

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

March 19, 2021

The meeting of the Board of Trustees was called to order by Chairperson Suresh Ramamurthi at 10:35 a.m. on March 19, 2021, in the Retirement System Board Room, Topeka, Kansas.

Board members present: Suresh Ramamurthi, Chairperson (via Virtual Zoom)
James Zakoura, Vice Chairperson
Kelly Arnold
Ernie Claudel
Emily Hill
Ron Johnson
Lynn Rogers
Brad Stratton
Ryan Trader

Board members absent: none

Chairperson Suresh Ramamurthi welcomed Representative Steven Johnson, Melissa Renick, Legislative Research Department, Steve Wu, Legislative Research Department, and all other participants.

Public Comments

A retiree sent a written public comment with concerns of investing KPERS funds in pharmaceutical companies.

Outstanding Service Award

Chairperson Suresh Ramamurthi recognized Alan Conroy, Executive Director. Mr. Conroy congratulated Jackie VandeVelde, as the recipient of the KPERS Outstanding Service Award for the period of April 2021 through July 2021. Mr. Conroy stated that Jackie joined KPERS in May 2011 as a Benefit Analyst in Benefits and Member Services. In June 2020 she was promoted to a Benefit Analyst II and is responsible for auditing and reviewing benefits before they are approved.

Jackie consistently excels at demonstrating KPERS Core Values of integrity, service, accountability, and respect. She genuinely cares about our members and their families. In one of her roles, she processed death benefits of members who died while they were still employed. Jackie works diligently to help grieving families to get the benefits they need to help them during an especially difficult time.

Jackie is now responsible for the retirement benefit estimate log. She follows the process to the end, ensuring the estimate is timely and that the member has what is needed to make an informed decision.

Alan Conroy, Executive Director, awarded Jackie with an Appreciation Plaque, stating that Jackie is a wonderful asset to KPERS. We are fortunate to have her on our team and as part of our KPERS family.

Consent Agenda

The consent agenda included approval of minutes for the January 22 and 29, 2021 meetings and the consideration of KPERS 3 and Deferred Retirement Option Program (DROP) Interest Credits.

Trustee Arnold moved that the Board of Trustees adopt the consent agenda. Trustee Johnson seconded the motion. The motion carried.

Executive Director's Report

Chairperson Ramamurthi recognized Alan Conroy, Executive Director. Mr. Conroy reported on recent key activities at KPERS. Highlights of the activities include:

KPERS continues to monitor the COVID-19 situation and follows the recommendations of the Governor, Department of Administration, and Shawnee County Commission guidelines.

With the decrease in COVID-19 cases, and the release of COVID-19 vaccines, the front lobby which was closed to the public on November 23, 2020, will reopen to the public beginning May 3, 2021. Presently, members may call the office to communicate with one of our counselors, attend virtual meetings with our counselors, and use the drop box at the front doors to turn in documents.

Benefits and Member Services staff members responded to approximately 16,300 incoming phone calls and 4,500 emails from members and employers with many inquiries related to 1099-R tax forms and annual changes in the federal tax withholding tables. Staff members also processed more than 1,100 retirement applications for new retirees and survivors during the two-month period, an increase of 30 percent over January and February 2020.

The Educational team partnered with the Communications staff to present five Pre-Retirement Webinars with approximately 1,000 members and interested parties attending. Staff members have been participating in the user acceptance testing phase of the Member Annual Statement Proof of Concept project, the initial step of the pension administration system modernization project.

Fiscal Services has published the GASB 68 report, which provides net pension liability information to our employers, for June 30, 2020. It is available on the KPERS website. The GASB 75 reports, which provides other post-employment benefits to our employers, for June 30, 2020, has also been published.

Planning and Research staff have been working on legislative projects, including completing 16 fiscal notes, 18 bill summaries, 10 pieces of bill testimony, one committee

presentation and responding to several other inquiries from individual legislators and committee meetings.

Investment Division staff have continued to work from home and stay safe in the pandemic environment. The private markets staff implemented the private equity investment that was approved by the Board in January. The private markets staff have been conducting due diligence and working with Mercer to prepare two private equity investment recommendations for the March Investment Committee meeting. The private markets staff have also been conducting due diligence and working with The Townsend Group to prepare one add on core real estate investment recommendation for the March Investment Committee meeting.

Information Technology Division staff has accomplished firewall upgrades in the infrastructure area, completed a review and came to a consensus for a Help Desk solution, successfully rolled out Teams softphones to staff to facilitate remote work, and completed all outstanding issues with FileNet and Kofax.

In the security area, the 2021 staff security training and the quarterly phishing campaign were completed, and continue to work on the information technology security audits responses to the Legislative Division of Post Audit and Optiv.

KPERS 457 Deferred Compensation team has added one local government office to the KPERS 457 plan along with one 401(a) plan. The most recent addition to the KPERS 457 plan is USD 224 Clifton Clyde. The City of Hillsboro opened a 401(a) plan in late February. This brings the total number of joinders signed to two for the year. Empower will continue to work with new plan members to facilitate the enrollment of participants and funding of the plans.

On January 30, 2021, KPERS 457 completed the investment fund change previously approved by the Board. The Vanguard Selected Value Fund was removed from our lineup of investments and was replaced with the Victory Sycamore Established Value Fund. All participants with holdings in the Vanguard fund were successfully transitioned to the Victory fund without incident.

The Communications team has focused on supporting and administering the Board of Trustees election, including video, web hub, mailings, staff training, and other collateral materials. Staff is on target for a "soft rollout" to a few employers beginning March 22, 2021. Eligible members can vote until April 30 online, by phone, or with a paper ballot.

The Communications team finalized the KPERS Financial Wellness Program and are working with HealthQuest to publish the resource. HealthQuest Rewards Program is a wellness incentive program offered by the State employee health plan to promote health and wellness through incentive and information. Employees completing the program will earn 10 credits toward their health insurance, which translates into dollars earned and saved.

The Communications Team is in the initial phase of the kpers.org redesign project. The team conducted 13 focus groups to learn about the member experience with kpers.org. Results will be used to create recommendations and additional user personas for the redesign. Staff is planning to launch the redesigned site in September 2021.

The Pension Administration System Assessment study completed September 2020. KPERS has launched the first part of proposed 4- to 5-year Modernization Project: The Member Annual Statement Improvement Project. The Member Annual Statement Project was chosen as a Proof of Concept to ensure that our current vendor, Sagitec, was the appropriate partner in such a long-term, intensive engagement. The annual Member Annual Statement Project is considered appropriately sized to test Project Management processes as well as Software Development Lifecycle methods. The annual statements are a key touchpoint with all our members every year – making this work both important and high-profile.

Mr. Conroy has provided a considerable amount of testimony to legislative committees to date during the 2021 Session of the Legislature. Mr. Conroy also made one presentation, *General Overview of KPERS, Including Funding* to the House Insurance and Pensions Committee on January 27, 2021.

The KPERS Employee Committee for Project Topeka (local food bank) hosted several virtual agency events to raise funds for the charity. Approximately \$700 was raised for Project Topeka, which will help support the restocking of local food pantries. In addition, four large boxes of food items were donated by the staff. KPERS' campaign is part of the larger annual community campaign during the month of February.

Mr. Conroy responded to questions.

Investment Operations Report

Chairperson Ramamurthi recognized Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed a Semi-Annual Investment Performance Report for the System's investments for time periods ending December 31, 2020. He reported that the Retirement System experienced a total return of 11.5% for calendar year 2020, which exceeded the Policy Index benchmark by 0.3%. Mr. Emkin reported that the System's investment portfolio has outperformed the Policy Index benchmark over the trailing one year, three year, five year and ten year time periods. Mr. Emkin reported that the System's total investment portfolio outperformed the Median Public Fund over the trailing three year, five year, and ten year time periods.

Mr. Emkin reported that the System's average annualized total return over the ten years ending December 31, 2020, was 8.8%, which exceeded the Policy Index benchmark by 0.3%. Mr. Emkin noted that the System's investment portfolio outperformed the Policy Index during this time period with a lower risk profile than the benchmark. He noted that the future expected total return of the portfolio has decreased over time, and that the current estimate of future total return is 6%. He noted that the System's decision to employ active management in the international equity space has added significant value over time. Mr. Emkin responded to questions from Board members.

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

Investment Committee Report

Vice Chairperson Zakoura stated the Investment Committee met on Thursday, March 18, 2021. Vice Chairperson Zakoura provided a report and responded to questions.

Vice Chairperson Zakoura moved that the Board of Trustees approve a commitment of up to \$75 million to Hellman & Friedman Capital Partners Fund X, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Stratton seconded the motion. The motion carried.

Vice Chairperson Zakoura moved that the Board of Trustees approve a commitment of up to \$75 million to TA Associates Fund XIV, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Johnson seconded the motion. The motion carried.

Vice Chairperson Zakoura moved that the Board of Trustees approve an additional commitment of up to \$100 million to Prime Property Fund, LLC and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Arnold seconded the motion. The motion carried.

Audit Committee Report

The Audit Committee met on Friday, March 19, 2021. Trustee Zakoura, Chairperson of the Committee, provided a report and responded to questions.

Deferred Compensation Committee Report

The Deferred Compensation Committee met on Thursday, March 18, 2021. Trustee Ryan Trader, Chairperson of the Deferred Compensation Committee, provided a report on the Deferred Compensation meeting, and responded to questions.

Personnel Committee Report

The Personnel Committee met on Friday, March 19, 2021. Trustee Claudel, Chairperson of the Committee, provided a report and staff responded to questions.

Trustee Claudel moved that the Board of Trustees approve the payment of incentive compensation awards to the eligible investment staff for calendar year 2020 as calculated by CBIZ Talent & Compensation Solutions and as recommended by the Personnel Committee and the Executive Director. Trustee Trader seconded the motion. The motion carried.

Initial Review of Proposed Board Meeting Dates for Fiscal Year 2022

Vice Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the proposed Board meeting dates for Fiscal Year 2022, and responded to questions. Trustee Trader asked the Board to consider rescheduling the dates for the March 2022 Board meeting.

Status Report on the 2021 Legislative Session, Including the KPERS Operating Budget

Vice Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided a summary and Status Report of the current KPERS related legislation in the 2021 Legislative Session, including the KPERS operating budget and responded to questions.

Monthly Financial Report

Vice Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the February 2021, preliminary financial information reflecting the Retirement System's financial activities for FY 2021, and responded to questions.

Retirement System Monthly Operations Report

Vice Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the Benefits and Member Services Division's operations report and responded to questions.

Other Business

Vice Chairperson Zakoura expressed his gratitude to staff for the 2021 Legislative Session/KPERS Bill Recap Updates.

Vice Chairperson Zakoura recognized Representative Steven Johnson. Representative Johnson stated he would like the Board's input on the cap for bonding as the Board has expertise on this subject. He also stated that he would like the Board's input on extending the three year actuarial experience study. Vice Chairperson Zakoura stated his confidence in the KPERS staff and their ability to obtain returns that the Legislature would deem appropriate, and it would be the Trustee's sentiment that if there is the ability to increase the interest rate and still go forward and have the municipal bond, the Trustees are in support of it. Trustee Stratton stated that he would like to have a bench mark on the interest rate. The Board members continued to discuss the bond issue, and Alan Conroy, Executive Director, responded to questions.

Informational Items

Alan Conroy, Executive Director, called the Board's attention to the informational items behind Tab J in the Board book.

Board Self Evaluation

There was no further discussion.

Meeting Adjourned

Trustee Claudel moved to adjourn the meeting at 12:31 p.m. Trustee Stratton seconded the motion. The motion carried.