

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

November 18, 2022

The meeting of the Board of Trustees was called to order by Chairperson Zakoura at 9:30 a.m. on November 18, 2022, 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
 Sam Williams
 Jo Yun

Board members absent: None

Chairperson Zakoura welcomed Melissa Renick, Kansas Legislative Research Department. Chairperson Zakoura also welcomed David Wiese, Revisor of Statutes Office (via Zoom), 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 Amy Whitmer, Senior Corporate Accountant, Fiscal Services Division, as the recipient of the KPERS Outstanding Service Award for the period of December 2022 through March 2023. Mr. Conroy stated Amy was chosen for this award because she gives strong attention to detail, providing distinguished service to KPERS and the Corporate Accounting Department. Mr. Conroy also stated that Amy is a wonderful asset and KPERS was fortunate to have her on our team.

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

Trustee Lynn Rogers Farewell

Chairperson James Zakoura and Alan Conroy, Executive Director made a presentation to Trustee Rogers as this will be his last regular meeting as a KPERS Trustee. On behalf of the Board, Chairperson Zakoura presented Trustee Rogers with a plaque to honor his dedicated efforts on behalf of KPERS. Chairperson Zakoura congratulated Trustee Rogers for his

outstanding service on the Board of Trustees as he served as a fiduciary on behalf of the retirees, beneficiaries, and members.

Mr. Conroy also honored Trustee Rogers for his two years on the Board of Trustees. During his time as a Board member, Trustee Rogers has made or seconded 15 motions and approved funding of investing \$0.75 billion. Mr. Conroy thanked Trustee Rogers who has served the Board of Trustees with distinction and honor.

Customer Experience Management (CEM) Benchmarking Award

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated that KPERS received an award from CEM Benchmarking at their recent Annual Conference as KPERS has been a member of CEM Benchmarking for 20 years. Mr. Conroy recognized staff that provides the detailed information to CEM Benchmarking, who were honored and recognized to receive the award including Heather McHardie, Lisa Ngole, Mary Beth Green, and Judy McNeal.

Consent Agenda

The consent agenda included approval of the September 30, 2022 and October 21, 2022, meeting minutes.

Trustee Stratton 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 recent agency activities including:

Benefits and Members Services staff conducted nearly 50 Employer Workshops during September and October 2022. The Education team collaborated with the Communications staff to present a companion, two-part Employer Webinar. The Education team presented more than 20 Pre-Retirement Seminars for members along with nearly 20 appearances at benefit fairs and professional conferences. During October, staff presented five virtual Pre-Retirement Webinars with nearly 500 attendees.

Benefits and Members Services staff members have been finalizing the statistical benefits administration data to submit for CEM's Fiscal Year 2022 benchmarking analysis. Staff assisted members with their online life insurance enrollments for member, spouse, and dependent coverage. Staff is working with information technology staff and consultants on the information system changes necessary to implement several items in January 2023, including (1) administrative aspects of the 7.0% investment return assumption, (2) federally required modifications to federal income tax withholding forms and tables for both one-time payments and monthly benefit payments, and (3) reconciliation of benefit payment records prior to issuing the 2022 1099-R tax forms.

The Fiscal Services team and KPERS' outside auditor, CliftonLarsonAllen (CLA) completed the Fiscal Year 2022 financial audit of the pension plan, issuing an unmodified opinion. CLA is in the process of completing the GASB 68 audit for our employers for Fiscal Year 2022.

The Employer Auditing Unit has completed 12 employer audits since the September Board meeting and all 69 GASB 68 audits. The Employer Reporting Unit handled over 4,700 calls and emails from employers since the last Board meeting. Staff participated in the Employer Advisory Group meeting held on-site October 12.

The Investment staff held virtual review meetings with several of the private markets investment managers and traveled to on-site professional development training and two in-person due diligence meetings with managers. Third quarter 2022 review meetings were held with each of the public market managers.

Staff worked with Mercer to construct and deliver a market overview and portfolio construction considerations presentation on alternative assets to the Board at its educational session in October. Staff also coordinated the development of presentations made by Meketa and CEM for the October meeting.

Staff had an offsite meeting with Meketa, Townsend and Mercer to formulate the 2023 pacing plans for the real estate and private equity programs.

The Communications staff worked on the new IRS W-4 forms project, including edits to forms, publications and system correspondence as well as assisting with the annual tax projects for 1099-Rs and tax withholding letters.

Communications staff hosted kpers.org redesign preview sessions with the Employer Advisory Group and frontline KPERS staff for feedback, promotional materials for a December 3, 2022, launch. Staff is planning another session for Spring 2023 and working to expand the group membership.

Communications staff assisted with the Modernization project, including hosting an agency-wide town hall to update all agency staff. Staff also worked on Human Resources training, employee appreciation celebrations, the data governance business glossary project, business continuity plan, transition to the Helpdesk Portal, and National Cybersecurity Awareness Month with a series of informational blogs and two contests to test staff knowledge about best practices.

The KPERS 457 team has added five local government offices to the KPERS 457 plan and one 401(a) plan. The most recent additions are Kanwaka Township, Miami County, Thomas County Economic Development Association, Garden City Community College, and Norton County Hospital. The City of Topeka has added a 401(a) plan. This brings the total number of joinders signed to 17 for the year. Empower will continue to work with new plan members to facilitate the enrollment of participants and the posting of their deferrals to the Plan.

Throughout October, KPERS 457 staff attended various benefits fairs. The State Employee Health Program hosted two events at the State Capitol. Other benefits fairs were held by the City of Topeka, Shawnee County, and Geary County. The League of Kansas Municipalities also held its annual event in Overland Park.

Planning and Research staff worked to finalize the budget narrative after the Board approved the FY 2023 and FY 2024 agency budget request. Staff responded to annual surveys from the Public Pension Coordinating Council (PPCC) and National Conference on Public Employee Retirement Systems (NCPERS). KPERS received the PPCC standards award for funding and administration.

Planning and Research staff is also responding to questions from members and legislators regarding cost-of-living adjustments, plan design and working after retirement. Staff is continuing to assist the Society of Actuaries on KPERS data for the public plan's mortality study.

The modernization project staff have multiple annual processes to be prepared for (Form 1099-R, tax withholding letters and Member Annual Statements), but this year staff is also upgrading our systems to accommodate new IRS changes to the W-4 and implementing the new actuarial rate of return.

Staff is currently onboarding a new vendor project manager to support KPERS' goal of increasing communication, engagement, training and organizational change. This requires re-envisioning staff's engagement with the vendor and will entail the negotiation of the next Statement of Work for the IMPROVE stage of the project. To ensure that the way forward is clear, staff is negotiating for all deliverables to have a Deliverable Expectations Document.

Information Technology staff completed the secure remote access for our current pension administration system testing for onshore and offshore Sagitec resources. This process uses enhanced security configurations that only allow these testing resources access to the permitted masked data sets.

The Security Team is now using a new security awareness training service called KnowBe4. Staff is directly assigning quarterly training to all employees. This will help keep everyone's security awareness sharp and up on the latest attacker tricks and techniques.

Information Technology staff promoted Cybersecurity Awareness Month to all employees in October. Staff sent out emails, displayed flyers around the building, created content for our Intranet site, and gave away gift cards to employees who played an online game called "Kahoot" that quizzed players on security awareness information covered during the month.

The KPERS Executive Team hosted employee appreciation activities in October and November. A luncheon was prepared and served by the Executive Committee for all staff. The menu included hamburgers, hot dogs, and bratwurst grilled by John Cahill, Chief Information Technology Officer, and Bruce Fink, Chief Investment Officer. Other members of the Executive Team provided side dishes and desserts. Activities in November included a trivia contest, popcorn and nachos, chair massages, a cornhole tournament complete with ice cream, and a staff favorite, Cricut™ day (shirt decals), under the guidance of Julie Baker, Human Resources Director.

Investment Operations Report

The Chairperson recognized Bruce Fink, Chief Investment Officer. Mr. Fink reviewed the September 30, 2022, Investment Performance Report. He reported that the Retirement System experienced a total return of -9.1% for the trailing one year, 5.9% average annualized total return for the trailing five years and 7.6% average annualized total return for the trailing ten years ending September 30, 2022. Mr. Fink noted that the return on the total portfolio outperformed the return of the policy index for each period reported. Mr. Fink reviewed the performance of the System's active international equity managers. 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 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.

The Chairperson recognized Allan Emkin, Meketa Investment Group. Mr. Emkin 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 17, 2022, and responded to questions.

Trustee Hill moved that the Board of Trustees approve the full redemption of the System's investment in the Jamestown Premier Property Fund, L.P., and authorize staff to proceed with the redemption request in a prudent manner. Trustee Claudel seconded the motion. The 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 Thursday, November 17, 2022.

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 18, 2022, and responded to questions.

Trustee Johnson moved that the Board of Trustees approve the second of two one-year contract extensions with Moss Adams, LLP for annual financial audits and service provider contract compliance audit services of the KPERS 457 Plan to be delivered no later than December 31, 2023. Trustee Williams seconded the motion. The motion carried.

Overview of KPERS Selected Investments

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy explained what would be reviewed in the KPERS Selected Investments and introduced Bruce Fink, Chief Investment Officer. Mr. Fink presented the overview of KPERS selected investments, including the equity exposure to China, the Russell 3000 Index, passive investing, BlackRock, and policy and statutory guidance. Mr. Fink 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 2023 Session of the Legislature. Mr. Waltner responded to questions.

Trustee Stratton moved that the KPERS Board of Trustees draft a letter of request to the members of the Joint Committee on Pensions, Investments and Benefits for their consideration to recommend legislation to the 2023 Legislature that would remove the 15% cap on alternative investments and instead delegate the allocation amounts for all investment categories (including alternative investments) to the KPERS Board of Trustees. Trustee Williams seconded the motion. The motion carried.

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 2022 and responded to questions.

The Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the October 2022 monthly financial reports and responded to questions.

Authorization to Appoint a Procurement Negotiating Committee for the External Financial Auditors

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the KPERS Pension Plan Audit Request for Proposal. The current contract that KPERS has with CliftonLarsonAllen (CLA), is for the performance of the Financial Statements and GASB 68 audits of the Pension Plan for Fiscal Year 2019-2023. In addition, CLA performs a SOC 1 Type 2 report for the Disability Plan also through Fiscal Year 2023. The System is responsible to contract its own audits, per K.S.A. 75-37,132(h). Ms. McNeal responded to questions.

Trustee Rogers moved that the Board of Trustees authorize the Executive Director to convene a Procurement Negotiating Committee and publish a Request for Proposals for Financial Statement, GASB 68, and SOC 1 Type 2 audits for the Kansas Public Employees Retirement System. Trustee Claudel seconded the motion. The motion carried.

Authorization to Appoint a Procurement Negotiating Committee for the KPERS 457 Financial Statement Audits and Optional Contract Compliance Audits

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the Deferred Compensation Plan Audit Request for Proposals. The current contract with Moss Adams LLP, for the performance of financial audits of the KPERS 457 Plan, was effective for financial statement audits for calendar years 2017–2021, along with provisions for contract compliance audits. Additionally, the contract allowed two, one-year extensions under such terms and conditions as both parties may agree in writing. In May 2021, the Board chose to exercise the first option for the calendar year 2022, while the second one-year option is under consideration for 2023. No additional extensions are available under the contract.

Trustee Trader moved that the Board of Trustees authorize the Executive Director to convene a Procurement Negotiating Committee and publish a Request for Proposal for financial statement audits and optional contract compliance audits of the KPERS 457 Deferred Compensation Plan. Trustee Rogers seconded the motion. The motion carried.

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, primary duties of a fiduciary, fiduciary duties in the Retirement Act, fiduciary duty and benefit payments, Kansas Governmental Ethics guidelines, the Board Policy Manual, and the Kansas Open Records and Open Meetings Acts. Ms. McKinnon responded to questions.

KPERS Opportunities Roundtable

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy explained the process of the KPERS opportunities roundtable. The format allowed Trustees to visit briefly with selected members of the KPERS Executive Team. Trustees were stationed in groups of two and various members of the Executive Committee came to each table and were available to briefly review their respective duties and responsibilities and to answer questions from the Board members.

Review of Initial Orders

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

Trustee Claudel moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Curtis Nicholson 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 Trader seconded the motion. The motion carried.

Trustee Yun moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Janice Cushinberry 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 Stratton seconded the motion. The motion carried.

Informational Items

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

Board Self Evaluation

Trustee Claudel request the Board recess into executive session.

Trustee Claudel moved that the Board recess into executive session to discuss confidential real estate and real asset 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, Bruce Fink, Shannon Kuehler, Jack Barker, and Lindsey Leslie. We will reconvene the open meeting in the Retirement System Board Room at 2:45 p.m. No binding action will be taken in the Executive Session. Trustee Trader seconded the motion. The motion carried.

Vice-Chairperson Johnson reconvened the Board meeting at 2:45 p.m. Vice-Chairperson Johnson announced that no binding action was taken in the executive session.

Trustee Claudel moved that the Board recess into executive session to discuss confidential real estate and real asset 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, Bruce Fink, Shannon Kuehler, Jack Barker, and Lindsey Leslie. We will reconvene the open meeting in the Retirement System Board Room at 3:00 p.m. No binding action will be taken in the Executive Session. Trustee Trader seconded the motion. The motion carried.

Vice-Chairperson Johnson reconvened the Board meeting at 3:00 p.m. Vice-Chairperson Johnson announced that no binding action was taken in the executive session.

Meeting adjourned

Vice Chairperson Johnson adjourned the meeting at 3:02 p.m.