

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

July 23, 2021

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura, at 10: 06 a.m. on July 23, 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  
                                                          Ryan Trader  
                                                          Lynn Rogers  
                                                          Brad Stratton  
                                                          Sam Williams

Board member absent:                    None

Chairperson James Zakoura welcomed Adam Proffitt, Director, Division of the Budget, Jeff Arpin, Division of the Budget, Eileen Ma and David Wiese, Revisor of Statutes, Melissa Renick, and Steven Wu, Kansas Legislative Research Department, and all other participants.

**Oath of Office**

Laurie McKinnon, General Counsel, administered the Oath of Office to Ryan Trader, Ernie Claudel and Sam Williams.

Ryan Trader is the non-contested elected Non-School Member Trustee. Ernie Claudel was re-elected to a third term as the School Member Trustee, and Sam Williams was appointed by the President of the Senate Ty Masterson.

**Organization of the Board**

*Trustee Ron Johnson nominated James Zakoura to serve as Board Chairperson. Trustee Trader seconded the motion. There were no other nominations. The nomination for James Zakoura to serve as Board Chairperson carried unanimously.*

Chairperson Zakoura thanked members of the Board for their confidence in his leadership and announced that he would appoint Trustee Ron Johnson as Vice Chairperson.

*Trustee Rogers moved that the Board of Trustees approve the Fiscal Year 2022 Board and Committee meeting schedule as presented by staff. Trustee Hill seconded the motion. Motion carried.*

## **Public Comments**

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy spoke on behalf of Mr. Clarence "Sonny" Scroggins, a retired KPERS member who has appeared before the Board several times, and his son Tracy Scroggins who both requested that the KPERS Board not to include KPERS investments in organizations that are associated with pharmaceutical companies that sell opioids. They both have shared the devastating impact opioid addiction is having on America, including here in Kansas. Mr. Sonny Scroggins had also shared about an effective out-reach program to address opioid addition by the Finney County (Garden City) Health Department. Chairperson Zakoura acknowledged the concerns raised by Sonny and Tracy Scroggins.

## **Former Chairperson Ramamurthi Farewell**

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy on behalf of the Board of Trustees honored former Chairperson Suresh Ramamurthi. Mr. Conroy noted that former Chairperson Ramamurthi served on the Board of Trustees since July 2013. During his tenure, former Chairperson Ramamurthi made or seconded 50 motions, approved funding of investing \$5.0 billion, and the Trust Fund has grown 58% to a total of \$24.7 billion. Mr. Conroy thanked former Chairperson Ramamurthi for his service on the Board of Trustees and to the members of KPERS.

Former Chairperson Ramamurthi thanked the Board of Trustees for the opportunity of serving on the Board.

## **Consent Agenda**

The consent agenda included approval of the May 21, 2021 Board meeting minutes; the new affiliations of Fairmount Township, Haskell Township Library, Kanwaka Township, SE KS Regional Juvenile Detention Center, USD 456 Marais Des Cygnes Valley, and Wichita County for the KPERS Optional Group Life Insurance; and the appointment of a Hearing Officer for the Janice Cushinberry appeal.

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

## **Executive Director's Report**

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reported on some of the recent key activities at KPERS and responded to questions. Highlights of some of the activities included:

The latest KPERS COVID -19 update:

All KPERS employees returned to the office on July 6, 2021. KPERS implemented an enhanced flex time schedules and a pilot remote work policy for employees in positions approved to work from home. Employees may work up to two days at home and supervisors may work one day at home.

During the month of July, KPERS celebrated bringing everyone back together by hosting various activities including Human Bingo, ice cream floats, DIY KPERS shirts, pet/staff look-alike contest and a lemonade/limeade food truck.

No new staff have tested positive for COVID-19 since April. In total there were 20 staff that tested positive for COVID-19 between November 2020 and April 2021. To our knowledge, no staff member has contracted COVID-19 due to contact at work.

KPERS follows CDC guidelines in relation to masks. Staff and visitors that have been fully vaccinated do not have to wear a mask but may choose to wear one. Staff and visitors that have not been fully vaccinated are asked to wear a mask and social distance when they are away from their work area.

KPERS continues to follow Governor Kelly's and the Department of Administration guidelines for staff that have been exposed to or being tested for COVID-19.

The Modernization Project continues to move forward at a steady, quality-driven pace. Staff completed "Functional Visioning" with leaders and key managers in the agency to determine what "Best in Class" means to KPERS. Multiple clear goals arose, and staff is now in the process of assessing how new directions might be operationalized.

During May and June, Benefits and Member Services' staff successfully processed 1,417 retirement applications for new retirees and survivors. Staff members currently are finalizing 930 applications for members retiring in July, an increase of more than 25 percent when compared with the number of retirement applications processed in July 2020. Infoline representatives responded to 98.5 percent of 15,537 incoming telephone calls during May and June, and staff handled nearly 3,700 email requests.

Staff members have been participating in various special projects and technology initiatives, including documentation of current processes for the pension modernization project, submission of initial information for the data improvement project, and planning for the Fall 2021 employer educational programs and optional life insurance open enrollment periods.

Some of the key areas that the Communications Team has focused on include:

*kpers.org*. Progress continues on the redesign project. Efforts include designing the new look and feel, based on the department's "bite-snack-meal" approach, and creating an efficient experience for task-focused visits.

*KPERS 457*. The Communications Team coordinated the KPERS 457 employer satisfaction survey and provided comparative analysis (2016, 2019, 2021). Staff also communicated with employers about upcoming webinars and fiduciary responsibility and provided support for the brand refresh, participant emails and the new testimonial video.

*Employer communications*. Employer communications for June included information about compensation for pay period reporting, the death and disability contribution moratorium, rate changes, and "summer pay."

*Internal communications.* Staff focused on the modernization project, division happenings, the new help desk ticketing solution and the “Welcome Back” efforts (reuniting remote and in-person workers for the first time since March 2020).

Other projects on which communications provided support are the Executive Director’s video for the NASRA (National Association of State Retirement Administrators) annual conference; we contributed to the modernization initiative with a new intranet hub for internal communications, visioning sessions, new system demos and documentation and the print vendor evaluation for Fiscal Year 2022 based on cost, production time and customer service, including selecting vendors produce our print projects for the fiscal year. The Communications team assisted with Member Annual Statements and the Board election wrap-up (final reports, announcements, news release, web, process/project documentation).

The Investment Division staff recently held an offsite meeting with representatives of Meketa Investment Group, The Townsend Group, Western Asset Management, and T. Rowe Price. Discussion topics included the implications of rising inflation and interest rates for the System’s investment portfolio, and a review of the System’s investment strategy for timber in the real return asset class.

The public markets investment staff completed first quarter 2021 review calls and meetings with all of the System’s publicly-traded investment managers to review recent performance and discuss market conditions, portfolio positioning, and receive any firm updates. The private markets investment staff conducted a due diligence meeting with a private equity firm and has been working with Mercer to prepare an investment recommendation for the July Investment Committee meeting.

The Information Technology Division focused on several areas since the last Board meeting. A new Help Desk ticketing project is up and running with the system receiving end-use emails and creating tickets for support. Staff has upgraded the Network Control Access solution to provide for significant information technology security.

Staff has continued to help support the implementation of the Lexis/Nexis ThreatMetrix for the Member Web Portal member ID verification project. It is anticipated that Benefits and Member Services will enable the blocking mode component of the system by the end of September. The Division completed the quarterly security Phishing email campaign for all staff. Results of the campaign are currently being reviewed.

Information Technology staff has continued to work with the external financial auditors, CliftonLarsonAllen, on verifying various security systems and protocols that the agency has in place as part of the annual SOC I Type 2 audit. Division staff responded to follow-up questions from the Legislative Post Audit on its last information technology security audit of KPERS. Staff has also deployed Office 365 Data Loss Prevention which will help prevent confidential information from being disclosed.

As part of the pension system modernization project, the Information Technology Division has attended the “Best in Class” visioning sessions with KPERS business users, as well as an Information Technology staff-only group to explore possible capabilities and functionality features. An outside vendor, CATCH Intelligence Data, has begun a Database Cleanup

Project, which is part of the pension system modernization project. The staff is also working with Sagitec on a curriculum for developer team training.

Planning and Research staff focused on the 12/31/2020 actuarial valuation report. As the session finished up at the end of May, staff worked with the Information Technology Division on the KITS updates that were necessary due to the legislation passed during the 2021 session. Planning and Research staff was also involved in the visioning meetings for the pension administration modernization project. Planning and Research staff also has started the budget narrative process for the upcoming FY 2023 budget cycle.

The KPERS 457 team has added three local government offices to the KPERS 457 plan. The most recent additions to the KPERS 457 plan are USD 350 St. John-Hudson, the City of Hays, and the Township of Burlingame. This brings the total number of joinders signed to seven for the year. Empower will continue to work with new plan members to facilitate the enrollment of participants and funding of the plans.

### **Investment Operations Report**

The Chairperson recognized Liz Miller, Chief Investment Officer. Ms. Miller reviewed the May 31, 2021 investment performance report. Ms. Miller reported that the Retirement System's investment portfolio produced a total return of 24.8% for the fiscal year to date time-period (not annualized), outperforming the Policy Index by 1.4%. She reported that for the one year ending May 31, 2021, the System's investment portfolio achieved a 27.3% total return, outperforming the Policy Index by 1.6%.

Ms. Miller also reported on longer term investment performance results, reporting that the Retirement System's investment portfolio produced an average annualized total return of 10.9% for the trailing three-year time period, 9.0% for the trailing ten-year time period, and 8.0% for the trailing 25-year time period ending May 31, 2021. The System's investment portfolio outperformed the Policy Index benchmark for all time periods reported. However, for the trailing 20-year time-period ending May 31, 2021, the System's average annualized total return was 7.6%, which did not meet the System's 7.75% investment return assumption. Ms. Miller commented on the unusual nature of the trailing one-year time-period and noted that the investment performance results for risk assets in this time-period are not sustainable.

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

### **Investment Committee Report**

The Investment Committee met on July 22, 2021. James Zakoura, Chairperson of the Investment Committee, reported on the Investment Committee's meeting, and responded to questions.

*Trustee Hill moved that the Board of Trustees approve a commitment of up to \$50 million to Quad-C Partners X, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Rogers 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 July 23, 2021. Trustee Claudel provided a report and responded to questions.

*Trustee Claudel moved that the Board of Trustees approve compensation adjustments in selected unclassified staff salaries for Fiscal Year 2022, as recommended by the Personnel Committee and that such adjustments be implemented as soon as practical in Fiscal Year 2022. Trustee Stratton seconded the motion. The motion carried.*

## **Audit Committee Report**

Chairperson Zakoura, Chairperson of the Audit Committee, provided a report on the Audit Committee held on July 22, 2021 and responded to questions.

*Trustee Johnson moved that the Board of Trustees approve the first of two one-year contract extensions with CliftonLarsonAllen, LLP for the System's annual financial audit, the GASP 68 report, and the SOC 1 Type 2 report to be delivered no later than December 31, 2022. Trustee Hill seconded the motion. The motion carried.*

## **Status Report on Pension Administration System Modernization**

Chairperson Zakoura recognized Susan Hancock, Project Manager. Ms. Hancock introduced Jeff Mills, Vice-President, Senior Consultant, Segal, Inc. Mr. Mills provided a report of the status on Pension Administration System Modernization and responded to questions.

## **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.

## **Actuarial Valuation Report**

Chairperson Zakoura recognized KPERS' consulting actuary Pat Beckham, FSA, EA, FCA, MAAA, Principal and Consulting Actuary with Cavanaugh Macdonald. Ms. Beckham presented the December 31, 2020 Actuarial Valuation and responded to questions. Key findings in the Actuarial Valuation included that all membership groups remained at the full actuarial required contribution rate. The KPERS total system funded ratio increased from 70% last year to 73% this year (which does not include the pension funding bonds approved by the 2021 Legislature due to the valuation date of December 31, 2020). The total unfunded actuarial liability decreased from \$9.0 billion last year to \$8.5 billion this year. And the favorable return on actuarial assets decreased the employer contribution rate for all employee groups.

*Trustee Arnold moved that the Board accept the December 31, 2020 Actuarial Valuation as presented. Trustee Trader seconded the motion. Motion carried.*

## **Other Business**

Trustee Trader stated the Lenexa Fire Station will host Governor Kelly for a bill signing of the Michael Wells Memorial Bill at 10:15 a.m. on August 2, 2021.

## **Informational Items**

The Chairperson 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**

Chairperson Zakoura adjourned the meeting at 1:55 p.m.