million), the most recent State General Fund profile for FY 2021 projects a positive ending balance of \$363.5 million. Mr. Waltner 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, 2020 and responded to questions.

The Chairman recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the October, 2020 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 2021 Session of the Legislature. Mr. Waltner responded to questions.

Trustee Claudel moved that the Board direct staff to pursue the introduction of technical legislation during the 2021 session to amend existing statutes to include required compliance language to implement certain provisions of the federal CARES Act. Trustee Stratton seconded the motion. Motion carried.

Selected Comparative Information on KPERS and Other Public Pension Plans

Chairman Arnold recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner gave an overview of the Employee Contributions Trends in Public Sector Retirement Plans. Mr. Waltner responded to questions.

Review of Initial Order

Chairman Arnold recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the Initial Order regarding the appeal of Joseph Bott and responded to questions.

Chairman Arnold moved to recess into executive session to discuss confidential member information regarding the Presiding Officer's Initial Order in the Joseph Bott 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, and Mary Beth Green. We will reconvene the open meeting in the Retirement System Board Room at 12:00 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 12:00 p.m. and announced that no binding action was taken in the executive session.

Trustee Arnold moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Joseph Bott 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.

Informational Items

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

Other Business

No other business was discussed.

Board Self Evaluation

There was no further discussion.

Meeting adjourned

Chairman Arnold adjourned the meeting at 12:03 p.m.