

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

May 21, 2021

The meeting of the Board of Trustees was called to order by Vice-Chairperson James Zakoura, at 9:50 a.m. on May 21, 2021, in the Retirement System Board Room, Topeka, Kansas.

Board members present: Suresh Ramamurthi, Chairperson
James Zakoura, Vice Chairperson
Kelly Arnold
Ernie Claudel
Emily Hill
Ron Johnson
Lynn Rogers
Brad Stratton
Ryan Trader

Board members absent: None

Vice-Chairperson James Zakoura welcomed Representative Steven Johnson, Melissa Renick, Legislative Research Department, Eileen Ma, Revisor of Statutes Office, and all other participants.

Public Comments

Vice-Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated that on behalf of Mr. Clarence "Sonny" Scroggins, a retired KPERS member who has appeared before the Board several times, asked for the KPERS Board not to include KPERS investments in organizations that are associated with pharmaceutical companies that sell opioids.

Consent Agenda

The consent agenda included approval of the March 21, 2021 meeting minutes and the Power of Attorney for Investment Transactions Certificates.

Trustee Claudel moved that the Board of Trustees approved the March 21, 2021 meeting minutes. Trustee Arnold seconded the motion. The motion carried.

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

Approval of Election Results for Elected Trustees

Vice-Chairperson Zakoura gave brief outline of the recent Board of Trustee election and introduced Kristen Basso, Communications Officer. Ms. Basso provided a report on the recent Board election process and results, including member ballot options, the default selection of Ryan Trader as the non-school elected Trustee and re-election of Ernie Claudel,

school Trustee. Ms. Basso provided an overview of the certification process and responded to questions.

Vice-Chairperson Zakoura moved that the Board accept the election results as certified by the Board Election Oversight Committee and declare that Ryan Trader is elected to the non-school position and Ernie (Paul E.) Claudel is elected to the school position and that both individuals serve a four-term beginning on July 1, 2021. Trustee Stratton seconded the motion. Motion carried.

Executive Director's Report

Chairperson Suresh Ramamurthi recognized Alan Conroy, Executive Director. Mr. Conroy reported on some of the recent key activities at KPERS. Highlights of some of the activities included:

Mr. Conroy discussed the COVID-19 pandemic and how the main focus of the agency has been for staff to continue to provide essential services to carry out our fiduciary duties during this time of the COVID-19 pandemic. Mr. Conroy reviewed the timeline of action by Governor Kelly addressing the pandemic and KPERS' response to the Governor's directives.

Benefits and Member Services educational staff members partnered with the Communications team to offer Pre-Retirement Webinars for members approaching retirement, with more than 1,000 members attending in March and April. The Educational staff also began in-person counseling and presentations for the first time in a year, including 170 one-on-one sessions for one participating employer. Virtual counseling sessions remained popular, with 76 sessions provided during March and April.

Fiscal Services has completed 64 employer audits since July 1, 2020, with 23 in progress. The Auditing Unit is also working with KPERS Internal Audit on over 70 Fiscal Year 2021 GASB 68 audits.

The Investment Division staff have continued to work from home and stay safe in the pandemic environment. The private markets investment staff implemented the two private equity investments and the real estate investment that were approved by the Board in March. The private markets staff have been conducting due diligence and working with Mercer and Townsend to prepare one private equity investment recommendation and two noncore real estate investment recommendations for the May Board meeting.

The Planning and Research staff has worked on the completion and transmission of the annual census data file to the actuary to complete the 12/31/2020 actuarial valuation. Staff continued involvement on the modernization project as that implementation continues. The staff has responded to legislative questions regarding funding, bonds, and employer contributions and monitored legislative action on various KPERS-related issues.

Information Technology staff successfully completed the semi-annual disaster recovery test from Lawrence, the annual review of security policies was completed, they established and identified security team members for the agency. Staff is also continuing efforts with LexisNexis for member identity verification enhancements. The Division is pleased to announce that Noble Morrell, KPERS Security and Compliance Coordinator recently received his Certified Information Systems Security Professional (CISSP) certification.

The Communications team assisted with the Board of Trustees election, which is held every four years is complete, with about 4,500 active and retired members, and members receiving disability benefits voting. The participation rate was about 3% of eligible members and about 650 more members voted than in the 2017 election. Results will be publicly announced on May 24 after being certified by the External Election Oversight Committee and reviewed by the KPERS' Board.

KPERS held a funding webinar targeted for members. The Executive Director hosted, and 600 members attended, up significantly from the two we offered last year. Pre- and post-surveys continue to demonstrate the webinar is effective in helping members better understand funding and their confidence in benefit security.

The KPERS 457 team has added two local government offices to the KPERS 457 plan. The most recent additions to the KPERS 457 plan are Doniphan County and Johnson County Fire District #1. This brings the total number of joinders signed to five for the year. Empower will continue to work with new plan members to facilitate the enrollment of participants and funding of the plans.

Mr. Conroy presented a KPERS Funding Basics webinar for interested members. The Planning and Research Officer provided a KPERS 3 Overview to the House Insurance and Pensions Committee.

Investment Operations Report

Chairperson Ramamurthi recognized Bruce Fink, Deputy Chief Investment Officer for Public Markets. Mr. Fink reviewed the March 31, 2021, Investment Performance Report. He reported that the Retirement System experienced a total return of 19.4% for the fiscal year to date (not annualized), 30.9% for the trailing one year, 9.9% for the trailing three years and 8.7% for the trailing ten years ending March 31, 2021. 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.

Mr. Fink reported that the System's average annualized total return exceeded that of the Policy Index benchmark for all reported time periods longer than one year. Mr. Fink reported on the performance of the System's active International Equity managers and Yield Driven investment managers. Daniel Wadsworth, Investment Officer for Public Markets, reported on the performance of the System's core fixed income investment managers. Mr. Fink reported on the performance of the System's passive Domestic Equity, International Equity and Real Return investment managers, and responded to questions from the Board.

Chairperson Ramamurthi recognized Ryan Lobdell, Meketa Investment Group. Mr. Lobdell reviewed the organization's Investment Market Risk Metrics Report and responded to questions. Investment Committee Report

Investment Committee Report

Suresh Ramamurthi, Chairperson of the Investment Committee reported on the Investment Committee's meeting on Thursday, May 20, 2021, and responded to questions.

Chairperson Ramamurthi 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, 2021 through June 30, 2022. Trustee Rogers seconded the motion. The motion carried.

Chairperson Ramamurthi moved that the Board of Trustees approve a commitment of up to \$50 million to TPG Growth V, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Johnson seconded the motion. The motion carried.

Chairperson Ramamurthi moved that the Board of Trustees approve a commitment of up to \$55 million to CBRE Strategic Partners U.S. Value 9, LP and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Rogers seconded the motion. The motion carried.

Chairperson Ramamurthi that the Board of Trustees approve a commitment of up to \$65 million to Heitman Value Partners V, 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.

Personnel Committee Report

Chairperson Ramamurthi recognized Ernie Claudel, Chairperson of the Personnel Committee. The Personnel Committee met on Friday, May 21, 2021. Chairperson Claudel provided a report and responded to questions.

Trustee Claudel moved that the Committee recommend to the Board the reassignment of specified classifications to new pay grades as recommended by the Executive Director. Trustee Johnson seconded the motion. The motion carried.

Trustee 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 2022 or as soon thereafter as practical. Trustee Stratton seconded the motion. The motion carried.

Deferred Compensation Committee Report

Chairperson Ramamurthi recognized Ryan Trader, Chairperson of the Deferred Compensation Committee. The Deferred Compensation Committee met on Thursday, May 20, 2021. Chairperson Trader provided a report and responded to questions.

Trustee Trader moved that the Board of Trustees approve a request for proposals to solicit service providers for investment advisory services for the KPERS 457 Plan effective January 1, 2022 and that the contract for services be for a period of three years with the option for two one-year extension periods. Trustee Hill seconded the motion. The motion carried.

Audit Committee Report

Chairperson Ramamurthi recognized James Zakoura, Chairperson of the Audit Committee. The Audit Committee met on Thursday, May 20, 2021. Chairperson Zakoura provided a report and responded to questions.

Trustee Zakoura moved that the Board of Trustees approve the first 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, 2022. Trustee Trader seconded the motion. The motion carried.

Review and Status Report on 2021 KPERS Pension Funding Bonds

Chairperson Ramamurthi recognized Jim MacMurray, CFA, Senior Vice President, Kansas Development Finance Authority. Mr. MacMurray provided an overview of the status report on the 2021 KPERS Pension Funding Bonds and responded to questions.

2021 Legislative Session Report Including KPERS Approved Funding

Chairperson Ramamurthi recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an overview of KPERS related bills presented in the 2021 Legislative Session. Mr. Waltner also reviewed the level of KPERS funding that was approved by the Legislature. Mr. Waltner responded to questions.

Chairperson Ramamurthi recognized Representative Steven Johnson. Representative Johnson thanked the Board for their diligence and stated because of the confidence in KPERS and the Kansas Development Finance Authority, the Legislature passed authorization for \$500 million in pension funding bonds with the requirement that the bonds be sold at an interest rate of 4.3% or less.

Retirement System Operations

Chairperson Ramamurthi 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.

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

Significant State Pension Litigation 2019-2020

Chairperson Ramamurthi recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided a presentation on Significant State Pension Litigation from 2020-2021. Ms. McKinnon responded to questions.

Fiscal Year 2022 Board of Trustee Tentative Meeting Dates

Chairperson Ramamurthi recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the Fiscal Year 2022 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 Current Professional Contracts for Services

Chairperson Ramamurthi recognized Kathleen Billings, Staff Attorney. Ms. Billings provided an overview of the terms and termination dates for vendor contracts. Ms. Billings explained the procedure for staff to maintain key information regarding the System's contracts and Requests for Proposals by updating tables of both in order 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.

Consideration of Renewal of Contract for Securities Litigation

Chairperson Ramamurthi recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided an overview of the contract renewal for Securities Litigation and responded to questions. Ms. McKinnon recommended that the current contract for securities litigation with Kaplan, Fox & Kilsheimer LLP be extended for another year.

Chairperson Ramamurthi moved that the Board of Trustees authorize the Executive Director to negotiate a one-year contract extension with Kaplan, Fox & Kilsheimer LLP for securities litigation services. Trustee Claudel seconded the motion. The motion carried.

Other Business

Chairperson Ramamurthi moved the Board recess into executive session to discuss confidential member information 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, Julie Baker, Elizabeth Miller and Laurie McKinnon. The Board reconvened the open meeting in the Retirement System Board Room at 1:45 p.m. No binding action will be taken in the Executive Session. Trustee Johnson seconded the motion. The motion carried.

At 1:45 p.m. Chairperson Ramamurthi called the meeting back to order in public session. Chairperson Ramamurthi stated that no binding action was taken by the Board in the Executive Session.

Informational Items

Chairperson Ramamurthi called the Board's attention to the informational items behind Tab L in the Board book.

Board Self Evaluation

There was no further discussion.

Meeting adjourned

Chairperson Ramamurthi adjourned the meeting at 1:46 p.m.