

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

March 22, 2024

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 9:46 a.m. on March 22, 2024, in the Retirement System Board Room, Topeka, Kansas.

Board members present: James Zakoura, Chairperson
 Brad Stratton, Vice-Chairperson
 Ernie Claudel
 Emily Hill
 Steven Johnson
 Derek Kreifels
 Sam Williams
 Jo Yun

Board members absent: Ryan Trader

Chairperson James Zakoura welcomed Chris Clarke and Matt Etzel, Legislative Post Audit; David Wiese, Revisor of Statutes Office; KPERS retirees Kris Huntsman, Ruth Goff, and Shelley Dunham; and all other participants.

Public Comments

There were no public comments.

Outstanding Service Awards

Chairperson James Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy congratulated Shelly Fruits, Project Manager, as the recipient of the KPERS Outstanding Service Award for the period of April 2024 through July 2024 because of the distinguished service she provides to KPERS. Mr. Conroy stated that Shelly is responsible for the release of all software changes to our pension administration system. This responsibility can be challenging and requires coordination and communication across multiple divisions, vendors, and platforms. Shelly works with management, vendors, and other team members to understand shifting priorities and to provide status updates. Shelly does an excellent job of tracking requests and making sure releases are done on schedule.

Mr. Conroy also congratulated Taryn Gonzales, Human Resources Specialist, as the recipient of the KPERS Outstanding Service Award for the period of April 2024 through July 2024. Taryn is responsible for administering payroll and benefits for KPERS staff. Her organizational skills and thoughtfulness are top notch. She is one of the first to meet with new employees. She works with supervisors, appointed onboarding buddies, information technology and other teammates, to make sure everything is ready to go.

Taryn is also a resource to current staff. When Taryn learns of a medical concern or family issue affecting a team member, she reaches out to see how KPERS can help. She follows up, provides guidance, and keeps the supervisor updated.

Alan Conroy, Executive Director, and Chairperson James Zakoura awarded Shelly Fruits and Taryn Gonzales each with an Appreciation Plaque, congratulating them for their accomplishments and great service to KPERS.

Consent Agenda

The consent agenda included the approval of Board meeting minutes for the January 19, 2024, the consideration of KPERS 3 and Deferred Retirement Option Program (DROP) Interest Credits, and the appointment of a Hearing Officer.

Trustee Zakoura moved that the Board of Trustees adopt the consent agenda. Trustee Johnson seconded the motion. The motion carried.

Executive Director's Report

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

During January and February, Benefits and Member Services staff handled nearly 19,600 incoming phone calls and over 4,600 emails from members and employers, with many of those calls and emails related to changes in federal tax withholding for retirees and distribution of approximately 138,000 1099-R tax forms. Staff also held in-person consultations with more than 500 members and survivors who visited the Retirement System's offices.

Benefits and Member Services staff processed 805 retirement applications for new retirees during January and February, including issuance of \$21.4 million in partial lump sum payments to 216 retirees. The Educational staff presented virtual Pre-Retirement Seminars to nearly 800 members approaching retirement, and in-person Pre-Retirement Seminars to 470 members.

The Fiscal Services Employer Auditing Unit completed 27 employer audits since the January Board meeting, 60 in total for the Fiscal Year. The Employer Reporting Unit has handled over 5,300 calls and emails and processed almost 900 certifications since the last Board meeting. In addition, staff sent over 3,400 letters to agencies on various topics. Fiscal Services staff continue to participate in the Modernization Project.

Planning and Research has been focused on Legislative issues including 13 fiscal notes, 13 bill summaries, seven pieces of testimony on six bills, budget testimony, and overview presentations to three committees. Other legislative projects include requests for information on long-term funding, additional employer contributions, retiree benefits, working after retirement, and KPERS 3 plan design.

Staff continues to work with CATCH Intelligence on the data cleansing engagement. Since January, the work has focused on categorizing and profiling data, but some data is already being moved into the "data foundation," which is the source that will be used to migrate

data to the new pension administration vendor when we reach that point in the project. Several people across Information Technology, Benefits and Member Services and Fiscal Services have been involved in the project and it is progressing as anticipated with no roadblocks delaying progress.

Investment staff completed the onboarding and full funding of two new high yield managers approved by the Board in November. Funding came from a full exit of the BlackRock U.S. inflation linked bond account and rebalancing from U.S. Equities. With this, the Yield Driven program and the underlying managers within the program were at interim target allocations in early February as planned. Staff also conducted a rebalancing transaction in early March, reducing U.S. Equities to remain within established rebalancing ranges for the asset class. Core fixed income and cash equivalents were the primary recipients of the rebalancing proceeds. Staff held an offsite meeting with Meketa and The Townsend Group to discuss next steps in the 2023 Asset/Liability implementation plan.

Information Technology staff started an initiative to upgrade desktop computers from Windows 10 to Windows 11, and KPERS IT Desktop Support is creating a plan to upgrade older laptops with Windows 11, as well. A pilot group of users has been upgraded with easily corrected issues. Staff continues to assist Catch Intelligence in supporting the data cleansing project needed for modernization and the eventual migration to the Pension Administration System developed by Tegrit called Arrivos.

The KPERS 457 Team has added seven additional local government offices. The most recent additions are the City of Horton, Flint Hills Technical College, and Winfield Public Library. There were also four KPERS 401(a) plans added: Finney County, the City of Sedgwick, Dodge City Community College, and the City of Kechi. Empower will continue to work with new plan members to facilitate the enrollment of participants and the posting of their deferrals.

The Communications Team concluded work on agency-wide projects for the annual 1099-R tax form and tax withholding letter mailings. Staff members are now assisting with the Member Annual Statement project and the KPERS 3 calculator redesign, with an anticipated launch this spring.

Staff prepared Fast Facts documents as part of legislative updates and testimony for KPERS-related bills this session, as well as a version for KP&F members for the State Council of Fire Fighters meeting in February. Staff also assisted the Training and Education Team with 2024 quarterly pre-retirement webinars and seminar planning, while continuing work on the opt-in email campaign for late-career members.

The Project Management team has steadily moved toward contract agreements with Tegrit, our Pension Administration System provider, making key decisions driving scope and cost, and now reviewing a draft contract. Tegrit will host the solution on their servers, but KPERS will retain some control over the application through managing configurations and developing a data warehouse.

Alan Conroy, Executive Director, made one external (non-legislative) presentation since the last Board meeting to the Kansas State Council of Fire Fighters. He has also provided a considerable amount of testimony to legislative committees during the 2024 Session of the Legislature. The external presentation, as well as several KPERS presentations to various legislative committees, may be found in the Resources Book in Diligent for your information.

Investment Operations

Chairperson Zakoura recognized Aysun Kilic, Meketa Investment Group. Ms. Kilic reviewed a Semi-Annual Investment Performance Report for the System's investments for time periods ending December 31, 2023. She reported that the Retirement System experienced a total return of 11.0% for calendar year 2023, trailing the Policy Index benchmark by 1.9%. Ms. Kilic reported that the System's investment portfolio has outperformed the Policy Index benchmark over the trailing three-year, five-year and ten-year time periods by 1.1%, 0.6%, and 0.6%, respectively. Ms. Kilic responded to questions from the Board.

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

Investment Committee Report

The Investment Committee met on Thursday, March 21, 2024. Trustee Emily Hill, Chairperson of the Committee, provided a report and responded to questions.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$75 million to Olympus Growth Fund VIII, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Williams seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve an additional commitment of up to \$35 million to New Mountain Partners VII, 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.

Audit Committee Report

The Audit Committee met on Friday, March 22, 2024. Trustee Jo Yun, Chairperson of the Committee, provided a report and responded to questions.

Deferred Compensation Committee Report

The Deferred Compensation Committee met on Thursday, March 21, 2024. Vice-Chairperson Brad Stratton, member of the Deferred Compensation Committee, provided a report and responded to questions.

Personnel Committee Report

The Personnel Committee met on Friday, March 22, 2023. Trustee Claudel, Chairperson of the Committee, provided a report and staff responded to questions.

Trustee Claudel moved that the Board of Trustees approve the payment of incentive compensation awards to the eligible investment staff for Calendar Year 2023 as calculated by CBIZ Talent & Compensation Solutions and as recommended by the Personnel Committee and the Executive Director. Trustee Hill seconded the motion. The motion carried.

**Overview of Legislative Post Audit Performance Report on
“Reviewing the KPERS 3 Retirement Plan”**

Chairperson Zakoura recognized Mr. Cade Graber, Senior Auditor, Legislative Division of Post Audit. Mr. Graber presented an overview of the Legislative Post Audit Performance Report on “Reviewing the KPERS 3 Retirement Plan.” Mr. Graber responded to questions.

**Implementation of the Actuarial Experience Study Assumption Changes
and Selection of Mortality Tables for KPERS 3 Benefits**

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner presented the Implementation of the Actuarial Experience Study Assumption Changes and Selection of Mortality Tables for KPERS 3 Benefits. Mr. Waltner and Ms. Mary Beth Green, Chief Benefits Officer, responded to questions.

Trustee Zakoura moved that the adoption of the mortality table for KPERS 3 benefit calculations based on the blended unisex mortality assumption, as recommended by Cavanaugh Macdonald in their letter dated March 13, 2024. Trustee Hill seconded the motion. The motion carried.

Trustee Zakoura moved that the actuarial factors based on the actuarial experience study adopted by Board, take effect for benefit calculations on and after January 1, 2025. Trustee Kreifels seconded the motion. The motion carried.

**The Retirement System Monthly Operations Report and
Retirement System Monthly Financial Report**

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.

**Overview of Most Recent Retiree 1099R and Tax Withholding
Change Distributions, and Member Annual Statements**

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green introduced Lisa Ngole, Deputy Benefits Officer and Heather McHardie, Deputy Benefits Officer. Ms. Ngole reviewed the information on the 1099-R federal tax forms and the tax change notices. Ms. McHardie reviewed the Member Annual Statement preparation process. Ms. Green, Ms. Ngole, and Ms. McHardie responded to questions.

Status Report on the 2024 Legislative Session, Including the KPERS Operating Budget

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner reviewed the Status Report of the 2024 Legislative Session, including the KPERS operating budget. He noted that the Legislature approved the operating budget as recommended by the Governor and as requested by the Board. Mr. Waltner responded to questions.

Extension of Outside Disability Appeals Legal Counsel

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the Extension of Outside Disability Appeals Legal Counsel. Ms. McKinnon responded to questions.

Trustee Zakoura moved that the Board of Trustees direct staff to renew KPERS' contract with Vincent Cox of Cavanaugh, Biggs and Lemon to represent the Retirement System in long-term disability appeals. Trustee Claudel seconded the motion. The motion carried.

Initial Review of Proposed Board Meeting Dates for Fiscal Year 2025 (July 1, 2024 - June 30, 2025)

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the proposed Board Meeting dates for Fiscal Year 2025 and responded to questions. He requested that Board members review their personnel calendars for any potential conflicts with the tentative meeting dates and be prepared to discuss the meeting schedule at the May Board meeting.

Other Business

There was no other business.

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.

Meeting Adjournment

Trustee Yun moved to adjourn the meeting at 1:41 p.m. Trustee Hill seconded the motion. The motion carried.