

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

September 30, 2022

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 9:32 a.m. on September 30, 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 David Wiese, and Eileen Ma, Revisor of Statutes Office (via Zoom), Melissa Renick and Steven Wu, Kansas Legislative Research Department (via Zoom), Jeff Arpin, Budget Division (via Zoom), and all other participants.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included approval of the July 22, 2022, meeting minutes and the appointment of a Hearing Officer for Ms. Amanda Beatty.

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

Certificate of Achievement for Excellence in Financial Reporting

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy informed the Board that KPERS received the Certificate of Achievement for Excellence in Financial Reporting for its FY 2021 Annual Comprehensive Financial Report (ACFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. It represents a significant accomplishment by KPERS, and in particular, the Fiscal Services division under the leadership of Chief Fiscal Officer Judy McNeal. The following staff received recognition for their contribution: Judy McNeal, Chief Fiscal Officer; Jason VanFleet, Deputy Chief Fiscal Officer; Jessica Tufts, Investment Controller; Candace Blythe, Senior Investment Accountant; Krystal Yegon, Senior Investment Accountant, Debra Lewis, Accountant; John Hooker, Senior Fiscal Analyst; Teresa Jurgens, Senior Corporate Accountant; and Kristen Basso, Communications Officer.

Reflections on the National Conference on Teachers Retirement July Trustee Workshop

Chairperson Zakoura recognized Trustee Ron Johnson, Vice Chairperson, and Trustee Brad Stratton. Trustee Johnson and Trustee Stratton gave an overview of the National Conference on Teachers Retirement Trustee Workshop they attended in July sharing highlights on benchmarking, fiduciary responsibility, board composition, investment professional development, the political landscape, and networking with peers. Trustees Johnson and Stratton responded to questions.

Executive Director's Report

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

Benefits and Member Services staff responded to 97 percent of the 15,543 phone calls from members, employers and other interested parties. Staff members also responded to more than 4,200 email requests and assisted 480 individuals who visited the KPERS office in person. Retirement applications from 1,304 retirees and survivors were successfully processed.

Fiscal Services achieved the Government Finance Officers Association (GFOA) Certificate of Achievement for the Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR).

CliftonLarsonAllen (CLA) completed the fourth SOC 1 Type 2 audit of the KPERS Disability Plan's census data for participating employers through the period July 1, 2021, through June 30, 2022. This type of audit reviews controls and their suitability of design. CLA found that for the time period reviewed, the controls operated effectively. The report is dated August 3, 2022.

Communications staff assisted with the IRS Form W-4P project including edits to agency correspondence and forms and began developing a communications campaign for this complex topic. Staff worked on the *Vested Interest* retiree newsletter, the kpers.org redesign project, and provided ongoing support for open enrollment for optional life insurance, including testing, emails, and a soft rollout with the Employer Advisory Group. Enrollment runs through the end of October based on employer type. About 600 members have enrolled through the first week of September, and there were 3,600 total enrollments in 2021.

The Modernization Project has completed much of Phase 1: Analyze & Retool and has begun work on Phase 2: Improve. Phase 2 will involve implementing the high priority items identified in Phase 1. Currently, staff is forecasting the timelines and resources required to get the Project through Phase 2, which is targeting completion in July 2023. After next July, staff will begin Phase 3: Remodel, which will mean implementing the new Modernization requirements. Phase 3 is set to span July 2023 to December 2026.

Investment staff attended quarterly investor meetings virtually, and held review meetings with several of the private markets investment managers and has completed legal reviews and executed documents for the real estate commitments that the Board approved in July.

On August 1, KPERS welcomed Jack Barker who is the new Assistant Investment Officer for Private Markets.

Staff completed their second quarter 2022 review calls with each of the System's public market investment managers. The investment team also conducted an offsite meeting with representatives of consultants Meketa, Townsend and Mercer. Staff and consultants discussed the 15% statutory limit on alternative investments and a review of the System's currency overlay program. Meketa also provided an overview of the firm's asset/liability modelling process.

KPERS Information Technology division has been extremely busy focusing on the Phase 1 work with Sagitec as well as several other tasks involving infrastructure upgrades. Staff is getting ready to start Phase 2 of the modernization project that will include the addition of two contracted staff.

The application development team helped security with Optiv changes that help KPERS stay secure in our day-to-day workloads by providing Social Security Number Masking and Error Pages.

Planning and Research staff have been working on the FY 2024 budget narrative, including an update on the plan for the pension administration system modernization. Staff also worked on an update of KPERS funding, investment return assumption and modernization for the Legislative Budget Committee.

At the beginning of August, the Planning and Research Officer attended the National Association of State Retirement Administrators (NASRA) annual conference, which included sessions on the geopolitical climate, cybersecurity and IT threat management, and inflation and liquidity impacts on investments. The Planning and Research Officer continues to work with the data steward team on the data governance effort on a weekly basis as staff continues to establish the data governance framework for KPERS.

The KPERS 457 team added one local government office to the KPERS 457 plan. The most recent addition is El Dorado Public Schools USD 490 which brings the total number of joiners signed to 11 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.

On Wednesday, August 3, the Vanguard 2065 Target Date Fund was added to the investment offerings under the KPERS 457 Plan as approved by the Board, and is currently available for participants to select. In addition, the Vanguard 2015 Target Date Fund was removed and the balances of the 314 participants affected were moved to the Vanguard Retirement Fund automatically.

Alan Conroy, Executive Director, made three presentations since the last Board meeting, which included participation in a panel discussion on the future of retirement savings in Kansas hosted by State Treasurer Rogers at the Johnson County Community College. Kathleen Kennedy-Townsend from the U.S. Department of Labor and other experts discussed the challenges facing current and future retirees and what states are doing to

address them. Director Conroy also shared KPERS topics with the Legislative Budget Committee, including KPERS funding, the change in the actuarial assumed investment rate of return, and the pension administration Modernization Project. Alan Conroy, Executive Director and John Cahill, KPERS Chief Information Officer presented an update to the legislative Joint Committee on Information Technology on the KPERS Pension Administration Modernization Project on September 26, 2022.

Investment Operations Report

Chairperson Zakoura introduced Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed Meketa's Semi-Annual Investment Performance Report for June 30, 2022, and responded to questions. He reported that the Retirement System experienced a total return of -4.7% for Fiscal Year 2022, outperforming the Policy Index return by 3.8%. Mr. Emkin noted that the Retirement System's investment portfolio outperformed the Policy Index for all time periods reported and outperformed the median public pension fund for all time periods reported as well. Mr. Emkin responded to questions from Board members.

Bruce Fink, Chief Investment Officer, reviewed the System's Investment Performance Report for time periods ending July 31, 2022. Mr. Fink reported that the Retirement System experienced a total return of -6.3% calendar year to date (not annualized), outperforming the Policy Index benchmark by 2.5%. The System's investment portfolio has outperformed the Policy Index for all time periods reported. The investment portfolio has produced an 8.8% average annualized total return over the past ten years, outperforming the Policy Index by 0.8%. Over the trailing twenty-five-year period, the System's investment portfolio has produced a 7.2% average annualized total return, exceeding the Policy Index by 0.3. Long-term returns continue to exceed the System's assumed actuarial return over all periods reported. Mr. Fink responded to questions from Board members.

Chairperson Zakoura recognized Aysun Kilic, Meketa Investment Group. Ms. Kilic reviewed Meketa's Investment Market Risk Metrics Report.

Investment Committee Report

Chairperson Zakoura recognized Trustee Emily Hill, Chairperson of the Investment Committee. The Investment Committee met on September 29, 2022. Trustee Hill provided a report and responded to questions.

Trustee Stratton moved that the Board of Trustees adopt the amended Statements of Investment Policy, Objectives and Guidelines for the Retirement System and the Death and Disability Fund. Trustee Trader seconded the motion. Motion carried.

Personnel Committee Report

Chairperson Zakoura recognized Ernie Claudel, Chairperson of the Personnel Committee. The Personnel Committee met on September 29, 2022. Trustee Claudel provided a report and responded to questions.

Trustee Claudel moved that the Board of Trustees approve granting the authority to the Executive Director to make an offer of employment to the selected candidate for the Chief Investment Officer position at a salary within the current authorized Pay Grade for the position

as recommended by the Executive Director. Trustee Johnson seconded the motion. The motion carried.

Trustee Claudel moved that the Board of Trustees approve a selected promotion within the Investment Division staff as recommended by the Executive Director and that such promotion be implemented as soon as practical. Trustee Williams seconded the motion. The motion carried.

Trustee Claudel moved that the Board of Trustees approve that the authority be granted to the Executive Director to set salaries for all non-executive level unclassified positions at KPERS to become effective for Fiscal Year 2024. Trustee Rogers 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 September 29, 2022.

Trustee Trader moved that the Board of Trustees approve the second of three optional one-year contract extensions with Great-West Life & Annuity Insurance Company for the calendar year January 1st through December 31st, 2023, for recordkeeping and communication services for the KPERS 457 and 401(a) Plans. Trustee Yun seconded the motion. The motion carried.

Trustee Trader moved that the Board of Trustees approve the proposed amendments to the KPERS 401(a) Plan Document and the amendments to the Resolution and Adoption Agreement allowing for provisions adopted under both the Federal SECURE and CARES Acts. Trustee Claudel seconded the motion. The motion carried.

Implementation of the Experience Study Assumption Changes

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner presented an overview of the Administrative Implementation of Investment Return Assumption Change. Mr. Waltner reviewed the calculations affected by Investment Return Assumptions and responded to questions.

Trustee Williams moved that use of the new actuarial factors, based on the 7.0% investment return assumption adopted by the Board, be used for benefit calculations for benefit commencement dates on or after January 1, 2023. Trustee Stratton seconded the motion. The motion carried.

Status Report on Pension Administration System Modernization

Chairperson Zakoura recognized Susan Hancock, Chief Project Manager Officer. Ms. Hancock present an overview of the KPERS Pension Administration System Modernization project, the continuing progress and high quality of the improvements. Ms. Hancock 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.

Authorization to Appoint a Procurement Negotiating Committee for the Deferred Compensation Plan Record Keeper and Communications

Chairperson Zakoura recognized Arlen Zentner, Deferred Compensation Officer. Mr. Zentner reviewed the record-keeping and communication services request for proposals and responded to questions.

Trustee Trader moved that the Board of Trustees approve a request for proposals to solicit service providers for record-keeping and communication services for the KPERS 457 Plan which would be effective January 1, 2024, and that the contract for services be for a period of five years with the option for three one-year extension periods. Trustee Johnson seconded the motion. The motion carried.

Fiscal Years 2023 and 2024 Budget Request

Chairperson recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal gave an overview of the FY 2023 and 2024 budget requests, including the enhancement of the pension administration system, and responded to questions.

Trustee Johnson moved that the Board approve the Fiscal Years 2023, and 2024 budget request for submission to the Governor's Division of Budget and the Legislature. Trustee Hill seconded the motion. Motion carried.

Review and Possible Revisions to the Board Policy Manual

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed updates to the Board Policy Manual and responded to questions.

Trustee Claudel moved that the Board of Trustees approve staff's recommended amendments to the Board Policy Manual. Trustee Williams seconded the motion. Motion carried.

Other Business

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

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated that he would be sending out more information on the Educational and Planning Session that will be held at the Johnson County Community College, in Overland Park, Kansas on October 20-21, 2022.

Trustee Williams asked the Board to formally congratulate the newly promoted Chief Investment Officer, Bruce Fink.

Meeting adjourned

Trustee Johnson moved to adjourn the meeting at 12:59 p.m. Trustee Hill seconded the motion. The motion carried.