

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

January 20, 2023

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 9:30 a.m., on January 20, 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 David Wiese, Office of Revisor of Statutes, Steven Wu, Kansas Legislative Research (via Zoom), Tom Treacy, Deputy Assistant State Treasurer, Treasurer’s Office, and all other participants.

Oath of Office

Laurie McKinnon, General Counsel, administered the Oath of Office to KPERS’ new trustee, State Treasurer Steven Johnson. Treasurer Johnson was elected Kansas State Treasurer and took the oath of that office on January 9, 2023. Treasurer Johnson is a statutory member of KPERS’ Board of Trustees. Chairperson Zakoura welcomed Trustee Steven Johnson to the Board.

Public Comments

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy distributed to the Board written comments by Clarence “Sonny” Scroggins, asking for the KPERS Board not to include KPERS investments in organizations that invest in pharmaceutical companies that sell opioids.

Consent Agenda

The consent agenda included the minutes of the November 18, 2022, meeting; the New Affiliations for 2023; the Annual Proxy Voting and Disclosure Report; and the Power of Attorney for Investment Transactions Certificates.

Trustee Yun 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 and responded to questions. Highlights of some of the activities included:

Benefits and Member Services staff have been working with employers to complete affiliation applications for the Kansas Public Employees Retirement System (5 employers), the Kansas Police & Fire Retirement System (8 employers) and optional life insurance coverage (5 employers), which were effective January 1, 2023.

Staff worked extensively on the design, testing and implementation of the new federal tax withholding forms and requirements as well as operational aspects of the 7 percent assumed rate of return. These changes were both effective January 1, 2023. Staff members also collaborated with staff from various other divisions to reconcile the 2022 benefit payment records and tax withholding to finalize approximately 134,000 1099-R tax forms for printing and distribution.

Fiscal Services completed the 2022 Annual Comprehensive Financial Report (ACFR) which was published on the KPERS website on December 17, 2022. It is anticipated the 2022 GASB 68 report will be published on our website by January 31, 2023.

The Employer Auditing Unit completed 20 employer audits since the last Board meeting, for a total of 49 audits fiscal year to date. The Employer Reporting Unit has a dedicated InfoLine number and Fiscal Service email account to help KPERS employers with any questions they have on reporting information to KPERS.

Fiscal Services staff continue to participate in the Modernization Project and the Data Governance initiative.

Investment staff has been working with Meketa on the 2023 Asset/Liability Study, discussing parameters and data requirements. The annual proxy voting, and disclosure review was completed.

Staff conducted due diligence meetings with two private equity firms and worked with Mercer to prepare two investment recommendations for the January Investment Committee meeting. Staff attended virtual quarterly investor meetings and held review meetings with several of the private markets investment managers. Staff completed the redemption request from the Jamestown Premier Property Fund, L.P., as approved by the Board in November.

The Communications team hosted the bi-annual KPERS funding webinar, with about 200 attendees. Pre- and post-surveys continue to demonstrate the webinar helps members better understand funding and improves their confidence in benefit security.

The team provided support for significant changes to IRS W-4 withholding forms for pension payments, including edits to agency correspondence, forms and publications. This effort is in addition to the annual projects for 1099-R forms and tax withholding change letters.

Communications also launched the redesigned website. The team executed a multi-tactic communications campaign with targeted preview sessions, print, video and email. About 29,000 users have visited the new site in the first month.

The KPERS 457 team added five local government offices to the KPERS 457 plan. The most recent additions are the City of Concordia, Unified School District 479, Crest, the Southwest Kansas Area Agency on Aging, Emporia Public Library, and the City of HaviLand. This brings the total number of joinders signed to 24 for the calendar 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.

Planning and Research spent considerable time on legislative preparation. Staff prepared materials for the Joint Committee on Pensions, Investments and Benefits meeting, and presented to the Joint Committee on KPERS 3 dividend credits, the KP&F Deferred Retirement Option Program (DROP) and working after retirement. Staff also helped prepare an overview of the benefit plan design and cost-of-living adjustments for the Special Committee on State Employee and Board Member Compensation.

The Planning and Research Officer is currently working on preparing Committee presentations, fiscal notes, and bill summaries during the first weeks of the legislative session.

The Planning and Research Officer started the year-long Certified Public Manager program in January.

The Division of Information Technology opened 159 helpdesk tickets during December and the first part of January, and IT closed 99.9% of those open tickets inside of the service level agreement. The technical team performed Microsoft and third-party patching in the development and production server environments and desktops. Staff completed the fourth quarter security training in December. Optiv performed and completed our annual security assessment for the Member and Employer web portals. KPERS received an "Above Average" rating, meaning we met or exceed security best practices. Staff also conducted a Cybersecurity tabletop exercise with IT and the Executive Team that focused on an "Insider Threat" scenario.

Application Development completed the IRS Form W-4P and the annual rate of return projects. The Chief Information Officer worked with Segal Consultants in December to finalize the approach for writing the Request for Proposals. The Chief Information Officer is also focusing on the Request for Proposals workbooks, Feasibility Study for the Kansas Information Technology Office (KITO) and working with Sagitec on the work defined for the next six months.

The agency again supported a holiday outreach to the Sheldon Head Start School. The outreach began in December when KPERS staff collected donations from staff to purchase and deliver dozens of cookies for the Sheldon Head Start teachers and staff. The KPERS staff has been collecting donations of diapers and clothes needed for students and their siblings over the winter break to deliver later this month.

Alan Conroy, Executive Director participated in outside presentations since the last Board meeting, all legislative related. He made a general KPERS presentation on current topics to

the Special Committee on State Employee and Board Member Compensation, Joint Committee on Pensions, Investments, and Benefits, the Senate Republican Caucus, and the Senate Financial Institutions and Insurance.

Mr. Conroy discussed the opportunity for Trustees to enroll in the National Council on Teachers Retirement (NCTR) 2023 Global Economic Forum, which will be conducted on February 6, 2023. Several Trustees have enrolled to participate in the Forum.

Investment Operations

The Chairperson recognized Bruce Fink, Chief Investment Officer. Mr. Fink reviewed the November 30, 2022, investment performance report. Mr. Fink reported that the Retirement System's investment portfolio produced a total return of -7.4% for the calendar year to date time period (not annualized), outperforming the Policy Index return of -9.8%. He reported that, for the one year ending November 30, 2022, the System's investment portfolio achieved a -5.4% total return, outperforming the Policy Index return of -6.7%.

Mr. Fink also reported on longer term investment performance results, reporting that the Retirement System's investment portfolio produced an average annualized total return of 8.2% for the trailing ten-year time period, and a 7.2% average annualized total return for the trailing 25-year time period ending November 30, 2022. The System's investment portfolio outperformed the Policy Index benchmark for all time periods reported except the latest quarter, where the System achieved a return of 1.2% compared to 1.7% from the Policy Index.

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 19, 2023. Vice-Chairperson Brad Stratton, of the Investment Committee, provided a brief report.

Trustee Stratton moved that the Board of Trustees approve a commitment of up to \$40 million to JMI Equity Fund XI-A, 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. Trustee Steven Johnson abstained from voting. The motion carried.

Trustee Stratton moved that the Board of Trustees approve a commitment of up to \$40 million to TA XV-A, L.P. and authorize staff to proceed with the investment pending a satisfactory and final legal review of corresponding partnership documents. Trustee Ron Johnson seconded the motion. Trustee Steven Johnson abstained from voting. The motion carried.

Audit Committee Report

The Audit Committee met on Thursday, January 19, 2023. Ron Johnson, Chairperson of the Committee, provided a report on the meeting and responded to questions.

Trustee Ron Johnson moved that the Board of Trustees accept the FY 2022 KPERS Annual Comprehensive Financial Report. Trustee Yun seconded the motion. The motion carried.

Personnel Committee Report

Chairperson Zakoura recognized Trustee Ernie Claudel, Chairperson of the Personnel Committee. The Personnel Committee met on Friday, January 20, 2023. Trustee Claudel provided a report and responded to questions.

KPERS Death and Disability Plan Valuation and Experience Study Results

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy introduced Tasha S. Kahn, FSA, MAAA, Principal, Millman, Inc. Ms. Kahn presented an annual report on the Death and Disability Plan Valuation as of June 30, 2022. The 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. Kahn responded to questions.

Chairperson Zakoura moved that the Board of Trustees adopt the June 30, 2022, valuation of the KPERS Death and Disability Plan. Trustee Steven Johnson seconded the motion. The motion carried.

Presentation of KPERS Summary Overview for Policy Makers

Chairperson Zakoura recognized Kristen Basso, Communications Officer. Ms. Basso reviewed the sample welcome letter and attachment *KPERS @ A Glance*, which will be sent to the 2023 Legislature. Ms. Basso and Mr. Conroy respond to questions.

Retirement System Operations Report

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed member service performance for November and December 2022 and responded to questions.

Retirement System Financial Report

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the preliminary December 31, 2022 financial statements and responded to questions.

Report and Review of Governor’s Budget Recommendations for KPERS for Fiscal Year 2024

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Walter presented a report and reviewed the Governor’s Budget Recommendations for KPERS Fiscal Years 2023 and 2024. Mr. Waltner stated that the Governor’s Budget Report contains recommendations for the KPERS operating budget, including the modernization project, and a recommendation to move certain Corrections and Wildlife and Park positions to KP&F, and a 5% pay adjustment for State Employees. Mr. Waltner 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, discussed up-to-date e-mail communications of KPERS’ legislative activities, and responded to questions.

Improving Member Communication – Member Satisfaction Survey

Chairperson Zakoura recognized Emily Wilson, Communications Specialist. Ms. Wilson reviewed the 2022 Communications Members Satisfaction Survey – Improving Member Communication. The Communications Division conducted an annual survey to assess member satisfaction with KPERS’ communications, preferred communication channels, and frequency of those communications. Ms. Wilson and Ms. Basso responded to questions.

Additional Public Comments

Chairperson Zakoura recognized Clarence “Sonny” Scroggins, a retired KPERS member and community activist, who was not able to attend the beginning of the Board meeting when public comments were made. However, Chairperson Zakoura recognized Mr. Scroggins who addressed the Board members asking for the KPERS Board not to include KPERS investments in pharmaceutical companies that sell opioids. Mr. Scroggins spoke of the respect and friendship he had for former Attorney General Bob Stephan and the respect he has for the current Attorney General Kris Kobach. Mr. Scroggins also has much admiration and respect for Alan Conroy, Executive Director.

Pension Administration Modernization Project Request for Proposal

Chairperson Zakoura recognized Susan Hancock, Chief Project Officer. Ms. Hancock presented a report and reviewed the request for proposals (RFP) for the Pension Administration Modernization Project. The Segal team is working with KPERS team to implement the process, including writing the RFP, submit the request to the Kansas Information Technology Office, evaluate responses, make a decision on the choice of vendor, budget process and contract negotiations. The challenges will be duplicating systems, increased workload, and the continued relationship with current vendor. Ms. Hancock responded to questions.

Presentation of the KPERS Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal presented the highlights of the KPERS Annual Comprehensive Financial Report for Fiscal Year 2022 and responded to questions.

Review of Initial Order

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

Trustee Zakoura moved the Board inform the Executive Director of its decision to remand the Presiding Officer's Initial Order of the Amanda Beatty 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 Stratton seconded the motion. The motion carried.

Informational Items

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

Other Business

Trustee Trader and Trustee Ron Johnson asked the Board to change the meeting dates of the Board of Trustee meetings in May 2023. Mr. Conroy will follow up on resolving which dates in May work best for the majority of the Trustees. Chairperson Zakoura will make the final determination on the alternate dates for the Board May meeting.

No other business was discussed.

Board Self Evaluation

There was no further discussion.

Chairperson Zakoura adjourned the meeting at 1:43 p.m.