

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

May 26, 2023

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura, at 10:00 a.m., on May 26, 2023, in the Retirement System Board Room, Topeka, Kansas.

Board members present:            James Zakoura, Chairperson  
    Ron Johnson, Vice Chairperson  
    Ernie Claudel  
    Steven Johnson  
    Brad Stratton  
    Ryan Trader  
    Sam Williams  
    Jo Yun

Board members absent:            Emily Hill

Chairperson James Zakoura welcomed Melissa Renick, Legislative Research Department, David Wiese, Revisor of Statutes Office (virtual), Jeff Arpin, Division of the Budget (virtual), Jeff Chaney, State Treasurer's Office (virtual), and all other participants.

**Trustee Ron Johnson, Farewell**

Chairperson James Zakoura and Alan Conroy, Executive Director, made a presentation to Vice Chairperson Ron Johnson as this will be his last regular meeting as a KPERS Trustee. On behalf of the Board, Chairperson Zakoura presented Vice Chairperson Johnson with a plaque to honor his dedicated efforts on behalf of KPERS. Chairperson Zakoura congratulated Vice Chairperson Johnson 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 Vice Chairperson Johnson for his four years on the Board of Trustees. During his time as a Board member, Chairperson Johnson has made or seconded 61 motions and has voted to approve over \$1.7 billion in additional investments by the Trust Fund. Mr. Conroy thanked Vice Chairperson Johnson for his outstanding and dedicated service to the Retirement System, the members of KPERS, and the citizens of the State of Kansas.

**Kristen Basso, Communications Director, Farewell**

Chairperson James Zakoura and Alan Conroy, Executive Director made a presentation to Kristen Basso, who has served as the Communications Director at KPERS since January 2001. Ms. Basso has accomplished many things during her time at KPERS which includes adding the cottonwood leaf as the KPERS logo, redesigning the KPERS website and web portal with ongoing updates of information and user experience. Ms. Basso always strives to make things better and has made many accomplishments with her enthusiasm, creativity, sincerity, and can-do attitude. Mr. Conroy thanked Ms. Basso for her outstanding and dedicated service to the Retirement System and the members of KPERS.

## **Public Comments**

Chairperson Zakoura recognized Russell Mildward, KPERS retiree and a former superintendent of USD 245, Leroy-Gridley, Emporia, Kansas. Mr. Mildward stated he had new evidence and urged the Board to remand his case against KPERS to the Department of Administration's Office of Administrative Hearings.

## **Consent Agenda**

The consent agenda included approval of the March 24, 2023, meeting minutes, the April 27, 2023, meeting minutes, and the Appointment of a Hearing Officer for Ms. Cole.

*Vice Chairperson Ron Johnson moved that the Board of Trustees adopt the consent agenda. Trustee Claudel seconded the motion. The 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. Highlights of some of the activities included:

Benefits and Members Services educational staff presented Pre-Retirement Seminars for KPERS members approaching retirement in 40 locations across the state with more than 2,200 attendees and for KP&F members in nine locations with almost 200 attendees. They also worked with the Communications staff to present six quarterly Pre-Retirement webinars with approximately 330 attendees. Staff members have been busy helping members with benefit counseling, benefit estimates and application forms and decisions related to the nearly 1,300 applications already received from members planning to retire in June and July.

Staff members have been holding webinars and presentations for expansion of the Deferred Retirement Option Program to all KP&F employers and members (effective April 27, 2023) and the affiliation of the Kansas Department of Wildlife and Parks with KP&F (effective July 1, 2023). Staff members have been working on various special projects including documentation of operating procedures and future business processes, ongoing Data Governance initiatives, and several items related to issuing the Modernization Project Request for Proposals.

Fiscal Services Division Employer Auditing Unit has completed 12 employer audits since the March Board meeting, 67 in total for the Fiscal Year, and has 32 audits in process. The Employer Auditing Unit is also working with Internal Audit gathering information requested by CLA from the 70 employers chosen for the Fiscal Year 2023 GASB 68 audit.

The Employer Reporting Unit has handled almost 8,000 calls and emails and processed almost 400 certifications since the last Board meeting. In addition, the Unit sent over 3,100 letters to agencies on various topics.

Fiscal Services has three external audits in progress. Moss Adams is auditing calendar year 2022 for the KPERS 457 plan. CliftonLarsonAllen (CLA) is conducting its fifth SOC 1 Type 2

audit of the Death & Disability plan. In addition, CLA has begun the annual financial audit of the KPERS pension plan.

Investment staff continued its asset/liability modeling work with Meketa and presented an asset allocation policy recommendation to the Investment Committee in May 2023. Staff prepared a presentation and provided an update to the Board at its April 27, 2023, special meeting, discussing the impact of HB 2100, which prohibits investments based on environmental, social and governance (ESG) issues, on the investment program. At this meeting, the Board approved the formation of a Procurement Negotiating Committee to oversee the issuance of a Request for Proposal for Proxy Voting Services. Staff continues to work through the provisions of HB 2100 to assess the impact on the System's policies, procedures, and diligence processes.

Investments staff conducted real estate due diligence meetings with an investment manager and have been working with The Townsend Group to prepare an investment recommendation for the May Investment Committee meeting. Staff has held review meetings and attended annual meetings with several of the private market's investment managers. Staff has also completed its legal review and executed documents for the private equity and real estate commitments that the Board approved in March. Public market investment manager meetings for the first quarter of 2023 were completed.

Planning and Research staff participated in the annual valuation census file project and has been working on the staffing resource project for the pension administration modernization project. Staff has responded to several questions about the ESG legislation to national groups (NASRA), other state plans and to legislators and constituents. Planning and Research also prepared a presentation for the KDWP on affiliation with KP&F as approved by the Legislature.

The Pension Administration System Modernization team prepared a Request for Proposals approved by the Kansas Information Technology Office, and the RFP was published on May 18, 2023.

The Modernization team is also working on our present internal system with our current vendor focusing on critical needs of regular business operations. A particular highlight is an ongoing successful Knowledge Transfer program that is enabling KPERS developers to learn more about the existing system.

The Communications team provided support for HB 2196 that expands the Deferred Retirement Option Program implementation. Staff began planning for our member engagement project later this year and for the soft launch for the pre-retirement email subscription campaign scheduled to go live this summer. Staff worked with KPERS' audit team to develop a new employer audit web page to help employers understand why we have audits and explain how the process works. In addition, we created new employer portal QuickStep guides.

Communications staff hosted KPERS' bi-annual Employer Advisory Council meeting at the KPERS' office. This in-person meeting provides the opportunity for employers to meet the KPERS' employees and network with other employers. Employers were eager to be part of the pre-retirement campaign and the member engagement project.

The Communications staff continues to support modernization initiatives, internal staff training materials and templates, IT security and disaster recovery testing.

Since the March 2023 Board meeting, the KPERS 457 team has added five additional local government offices to the KPERS 457 Plan and two KPERS 401(a) Plans. The most recent additions are the City of Sedgwick, USD 204 Bonner Springs, City of Kiowa, Bert Nash Mental Health, and USD 375 Circle. The two KPERS 401(a) Plans added were for the City of Kiowa 401(a) and the City of Eudora 401(a). This brings the total number of joinders added to twelve for the year. Empower will continue to work with new plan members to facilitate the enrollment of participants and the posting of their deferrals.

KPERS 457 staff continues to work on the Request for Proposals for financial audit and compliance services as well as a separate Request for Proposals for recordkeeping services. KPERS received three submissions from audit firms for financial audit and compliance services that are currently being evaluated by the Procurement Negotiating Committee.

Alan Conroy, Executive Director, made an outside presentation to the Kansas Department of Wildlife and Parks administrative team regarding the HB 2196, which moved Wildlife and Parks law enforcement officers from KPERS to KP&F.

Information Technology team continues to support the modernization project and are also responding to issues that are reported on their ticketing system to be resolved. They continue to work with Sagitec as the current vendor, to support the current internal system.

The KPERS staff recently gathered in the KPERS building parking garage for a pot-luck luncheon. A drawing for appreciation gift cards were provided.

KPERS recognized our staff during Public Service Recognition Week. Governor Kelly's proclamation was shared with staff. In recognition, staff received a note of appreciation and a gift coupon for freshly squeezed lemonade and popcorn.

Mr. Conroy responded to questions.

### **Investment Operations Report**

Chairperson Zakoura recognized Michael Cumming, Deputy Chief Investment Officer for Public Markets. Mr. Cumming reviewed the March 31, 2023, Investment Performance Report. He reported that the Retirement System's investment portfolio experienced a total return of 4.0% for the quarter, 4.7% for the fiscal year to date (not annualized), -2.9% for the trailing one year, 11.4% for the trailing three years and 7.6% for the trailing ten years ending March 31, 2023. Mr. Cumming reported that the System's average annualized total return exceeded that of the Policy Index benchmark for all reported time periods one year and longer. Mr. Cumming reported on the performance of the System's 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 investment managers. Kyle Grimes, Assistant Investment Officer for Public Markets, reported on the performance of the System's passive Domestic Equity and Real Return investment managers and responded to questions from the Board.

Chairperson Zakoura recognized Aysun Kilic, Meketa Investment Group. Ms. Kilic reviewed the organization's Investment Market Risk Metrics Report and responded to questions.

## **Investment Committee Report**

Brad Stratton, Vice Chairperson of the Investment Committee, reported on the Investment Committee's meeting on Thursday, May 25, 2023, and responded to questions.

*Vice Chairperson Stratton moved that the Board of Trustees authorize staff to renew the Meketa Investment Group contract for general investment consulting services to the Retirement System, for the time period of July 1, 2023 through June 30, 2024. Trustee Claudel seconded the motion. The motion carried.*

*Vice Chairperson Stratton moved that the Board of Trustees approve the liquidation of the SSGA international equity portfolio and that the assets be reallocated in substantially equal amounts to the System's four active international equity managers. Trustee Williams seconded the motion. The motion carried.*

*Vice Chairperson Stratton moved that the Board of Trustees approve a commitment of up to \$60 million to Waterton Residential Property Venture XV, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Claudel seconded the motion. The motion carried.*

*Vice Chairperson Stratton moved that the Board of Trustees adopt a new target asset mix, with long term asset allocation policy targets, as follows:*

- *Global equity: 43%*
- *Core fixed income: 13%*
- *Yield driven: 12%*
- *Real estate: 15%*
- *Infrastructure: 3%*
- *Private Equity: 11%*
- *Cash equivalents: 3%.*

*Trustee Yun seconded the motion. Trustee Treasurer Steven Johnson voted no. The motion carried.*

## **Deferred Compensation Committee Report**

Chairperson Zakoura recognized Ryan Trader, Chairperson of the Deferred Compensation Committee. The Deferred Compensation Committee met on Thursday, May 25, 2023. Chairperson Trader provided a report and responded to questions.

## **Personnel Committee**

Chairperson Zakoura recognized Ernie Claudel, Chairperson of the Personnel Committee. The Personnel Committee met on Friday, May 26, 2023. Chairperson Claudel provided a report and responded to questions.

*Chairperson Claudel moved that the Board of Trustees approve the unclassified Pay Grade adjustments for unclassified staff as recommended by the Personnel Committee and the Executive Director and that such Pay Grade adjustments be implemented at the beginning of Fiscal Year 2024 or as soon thereafter as practical. Trustee Trader seconded the motion. The motion carried.*

*Chairperson Claudel moved that the Board of Trustees authorize the Executive Director to implement Fiscal Year 2024 pay plan legislation, and to provide performance-based merit adjustments for high performing employees within the minimum and maximum of the assigned pay grade. Trustee Ron Johnson seconded the motion. The motion carried.*

### **Final Report on the 2023 Legislative Session, Including the KPERS Operating Budget**

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an overview of KPERS related bills presented in the 2023 Legislative Session which ended on April 28, 2023.

Two bills were passed by the 2023 Legislature, HB 2100, which concerns environmental, social and governance (ESG) restrictions, and HB 2196, expanding the KP&F Deferred Retirement Option Program to all KP&F employers, and authorizing Kansas Department of Wildlife and Parks to become an affiliated employer in KP&F. In addition, the Omnibus appropriations bill ended the prohibition of transfers to the KPERS Board of Trustees to manage the Treasurer's Unclaimed Property (TUP) Fund. Mr. Waltner 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. Ms. Green responded to questions.

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

### **Significant State Pension Litigation 2022-2023**

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided a presentation of Significant State Pension Litigation from 2022-2023. Ms. McKinnon responded to questions.

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

Chairperson Zakoura recognized Susan Hancock, Chief Project Manager. Ms. Hancock provided an overview of the status report on Pension Administration Modernization Project and responded to questions.

### **Review of Current Professional Contracts for Services**

Chairperson Zakoura recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the process of the terms and termination dates for vendor contracts. The Retirement System staff maintains key information regarding the System's contracts and Requests for Proposals by updating tables of both to keep apprised of when contracts are close to terminating and whether or not a Request for Proposal is due. Ms. Billings responded to questions.

## **Fiscal Year 2024 Board of Trustee Tentative Meeting Dates**

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the Fiscal Year 2024 Board of Trustee tentative meeting dates. Mr. Conroy stated the official action to set the meeting dates is required by statute to take place at the July Board meeting.

### **Review of Initial Orders**

Chairperson Zakoura recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the Initial Order regarding the appeal of Russell Mildward and responded to questions.

*Trustee Trader moved that the Board recess into executive session to discuss confidential member information regarding the Presiding Officer's Initial Orders in the Russell Mildward 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 12:55 p.m. No binding action will be taken in the Executive Session. Trustee Williams seconded the motion. The motion carried.*

Chairperson Zakoura called the meeting back to order at 12:55 p.m. and announced that no binding action was taken in the executive session.

*Trustee Stratton moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Russell Mildward 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 Williams seconded the motion. The motion carried.*

### **Other Business**

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated he placed information on the Board member's desk regarding the NCTR Trustees Workshop which will be held in Williamsburg, Virginia on July 16 - 19, 2023.

Mr. Conroy also stated that Bruce Fink, Chief Investment Officer, placed a document on the Board member's desk regarding the State of Florida increasing their cap on alternative investments from 20% to 30%.

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**

There was no further discussion.

*Trustee Trader moved that the Board of Trustees adjourn the meeting at 2:03p.m. Trustee Claudel seconded the motion. The motion carried.*