

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

November 22, 2024

The meeting of the Board of Trustees was called to order by Chairperson Zakoura at 9:31 a.m. on November 22, 2024, in the Retirement System Board Room, Topeka, Kansas.

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| Board members present: | James Zakoura, Chairperson |
| | Ernie Claudel, Vice-Chairperson |
| | Emily Hill |
| | Steven Johnson |
| | Rich Proehl |
| | Brad Stratton |
| | Ryan Trader |
| | Sam Williams |
| | Jo Yun |

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| Board members absent: | None |
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Chairperson Zakoura welcomed guests Timothy Graham, Director, Government Relations and Coalitions, Kansas National Education Association (KNEA), Ruthe Goff, KPERS Retiree and Chris Huntsman, KPERS Retiree. Chairperson Zakoura also welcomed guests via Zoom: Steven Wu and Mike Ditch, Kansas Legislative Research Department. and David Wiese, and Eileen Ma, Revisor of Statutes Office, and all other participants.

Oath of Office

Laurie McKinnon, General Counsel, administered the Oath of Office to new trustee, Mr. Rich Proehl. Mr. Proehl was appointed by Speaker of the House Daniel Hawkins and replaces former Trustee Derek Kreifels. Mr. Proehl is a statutory member of KPERS' Board of Trustees. Chairperson Zakoura welcomed Trustee Proehl to the Board.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included approval of the September 13, 2024, and October 17-18, 2024, meeting minutes, and the appointment of a Hearing Officer for Amanda Mills, Elizabeth Dognoski, and Sheldon Haynes.

Trustee Yun moved the Board of Trustees adopt the consent agenda. Trustee Williams seconded the motion. The motion carried.

Janette Martin Retirement Farewell

Alan Conroy, Executive Director, honored Janette Martin, who has 37 years of State of Kansas service, and seven years of KPERS service, for the occasion of her retirement. Janette joined KPERS in October 2017 as an Assistant Internal Auditor and was promoted to Internal Auditor in August 2018. Chairperson James Zakoura presented Janette with a plaque and congratulated her for the outstanding service as an Internal Auditor.

Executive Director's Report

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

The Benefits and Member Services Training and Education Team conducted 18 pre-retirement seminars for members (with 924 attendees), 10 employer workshops (with 322 attendees) and 17 presentations/ trainings requested by individual employers. The team partnered with Communications staff to deliver six quarterly pre-retirement webinars (with 266 attendees). Staff also represented KPERS at 15 benefit fairs or professional conferences.

The Employer Auditing Unit completed 18 employer audits since the September Board meeting. In partnership with Internal Audit, the Employer Auditing Unit completed information gathering for the 72 agencies selected by Moss Adams for the Governmental Accounting Standards Board - GASB 68 audits.

The Information Technology Team has been focused on routine issues, implementing new application capabilities, providing information to audits, and preparing for the Modernization Project. IT staff continues to work with Tegrit to develop service-level agreements, as well as plan for data migration and the transfer of existing images into the new pension administration system.

Investment staff continued work on the Asset Allocation Review Project. The international equity manager searches also continued, and staff finalized recommendations for the Non-Core Fixed Income program. Public Markets staff held its third quarter investment manager meetings.

Investment staff members also conducted real estate due diligence meetings and have been working with The Townsend Group on two investment recommendations for the November Investment Committee meeting.

KPERS has officially launched the Pension Administration Modernization Project. A contract with the vendor was signed on September 13, 2024, and staff held a team kick-off meeting on October 22, 2024. Since then, team members have been working on initiatives that will help KPERS prepare to start the Design phase in January 2025. Staff has been working on multiple project management deliverables to guide us once the Design begins. These include the risk management plan, the change management plan, the data migration plan, the training plan, and the employer reporting plan. Staff is also reviewing nearly 3,000 requirements to clarify them with the vendor, and to group them into mini releases.

The Information Security Team and our cybersecurity protocols have proven successful. On average, KPERS blocked 4,392 suspicious emails per week. KPERS' systems also stopped over 33,000 threats against the Member Web Portal and over 19,000 threats against the Employer

Web Portal. All KPERS systems are continuously scanned for viruses, and none were identified. As part of KPERS ongoing security awareness, all employees completed the quarterly security awareness training in October.

The Communications Team provided support for information of the optional life insurance open enrollment. In September and October, nearly 4,200 members added or increased coverage during KPERS' optional life insurance open enrollment. In addition to promoting open enrollment by email, staff highlighted the \$250,000 guaranteed coverage amount and how to apply in the September active member email.

The Communications Team provided support for the annual employer workshops and welcome video, pre-retirement webinars and the *Funding Basics* webinar. Communications staff continues to work with Benefits and Member Services on a new Employer Conference, tentatively scheduled for Fall 2025. The two teams also collaborated to revise the KPERS Membership form for legislators. Staff is also preparing for the 2025 Board of Trustees election and the three major annual mailing projects (1099-R tax statements, tax withholding letters and member annual statement projects).

The KPERS 457 Team recently added two local government plans – Cowley County Council on Aging and the City of Lindsborg. The KPERS 401(a) plan also added three new plans – City of Manhattan, City of Bel Aire, and City of Mission Hills. This brings the total number of joinders added to 23 for 2024. Empower will work with new plan members to enroll participants and post their deferrals.

In late September, KPERS 457 Plan Officer Arlen Zentner attended the National Association of Governmental Defined Contribution Administrators annual convention in Phoenix, AZ. The conference offered sessions about implementing SECURE 2.0 provisions, artificial intelligence, cybersecurity and plan governance. The event also provided opportunities for networking and roundtable discussions with peers, insights on industry trends, and updates on past and pending regulatory and legislative issues.

During October, KPERS 457 staff attended 14 benefit fairs and workshops to promote KPERS 457, enroll new employees and answer participant questions. The largest fair was held by the State Employee Health Plan for State employees. Staff also attended events in Topeka, Olathe and Shawnee.

Planning and Research staff helped finalize the budget narrative after the Board approved the FY 2025 and FY 2026 budget at the September meeting. Staff responded to annual surveys from the National Conference on Public Employee Retirement Systems and the Public Pension Coordinating Council (PPCC). In November, KPERS received the PPCC Standards Award for funding and administration. In addition, Planning and Research helped compile information on the annual actuarial valuation, KPERS 3, the Deferred Retirement Option Program (DROP) and cost-of-living adjustments for the November 20, 2024, meeting of the Joint Committee on Pensions, Investments and Benefits.

Planning and Research staff has also been working with CATCH Intelligence on the data cleansing project in preparation for the new pension administration system. Data cleansing is nearing the end of Phase 1. Staff has already engaged with CATCH on Phase 2 to continue the cleansing, transformation, and migration of KPERS' data through the Modernization Project.

Alan Conroy, Executive Director, presented an overview on KPERS' funding, membership and employer information, and benefit comparisons between the KPERS 1, KPERS 2, and KPERS 3 plans at the annual conference of the Kansas Association of American Educators in Manhattan.

Alan Conroy, Executive Director, Jarod Waltner, Planning and Research Officer, and Bruce Fink, Chief Investment Officer, presented to the Joint Committee on Pensions, Investments and Benefits on November 20, 2024. The Committee's meeting topics included the 2023 actuarial valuation, the statutorily required proxy voting report, KPERS' investment performance, a review of the plans to implement the higher alternative investment cap and status of the countries of concern legislation, an update on the Deferred Retirement Option Program for KP&F members, an overview of KPERS 3, and cost-of-living adjustments for KPERS retirees. All the presentations have been placed in the Board Resource Book in Diligent.

Response to Kansas Open Meetings Act (KOMA) Governance Questions

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon presented information in response to questions received from trustees about the Kansas Open Meetings Act (KOMA) at the October Educational and Planning Session.

Investment Operations Report

The Chairperson recognized Michael Cumming, Deputy Chief Investment Officer for Public Markets. Mr. Cumming reviewed the September 30, 2024, Investment Performance Report. He reported that the Retirement System experienced a total return of 17.2% for the trailing one year, 8.4% average annualized total return for the trailing five years and 7.6% average annualized total return for the trailing ten years ending September 30, 2024. Mr. Cumming noted that the return on the total portfolio outperformed the return of the policy index for the 3-, 5-, 10- and 25-year periods.

Mr. Cumming reviewed the performance of the System's international equity managers. Daniel Wadsworth, Investment Officer for Public Markets, reported on the performance of the System's non-core fixed income and real estate investment trust investment managers. Kyle Grimes, Assistant Investment Officer for Public Markets, reviewed the performance of the System's core fixed income and passive US equity investment managers. 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.

The Chairperson recognized Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed the organization's Investment Market Risk Metrics Report and responded to questions.

Investment Committee Report

Chairperson Zakoura recognized Emily Hill, Chairperson of the Investment Committee. Trustee Hill reported on the Investment Committee's meeting on Thursday, November 21, 2024, and responded to questions.

Trustee Hill moved that the Board of Trustees change the System's Policy Benchmark to U.S. Equity 26.0%, International Equity 21.0%, Core Fixed Income 14.0%, Non-Core Fixed Income

10.0%, Real Assets 5.0%, Real Estate 10.0%, Private Equity 11.0% and Cash Equivalents 3.0%, effective January 1, 2025. Trustee Williams seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees adopt the amended Statements of Investment Policy, Objectives and Guidelines for the Retirement System, the Treasurer's Unclaimed Property Fund and the Death and Disability Fund. Trustee Stratton seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees adopt the amended Egan-Jones Proxy Voting Services Wealth Focused Principles and Guidelines as the Proxy Voting Policy for the Retirement System and for the Treasurer's Unclaimed Property Fund. Trustee Claudel seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees authorize the investment management agreement with Western Asset Management be terminated as soon as practicable. Trustee Williams seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees authorize that Nomura Corporate Research and Asset Management and Shenkman Capital Management be retained to manage High Yield Fixed Income portfolios within the System's Non-Core Fixed Income program with initial investments of up to \$450 million to each manager. Trustee Claudel seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$85 million to LBA Logistics Value Fund X, 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 a commitment of up to \$85 million to Principal Data Center Growth & Income Fund, 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.

Deferred Compensation Committee Report

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

Trustee Stratton moved that the Board direct SageView Advisory Group, LLC and KPERS 457 staff to terminate the TCW MetWest Total Return Bond Fund (MWT SX) and replace it with the Baird Core Plus Bond Fund Class Institutional (BCOIX) and map the existing assets in the fund to its replacement fund as soon as practical. Trustee Claudel seconded the motion. The motion carried.

Audit Committee Report

Chairperson Zakoura recognized Jo Yun, Chairperson of the Audit Committee. Trustee Yun provided a report of the Audit Committee meeting held on Friday, November 22, 2024, and responded to questions.

Overview of KPERS Communications Plan

Chairperson Zakoura recognized Emily Wilson, Communications Officer. Ms. Wilson presented the overview of the KPERS communication plan for fiscal year 2025, including KPERS communications department vision, member communications, employer communications, KPERS 457 communications, internal communications, modernization communications initiatives and general communication projects. Ms. Wilson responded to questions.

Possible Legislation for Consideration by the Next Session of the Legislature

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided a report on possible legislation for consideration by the 2025 Legislative Session including governing administrative appeals to extend requests to be accepted to 60 days, plan design, cost of living adjustments, and KPERS modernization project. Mr. Waltner and legal staff responded to questions.

Trustee Claudel moved that the Board of Trustees direct staff to pursue introduction of legislation that extends the administrative appeals deadline to 60 days and other technical updates to KPERS' statutes. Trustee Yun seconded the motion. The motion carried.

Retirement System Operations

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed the Key Performance Measures of the Benefits and Member Services Division for September and October 2024 and responded to questions.

The Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the October 2024 monthly financial reports 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 Jodie Pogge-Rodriguez and responded to questions.

Chairperson Zakoura moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Jodie Pogge-Rodriguez 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 Hill seconded the motion. The motion carried.

Review of Member Issue

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated that he had confidential information regarding a member issue that would require an Executive Session of the Board, if the Board wished to review the information.

Trustee Zakoura 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, Laurie McKinnon, Kathleen Billings, and

Mary Beth Green. We will reconvene the open meeting in the Retirement System Board Room at 12:00 p.m. No binding action will be taken in the Executive Session. Trustee Claudel seconded the motion. The motion carried.

At 12:00 p.m. Trustee Claudel 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, Laurie McKinnon, Kathleen Billings, and Mary Beth Green. We will reconvene the open meeting in the Retirement System Board Room at 12:15 p.m. No binding action will be taken in the Executive Session. Trustee Williams seconded the motion. The motion carried.

At 12:15 p.m., Chairperson Zakoura reconvened the Board Meeting into open session and announced that no binding action was taken in the executive session.

Informational Items

Chairperson Zakoura called the Board's attention to the informational items behind Tab M in the Board book.

Meeting adjourned

Trustee Claudel moved to adjourn the meeting at 12:20 p.m. Trustee Williams seconded the motion. The motion carried.