

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

January 19, 2024

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 8:30 a.m., on January 19, 2024, in the Retirement System Board Room, Topeka, Kansas.

Board members present: James Zakoura, Chairperson
 Brad Stratton, Vice Chairperson
 Ernie Claudel
 Emily Hill (via Zoom)
 Steven Johnson
 Derek Kreifels
 Ryan Trader
 Sam Williams
 Jo Yun

Board members absent: None

Chairperson James Zakoura welcomed Chris Huntsman. The Chairperson also welcomed David Wiese, Office of Revisor of Statutes, Steven Wu and Melissa Renick, Kansas Legislative Research (via Zoom), and all other participants.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included the minutes of the November 17, 2023, meeting; the New Affiliations for 2024; and the Annual Proxy Voting and Disclosure Report.

Trustee Yun moved that the Board of Trustees adopt the consent agenda. Trustee Kreifels 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 and responded to questions. Highlights of some of the activities included:

Benefits and Member Services staff have been working with employers to finalize affiliation applications for the Kansas Public Employees Retirement System (eight new employers and one merger), the Kansas Police & Fire Retirement System (13 employers) and optional life insurance coverage (nine employers), effective January 1, 2024. In addition to handling 12,500 incoming phone calls and responding to more than 3,000

email requests, staff members assisted nearly 400 members and survivors who physically visited the Retirement System's office during November and December.

The 2023 Annual Comprehensive Financial Report (ACFR) was published to the KPERS website on December 16, 2023. CliftonLarsonAllen (CLA) completed the Fiscal Year 2023 audit of the GASB 68 report, issuing an unmodified opinion. This report is published on the KPERS website for our employers' use.

The Employer Auditing Unit completed 10 employer audits since the November Board meeting for a total of 33 audits completed fiscal year to date. The Employer Reporting Unit handled almost 4,000 calls and emails from employers since the last Board meeting and sent out almost 9,500 correspondences.

Investment staff began onboarding the two high yield manager hires that were approved at the November Board meeting. Staff has worked with the firms to structure the investment management agreements and investment guidelines that will govern this investment. Staff has also worked with State Street Bank to setup the requisite accounts for these strategies. In addition, the annual proxy voting and disclosure process for public markets was concluded.

Investment staff also conducted private equity due diligence meetings with several investment managers and have been working with Mercer to prepare investment recommendations for the January Investment Committee meeting. Staff has held review meetings and attended quarterly meetings with several of the private markets investment managers. Staff has also completed its legal review and executed documents for the real estate and private equity commitments that the Board approved in November.

The Communications team informed staff about building construction, staff retirements, peer achievements, the holiday giving campaign and general project news from around the office. Work continued agency-wide on the annual 1099-R tax form and tax withholding letters mailings, as well as KPERS' Annual Comprehensive Financial Report, which is available now at kpers.org. Staff also assisted with development and promotion of the new KP&F DROP calculator wizards, which launched mid-December in the member web portal and on kpers.org.

The Communications team conducted the annual member communications survey in October, the employer satisfaction survey in November and the biannual Employer Advisory Group meeting on November 8, 2023.

The KPERS 457 team added five additional local government offices. The most recent additions to KPERS 457 are the City of Abilene and the North Central Kansas Library System. There were also three KPERS 401(a) plans added for the Kansas Workers Risk Cooperative for Counties, the City of Abilene, and the Bert Nash Mental Health Association. This brings the total number of joinders added to 26 for 2023. Empower will continue to work with new plan members to facilitate the enrollment of participants and the posting of their deferrals.

KPERS 457 staff and KPERS General Counsel continue to review the Empower Managed Accounts Service agreement and intend to have this completed by February of this year.

This service provides investment advice to those Plan Participants that want specific help or investment guidance to help them achieve their retirement goals.

Planning and Research staff have been preparing for the 2024 Legislative Session by updating actuarial and administrative considerations on legislation that is carrying forward from 2023. Staff aided the Division of the Budget and several legislators with funding and policy questions.

Since approval to move forward on contract negotiations with Tegrity, KPERS' new pension administration system vendor, staff made progress on strategic decisions that will impact the scope of the project.

Management of our existing Legacy system continues to be successful. We have generated annual 1099-R tax forms and tax withholding letters and are preparing ourselves for Member Annual Statements and Census Data files for Actuaries.

Information Technology staff are meeting with Tegrity for modernization and getting specific questions answered that will help us with decision-making. Staff has completed considerable work on the different options for hosting and supporting the new pension administration system application.

The infrastructure staff completed required KnowB4 quarterly Security Training and the annual Sexual Harassment Prevention Training. Work continues with the Legacy Records Digitization project. Staff discovered a security issue with the ImageHost software and is working with the vendor and BMS to better secure the software and allow easy access for the BMS users needing access to the records.

The agency again supported a holiday outreach to the Sheldon Head Start School. Staff "adopted" 20 families to provide holiday gifts for these families in need. KPERS staff shopped, wrapped, and delivered the presents in a vehicle caravan to the Sheldon Head Start School.

Investment Operations

The Chairperson recognized Bruce Fink, Chief Investment Officer. Mr. Fink reviewed the November 30, 2023, Investment Performance Report. Mr. Fink reported that, for the one year ending November 30, 2023, the System's investment portfolio achieved a 5.3% total return, trailing the policy index return of 5.8%. He reported a 7.4% average annualized total return for the trailing five years and 7.0% average annualized total return for the trailing ten years ending November 30, 2023.

Mr. Fink noted that the return on the total portfolio outperformed the return of the policy index for the 3-, 5-, 10-, 20- and 25-year periods.

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

Investment Committee Report

The Investment Committee met on Thursday, January 18, 2024. Chairperson Emily Hill, of the Investment Committee, provided a brief report.

Trustee Hill moved that the Board of Trustees direct staff to renew the Custody Contract with State Street Bank and Trust Company in order to continue retaining State Street as the System's custodial bank services provider for the renewal period of April 1, 2024, through April 1, 2026. Trustee Williams seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees direct staff to begin negotiations with State Street Bank and Trust Company on terms for a new custodial bank services contract for the System and to authorize the staff to enter into such contract under the terms and conditions acceptable to the Executive Director. Trustee Claudel seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$75 million to Kinderhook Capital Fund 8, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Stratton seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve an additional commitment of up to \$50 million to Apex XI USD L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Trader seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve an additional commitment of up to \$50 million to Platinum Equity Capital Partners VI, 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 Thursday, January 18, 2024. Jo Yun, Chairperson of the Committee, provided a report on the meeting and responded to questions.

Trustee Yun moved that the Board of Trustees accept the FY 2023 KPERS Annual Comprehensive Financial Report. Trustee Kreifels seconded the motion. The motion carried.

Report and Review of Governor's Budget Recommendations for KPERS for Fiscal Year 2025

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner presented a report and reviewed the Governor's Budget Recommendations for KPERS Fiscal Year 2025. Mr. Waltner stated that the Governor's Budget Report contains recommendations for the KPERS operating budget, including the modernization project, and 5% across-the-board pay adjustment for State Employees. Mr. Waltner responded to questions.

KPERS Communications Audit and FY 2024 Update

Chairperson Zakoura recognized Emily Wilson, Communications Officer. Ms. Wilson presented a review of the FY 2024 Communications Audit, and a variety of initiatives to communicate with members, employers, staff, and external stakeholders. Ms. Wilson also reviewed the active member communications survey and responded to questions.

Presentation of KPERS Summary Overview for Policy Makers

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the sample welcome letter that will be sent to the 2024 Legislature. Mr. Conroy also reviewed the KPERS Fast Facts and responded to questions.

KPERS Death and Disability Actuarial Valuation Report

Chairperson Zakoura recognized Mary Beth Green. Ms. Green presented an overview on the Death and Disability Actuarial Valuation as of June 30, 2023. An actuarial valuation of the KPERS Death and Disability Plan is performed annually under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Ms. Green responded to questions.

Trustee Stratton moved that the Board of Trustees adopt the June 30, 2023, valuation of the KPERS Death and Disability Plan. Trustee Yun seconded the motion. The motion carried.

Retirement System Operations Report

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed member service performance for November and December 2023, and responded to questions.

Retirement System Financial Report

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the preliminary December 31, 2023, financial statements and responded to questions.

Actuarial Experience Study Presentation, Discussion and Possible Action – Part 2 – Economics

Chairperson Zakoura recognized KPERS' consulting actuary Pat Beckham, FSA, EA, FCA, MAAA, Principal, and Bryan K. Hoge, FSA, EA, MAAA, FCA, Consulting Actuary with Cavanaugh Macdonald. Ms. Beckham and Mr. Hoge presented the experience study for calendar years 2019-2022 and reviewed the economic assumptions and responded to questions.

Trustee Stratton moved that the Board of Trustee accept the Actuarial Experience Study for Calendar Years 2019-2022 and use the new set of assumptions recommended by the Actuary starting in the December 31, 2023, actuarial valuation. Trustee Hill seconded the motion. The motion carried.

Review of Kansas Open Meetings & Open Records Acts, and Governmental Ethic

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided a review of the Kansas Open Meeting and Open Records Acts, and governmental ethics. Ms. McKinnon responded to questions.

Sample Legislative Activity Report on KPERS Related Issues

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided a summary of current legislative issues pertaining to KPERS and responded to questions.

Presentation of the KPERS Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal presented the highlights of the KPERS Annual Comprehensive Financial Report for Fiscal Year 2023 and responded to questions.

Review of Recent District Court Ruling

Chairperson Zakoura recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the District Court ruling and responded to questions.

Informational Items

The Chairperson called the Board's attention to the informational items behind Tab Q in the Board book.

Other Business

Chairperson Zakoura set the meeting dates of the July Board of Trustee meetings to July 25-26, 2024.

The National Counsel on Teachers Retirement (NCTR) Board of Trustees Workshop will be in Berkeley, CA on July 22-24, 2024.

Board Self Evaluation

There was no further discussion.

Trustee William moved that the Board adjourn the meeting at 1:30 p.m. Trustee Claudel seconded the motion. The motion carried.