

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

November 19, 2021

The meeting of the Board of Trustees was called to order by Chairperson Zakoura at 9:30 a.m. on November 19, 2021, in the Retirement System Board Room, Topeka, Kansas.

Board members present: James Zakoura, Chairperson
 Ron Johnson, Vice-Chairperson
 Ernie Claudel
 Emily Hill
 Lynn Rogers
 Brad Stratton
 Ryan Trader (via Zoom)
 Sam Williams
 Jo Yun

Board members absent: None

Chairperson Zakoura welcomed Eileen Ma, Revisor of Statutes Office (via Zoom), and Melissa Renick, and Steven Wu, Kansas Legislative Research Department; (via Zoom), Jeff Arpin, Division of the Budget, and all other participants.

Public Comments

There were no public comments.

Outstanding Service Award Presentation

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy congratulated Derek Smith, Technology Support Consultant I, as the recipient of the KPERS Outstanding Service Award for the period of December 2021 through March 2022. Mr. Conroy stated Derek was chosen for this award because he consistently goes above and beyond to support staff, the Board, and the KPERS mission. Derek is a wonderful asset and are fortunate to have him on our KPERS team.

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

Consent Agenda

The consent agenda included approval of the September 17, and October 28-29, 2021, meeting minutes.

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

Executive Director's Report

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

KPERS has been implementing Governor Kelly's directive to have staff work remotely where feasible. The Governor has extended the directive through the end of 2021. KPERS has allowed employees to perform some duties in the office as needed.

KPERS Human Resources tracks employees who have been tested or are required to quarantine and follow the Department of Administration and the Kansas Department of Health and Environment guidelines. Employees that are fully vaccinated are not required to quarantine. Unvaccinated employees (and those choosing not to report vaccination status) quarantine when indicated.

The Education team of Benefits and Members Services conducted virtual employer seminars in September and October, with 1,000 employer representatives in attendance. The Education staff also participated in quarterly virtual Pre-Retirement Webinars for members approaching retirement, with nearly 1,000 attendees.

Benefits and Member Services staff members have been working on the Modernization project covering member enrollment, correspondence, contact center, account withdrawals, and member, beneficiary and retiree maintenance topics.

The Fiscal Services Division and KPERS outside auditor, CliftonLarsonAllen (CLA), completed the Fiscal Year 2021 financial audit of the pension plan, issuing an unmodified opinion. CLA is in the process of completing the Fiscal Year 2021 Governmental Accounting Standards Board (GASB 68) audit for our employers.

KPERS received the Government Finance Officers Association (GFOA) Certificate of Achievement for the Fiscal Year 2020 annual financial report.

The Fiscal Services Employer Reporting Unit has handled 2,066 calls and emails from our employers since September. Employer Auditing completed 22 standard employer audits since September, 32 total this fiscal year.

The Investment staff has been implementing the recommendations approved by the Board during the September meetings. The private markets investment staff conducted several due diligence meetings with an infrastructure investment firm. The revised Statement of Investment Policy has been communicated to all the System's investment managers, investment consultants, and other relevant constituencies.

The public markets investment staff has been gathering the annual disclosure reports from all of the System's investment managers, and proxy voting reports from the System's publicly traded equity managers. All the Investment staff participated in a virtual meeting with representatives of Meketa Investment Group, Mercer, and The Townsend Group on October 27, 2021.

The Communications team held user testing sessions for the kpers.org website. Results were mainly positive, including validation of new design and content approach.

The Communications team supported Benefits and Member Services for quarterly pre-retirement webinars. For calendar year 2021, 3,638 members attended a Pre-Retirement webinar, a 32% increase over 2020.

The KPERS 457 team added local employer Auburn Township to the plan. This brings the total number of joiners signed to ten for the year. Empower will continue to work with new plan members to facilitate enrollment and funding the plan.

KPERS 457 staff and KPERS pension staff participated in the Department of Administration's benefits open house on the south lawn of the State Capitol Building on October 5 and again on October 20, 2021. In mid-October, staff attended the League of Kansas Municipalities annual conference to answer questions from existing local employers as well as offer KPERS 457 Plan services to those local employers wanting to join the Plan.

The pension administration system modernization project's major activities included "As-Is" process documentation and requirements analysis. The "As-Is" project documents all steps in each process and the related issues and gaps.

The modernization project engaged a Segal specialist to help with staff readiness for change and to highlight any areas of concern. Leadership interviews provided initial input, followed by focus groups with all employees working on the project. Initial findings include "watch items" on workload and realistic impacts to stakeholders.

Information Technology staff continue to provide significant support for the modernization project, as well managing the ongoing needs of the "legacy" pension administration system.

Information Technology staff also continues to work on completing the first phase of the data analysis project. Our vendor Catch Intelligence performed analysis on our main 200 data tables. IT staff has engaged in workshops with Premier Technologies to help us formulate our cloud visions and strategy, and to understand costs and implementation best practices.

The Security Administration has formed a committee to research and assess cybersecurity insurance. The committee met twice and are gathering information from agencies across the nation. They have completed our quarterly phishing email test for KPERS staff, with the highest success rate since we began in 2020. IT also deployed a new "report phishing" button within Outlook to make it easier for staff to report suspicious emails. As October was Cybersecurity Month, IT and Communications completed activities to increase awareness.

Alan Conroy, Executive Director made a presentation to the Sedgwick County Commissioners on a KPERS Overview, including the Cash Balance Plan.

Investment Operations Report

The Chairperson recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the September 30, 2021, Investment Performance Report. He reported that the Retirement System experienced a total return of 10.6% for the calendar year to date (not annualized), 21.1% for the trailing one year, 10.6% average annualized total return for the trailing three years and 10.5% average annualized total return for the trailing ten years

ending September 30, 2021. 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. Daniel Wadsworth, Investment Officer for Public Markets, reported on the performance of the System's core fixed income investment managers and yield driven 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 Chairperson recognized Aysun Kilic, Meketa Investment Group. Ms. Kilic reviewed the organization's Investment Market Risk Metrics Report and responded to questions.

Investment Committee Report

Chairperson Zakoura recognized Emily Hill, Chairperson of the Investment Committee. Trustee Hill reported on the Investment Committee's meeting on Thursday, November 18, 2021, and responded to questions.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$75 million to Brookfield Super-Core Infrastructure Partners L.P., and to authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Stratton seconded the motion. Motion carried.

Deferred Compensation Plan Committee Report

Chairperson Zakoura recognized Brad Stratton, Acting Chairperson of the Deferred Compensation Committee. Trustee Stratton provided a report of the Deferred Compensation Committee meeting held on Thursday, November 19, 2021.

Trustee Stratton moved that the Board of Trustees direct SageView Advisory Group, LLC, and KPERs 457 staff to terminate the Vanguard Mid Cap Growth Fund and the Goldman Sachs Small Cap Growth Insights Fund and replace them respectively with the Delaware Ivy Mid Cap Growth Fund and the Alliance Bernstein (AB) Small Cap Growth Z Fund and map the existing assets in each fund to its respective replacement fund as soon as practical. Trustee Claudel seconded the motion. Motion carried.

Audit Committee Report

Chairperson Zakoura recognized Ron Johnson, Chairperson of the Audit Committee. Trustee Johnson provided a report of the Audit Committee meeting held on Friday, November 19, 2021, and responded to questions.

Continued Discussion and Information on the Actuarial Investment Assumed Rate of Return

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy provided information and reviewed the process for the discussion of the investment return assumption rate of return and responded to questions.

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner reviewed the latest distribution of investment return assumptions, the State/School

employer contribution rates, and the calculations affected by interest rate assumptions. Mr. Waltner responded to questions.

Chairperson Zakoura recognized Pat Beckham, Principal and Consulting Actuary, Cavanaugh Macdonald. Ms. Beckham provided information regarding the investment return assumption rate of return and responded to questions.

The Board discussed the information provided to them regarding the actuarial investment assumed rate of return, the latest distribution of investment return assumptions, the State/School employer contribution rates, and the calculations affected by interest rate assumptions. The was general consensus for the Board to continue discussion on this issue at the January Board meeting.

Retirement System Operations

Chairperson Zakoura 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 2021 and responded to questions.

The Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the October 2021 monthly financial reports and responded to questions.

Possible Legislation for Consideration by the Next Session of the Legislature

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided a report on possible legislation for consideration by the 2022 Session of the Legislature. Staff did not recommend any specific legislative changes for the 2022 Session of the Legislature. Mr. Waltner responded to questions.

Extension of Group Life Insurance Contract

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the proposed Group Life Insurance contract and responded to questions.

Trustee Stratton moved that the Board of Trustees authorize the Executive Director to finalize the premiums, benefits, and risk/expense charges with Standard Insurance Company for the period from January 1, 2022 through December 31, 2024. Trustee Rogers seconded the motion. The motion carried.

KPERS Member Demographics and Trends

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner reviewed the KPERS Retirement experience, including retirement eligibility, retirement outlook, retirement rates, and potential impact on funding. Mr. Waltner responded to questions.

Board of Trustee Fiduciary Duties, Ethics, and the Kansas Open Records & Meetings Acts

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon presented an overview of Board fiduciary duties, ethics, and explained the Kansas Open Records and Open Meetings Acts. Ms. McKinnon discussed the laws governing the Trustees' responsibilities including general fiduciary principles, fiduciary duties in the Retirement Act, Kansas Governmental Ethics guidelines, and the Kansas Open Records and Open Meetings Acts. Ms. McKinnon responded to questions.

Informational Items

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

Other Business

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy provided information on the dates available at the Johnson County Community College for the 2022 Educational and Planning Session. There was informal consensus to hold the 2022 Educational and Planning Session on October 20-21, 2022.

Chairperson Zakoura recognized Trustee Claudel. Trustee Claudel suggested the Board submit questions regarding the actuarial investment assumed rate of return to Alan Conroy, Executive Director within ten days.

Board Self Evaluation

There was no discussion.

Meeting adjourned

Chairperson Zakoura adjourned the meeting at 1:56 p.m.