

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

September 17, 2021

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 9:47 a.m. on September 17, 2021, in the Retirement System Board Room, Topeka, Kansas.

Board members present: James Zakoura, Chairperson
 Ron Johnson, Vice Chairperson
 Kelly Arnold
 Ernie Claudel
 Emily Hill
 Lynn Rogers
 Brad Stratton
 Ryan Trader
 Sam Williams

Board members absent: none

Chairperson Zakoura welcomed David Wiese, Revisor of Statutes Office (via Zoom), and Eileen Ma, Revisor of Statutes Office (via Zoom), and Steven Wu, Kansas Legislative Research Department (via Zoom), and all other participants.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included approval of the July 23, 2021, meeting minutes.

Trustee Kelly Arnold moved the Board of Trustees adopt the consent agenda. Trustee Claudel seconded the motion. Motion carried.

Executive Director's Report

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reported on recent agency activities including:

Governor Kelly directed State agencies on August 25, 2021, to again have staff work remotely where feasible. This directive was to begin no later than the close of business on September 3, 2021 and will last through at least October 4, 2021. Beginning Monday, August 30, 2021, KPERS employees who could work from home were sent home to work. KPERS staff continues to practice daily health screening, masks are required when staff is away from their work areas, and extra cleaning of the building is occurring during the day.

The pension administration system modernization project continues to make progress. Staff is beginning the requirement sessions for components that will be included in the new system.

Benefits and Member Services staff responded to 99 percent of the 16,280 phone calls from members, employers and other interested parties during July and August. Staff members also responded to more than 3,600 email requests and assisted 450 individuals who visited the KPERS office in person. The retirement applications from 1,478 retirees and survivors were successfully processed.

KPERS' Fiscal Services outside auditor, CliftonLarsonAllen (CLA), completed the third SOC 1 Type 2 audit of the KPERS Disability Plan's census data for participating employers through the period July 1, 2020 through June 30, 2021. This type of audit reviews controls and their suitability of design. CLA found that for the time period reviewed, the controls operated effectively.

The Employer Auditing Unit has completed 13 standard three year employer audits since July, and 63 of 72 scheduled GASB 68 audits with nine still in progress.

The KPERS 457 team has added another local government office to the KPERS 457 plan. The most recent addition to the KPERS 457 plan is the city of Scranton, Kansas. This brings the total number of joiners signed to nine for the year. Empower will continue to work with new plan members to facilitate the enrollment of participants and funding of the plans.

The current contract with SageView Advisory, LLC expires at the end of calendar year 2021. The Request for Proposals for Investment Advisory Services was published on July 1, 2021 in the *Kansas Register* as well as the National Association of Government Defined Contribution Administrators (NAGDCA) member forum to solicit responses. KPERS 457 received RFPs from six firms.

In late August, KPERS 457 hosted the annual strategic planning meeting with Empower which was held in KPERS' office this year. Individuals from both Empower and KPERS 457 spent the day discussing the goals and objectives they want to accomplish in the calendar year 2022.

Planning and Research staff has been working on the FY 2023 budget narrative, including an update on the plan for the pension administration system modernization to the Governor. Staff has also been involved in the ongoing modernization meetings, the review and interview process for the KPERS 457 investment consultant, research projects on correctional members' benefits, and policy considerations of major plan design changes.

Staff also worked on information for the Executive Director's presentations for the League of Kansas Municipalities, the Legislative Budget Committee, and the Sedgwick County Commission.

The Investment Division public markets staff completed second quarter 2021 meetings with all of the System's publicly-traded investment managers to review recent performance, received firm updates, and discuss market conditions and portfolio positioning. The private markets investment staff conducted a due diligence meeting with a real estate firm and has been working with Townsend to prepare an investment recommendation for the September Investment Committee meeting. The private markets staff have also been

working with Townsend to prepare the presentation materials on the System's timber and infrastructure investment strategies for the September Investment Committee meeting.

The Information Technology Division has been working on a new Help Desk ticketing system and is receiving end-user emails and creating tickets for support. Staff has implemented upgrades to memory and storage for our servers. Staff has also been planning on an upgrade to the Information Technology Uninterruptible Power Supply.

As part of the pension administration modernization project, the Information Technology Division has been engaged in completion of the "as-is" documentation. In this effort, staff is documenting process flows and pain points in current operations. Staff is also working on the transferring of support for the legacy KITS System from KPERS development staff to our vendor – Sagitec. Catch Intelligence Data, an outside vendor, has completed its initial analysis of the KPERS Database Cleanup Project.

One of the Communications team's most significant projects for 2020 and 2021 has been redesigning kpers.org. Staff is currently in the content review phase and in preparation for user testing. The new site is slated to launch in November 2021. Staff is also taking this opportunity to review our accessibility tools and benchmarks to continue to best serve members with special visual and audio needs.

Alan Conroy, Executive Director, made three presentations since the last Board meeting, which included the Legislative and Policy Committee of the Kansas League of Municipalities, the Legislative Budget Committee, and a presentation to the Sedgwick County Commission. The presentation was a general KPERS overview touching on the latest actuarial valuation, overall funding, benefits, and working after retirement.

Investment Operations Report

Chairperson Zakoura introduced Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed Meketa's Semi-Annual Investment Performance Report for June 30, 2021 and responded to questions. He reported that the Retirement System experienced a total return of 26.3% for Fiscal Year 2021, outperforming the Policy Index return by 1.3%. Mr. Emkin noted that the Retirement System's investment portfolio outperformed the Policy Index for all time periods reported and outperformed the median public pension fund for the three-, five- and ten-year time periods. Mr. Emkin responded to questions from Board members.

Elizabeth Miller, Chief Investment Officer, reviewed the System's Investment Performance Report for time periods ending July 31, 2021. Ms. Miller reported that the Retirement System experienced a total return of 10.5% for the calendar year to date time period (not annualized), outperforming the Policy Index benchmark by 1.4%. The System's investment portfolio has outperformed the Policy Index for all time periods reported as of July 31, 2021. Long-term returns remain robust, as the System's investment portfolio has produced an 9.3% average annualized total return over the past ten years, outperforming the Policy Index by 0.4%. Over the trailing twenty-five-year time period, the System's investment portfolio has produced an 8.2% average annualized total return, exceeding the Policy Index by 0.3. Ms. Miller commented on the outsized nature of recent investment performance results and cautioned that current high equity valuations and low levels of interest rates do not bode well for future returns from the publicly-traded asset classes. Ms. Miller responded to questions from Board members.

Chairperson Zakoura recognized Ryan Lobdell, Meketa Investment Group. Mr. Lobdell reviewed Meketa's Investment Market Risk Metrics Report.

Investment Committee Report

Chairperson Zakoura recognized Trustee Emily Hill, Chairperson of the Investment Committee. The Investment Committee met on September 16, 2021. Trustee Hill provided a report and responded to questions.

Trustee Stratton moved that the Board of Trustees approve an additional commitment of up to \$100 million to PRISA LP and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Rogers seconded the motion. Motion carried.

Trustee Hill moved that the Board of Trustees authorize staff to negotiate an initial three-year contract extension with up to two additional one-year extensions with The Molpus Woodlands Group, LLC for the purpose of effecting the orderly divestiture of the existing timberland assets in the separately managed timber account. Trustee Stratton seconded the motion. Motion carried.

Trustee Hill moved that the Board of Trustees adopt the amended Statements of Investment Policy, Objectives and Guidelines for the Retirement System and the Death and Disability Fund. Trustee Arnold seconded the motion. Motion carried.

Deferred Compensation Plan Committee Report

Chairperson Zakoura recognized Ryan Trader, Chairperson of the Deferred Compensation Committee. Trustee Trader provided a report of the Deferred Compensation Committee meeting held on September 16, 2021.

Trustee Trader moved that the Board of Trustees approve KPERS 457 staff to enter into negotiations with SageView Advisory Group, LLC for the KPERS 457 Plan Investment Advisory Consultant effective January 1, 2022 as provided in K.S.A. 74-4927 and related sections, subject to staff negotiations of a satisfactory contract. Trustee Stratton seconded the motion. The motion carried.

Trustee Trader moved that the Board of Trustees approve the first of three optional one-year contract extensions with Great-West Life & Annuity Insurance Company for the calendar year January 1, 2022 through December 31, 2022 for recordkeeping and communication services for the KPERS 457 and 401(a) Plans. Trustee Johnson seconded the motion. The motion carried.

Trustee Trader moved that the Board of Trustees adopt the amendment to the KPERS 457 Plan Investment Policy Statement, dated September 17, 2021. Trustee Johnson seconded the motion. The motion carried.

Status Report on Pension Administration System Modernization

Chairperson Zakoura recognized Susan Hancock, Chief Project Manager Officer. Ms. Hancock introduced Jeff Mills, Vice President, Senior Consultant, Segal Group, Inc. Mr. Mills presented the Pension System Assessment Report. He discussed the vision for Pension Administration is to improve automation yielding more time to interact with members; enhancement of employer partnership through the online tools to further empower the employer, and improve data accuracy; build an organization and information technology

systems that support the future needs of the business and participants; creating a better user experience for members by giving them improved information access on the member web portal with the ability to initiate all services on-line; create a direct line of communication with members and use data to automate and tailor the member's experience and engagement in a dynamic manner improve retirement readiness; implement practices to access and improve the data with a governance model that results in accuracy, dependability, and security. Mr. Mills responded to questions.

Review of Sale of 2021 KPERS Pension Funding Bonds

Chairperson Zakoura recognized Alan Conroy, Executive Director, who introduced Jim MacMurray, CFA, Senior Vice-President, Kansas Development Finance Authority. Mr. MacMurray presented an overview of the sale of the 2021 KPERS Pension Funding Bonds. He discussed the timeline and schedule and approval of the sale. He presented an overview of the market, the rating highlights, and the financing results. Mr. MacMurray responded to questions.

Chairperson Zakoura recognized Jarod Walter, Planning and Research Officer. Mr. Waltner discussed the 2021 Pension Funding Bonds as the Legislature approved the sale of \$500 million in bond proceeds with a total interest rate cap of 4.3%. The legislation applied the proceeds to the School group unfunded actuarial liability, which affects the combined funding of the State/School group. The bonds were sold this month for a total interest rate of 2.65% and the KPERS Trust Fund received a \$500 million wire transfer on August 26, 2021. KPERS investment staff coordinated the investment of the bond proceeds with the System's external investment managers.

Retirement System Operations

Chairperson Zakoura 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 Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the monthly financial report and responded to questions.

Authorization to Appoint a Procurement Negotiating Committee for Securities Litigation Professional Services

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the information on the authorization to appoint a Procurement Negotiating Committee for Securities Litigation Professional Services. Ms. McKinnon stated that staff recommends that the Board authorize a procurement negotiating committee to lead a competitive bidding process for a contract. Because the contract for services includes legal work on a contingent fee basis, state law requires the RFP to be considered by the Legislative Budget Committee before it is published. The Budget Committee will have 60 days to review the RFP, which means that the RFP process will likely go through the end of 2021, and into the beginning of 2022. Staff tentatively plans on bringing the finalist(s) to the March 2022 Board of Trustees meeting. Ms. McKinnon responded to questions.

Trustee Rogers moved that the Board of Trustees authorize the Executive Director to establish a Procurement Negotiating Committee to develop a Request for Proposals and recommend securities litigation counsel in accordance with the state of Kansas' procurement laws for legal services. Trustee Hill seconded the motion. The motion carried.

Fiscal Years 2023 Budget Request

Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal gave an overview of the FY 2022 and 2023 budget requests, including the enhancement of the pension administration system, and responded to questions.

Trustee Johnson moved that the Board approve the Fiscal Years 2022, and 2023 budget request for submission to the Governor's Division of Budget and the Legislature. Trustee Hill seconded the motion. Motion carried.

Actual and Projected Funded Ratios

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Walter reviewed the actual and projected funded ratios by group as of actuarial valuation date and responded to questions.

Review and Possible Revisions to the Board Policy Manual

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed updates to the Board Policy Manual and responded to questions.

Trustee Arnold moved that the Board of Trustees approve staff's recommended amendments to the Board Policy Manual. Trustee Claudel seconded the motion. Motion carried.

Review of Initial Orders

Chairperson Zakoura recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the initial orders and responded to questions.

The Board may go into executive session to deliberate regarding its review. The following motion is suggested if the Board wishes to discuss in executive session:

Trustee Zakoura moved we recess into executive session to discuss confidential member information regarding the Presiding Officer's Initial Orders in the Daniel Jarvis 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 12:50 p.m. No binding action will be taken in the Executive Session. Trustee Claudel seconded the motion. The motion carried.

Chairperson Zakoura reconvened the meeting at 12:50 p.m. and announced that no binding action was taken in the executive session.

Trustee Hill moved that the Board inform the Executive Director of its decision to adopt the Initial Order in part and reject in part of the Daniel Jarvis 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 Chairperson 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.

Personnel Committee Report

Chairperson Zakoura recognized Trustee Ernie Claudel, Chairperson of the Personnel Committee. The Personnel Committee met on September 17, 2021. Trustee Claudel provided a report and responded to questions.

Trustee Claudel moved that the Personnel Committee recommend to the Board of Trustees the establishment of a bonus program for executive staff to compensate for extraordinary circumstances such as pandemics, disasters and other situations that dramatically increase the service requirement or workload. Trustee Rogers seconded the motion. The motion carried.

Trustee Claudel moved that the Personnel Committee recommend to the Board of Trustees a one-time bonus in accordance with the executive staff bonus program for a select unclassified staff salary in Fiscal Year 2022, to be paid as soon as possible. Trustee Arnold seconded the motion. The motion carried.

Other Business

No other business was discussed.

Informational Items

Chairperson Zakoura called the Board's attention to the informational items behind Tab N in the Board book.

Board Self Evaluation

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated that he would be sending out more information on the Educational and Planning Session which will be held at the Johnson County Community College, in Overland Park, Kansas on October 28-29, 2021.

Meeting adjourned

Trustee Arnold moved to adjourn the meeting at 1:03 p.m. Trustee Claudel seconded the motion. The motion carried.