

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

September 13, 2024

The meeting of the Board of Trustees was called to order by Chairperson Zakoura at 9:30 a.m. on September 13, 2024, in the Retirement System Board Room, Topeka, Kansas.

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

Board members absent: Derek Kreifels

Chairperson Zakoura welcomed Representative Nick Hoheisel (via Zoom), and all other participants.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included approval of the July 26, 2024, meeting minutes and the FY 2024 Annual Proxy Review and Disclosure Report.

Trustee Stratton moved the Board of Trustees adopt the consent agenda. Trustee Hill seconded the motion. The motion carried.

Executive Director's Report

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

Benefit and Member Services staff successfully processed 1,176 retirement applications. Staff members continued to implement legislative changes required by House Bill No. 2711, which increased the retiree death benefit to \$6,000. The bill also made changes to working after retirement (increasing the KPERS employer threshold for the 30% contribution rate and raising the KP&F earnings limit to \$40,000).

The Employer Auditing Unit completed 13 employer audits since the July Board meeting. The team is working with Internal Audit to gather information from 72 agencies chosen by Moss Adams for the Fiscal Year 2024 GASB 68 audit and report.

The Employer Reporting Unit responded to over 6,000 calls and emails and distributed over 3,400 letters to employers on various topics.

Investment staff continued work on the Asset Allocation Review Project. Public Markets staff have completed their 2Q 2024 reviews with each manager.

The Information Technology Division has implemented new application capabilities, providing information for the SOC 1 Type 2 audit, and they are preparing for the Pension Administration System Modernization (KAPS) Project.

As required by Senate Bill No. 291, staff applied for and received a new domain, **kspers.gov**. Work is ongoing to comply with this legislation by February 1, 2025.

The Application Development Team completed over 100 problem incident reports since the July meeting. Staff also completed an upgrade on the optional life insurance application to allow our vendor, The Standard, to collect members' evidence of insurability. The team also launched the new KPERS 3 calculator in late August. KPERS 3 members can now create personalized benefit estimates in their online accounts.

Contract negotiations with Tegrit for the new pension administration system are 99% complete. The staff has scheduled a kickoff for October 22, 2024.

Communications staff recently published the summer retiree newsletter, *Vested Interest*. It will reach nearly 112,000 retirees and beneficiaries this month.

The Communications Team is providing presentation support for several events. These include the KPERS 3 Subject Spotlight, Fall Employer Workshops, pre-retirement seminars and webinars, and a funding webinar for members, hosted by the Executive Director.

The Planning and Research staff has been working on assembling the FY 2026 budget narrative, including an update on the pension administration system modernization plan. Staff responded to several information requests from the Governor's Office, members, and the Budget Office.

In August, the Planning and Research Officer attended the National Association of State Retirement Administrators (NASRA) annual conference. This included sessions on pension administration modernizations, public pension funding, artificial intelligence, actuarial method, and the current investment climate.

The KPERS 457 Team has added one local government plan – Coffeyville Recreation Commission. The KPERS 401(a) also added a new plan – USD 101 Erie-Galesburg. This brings the total number of joinders added to 18 for the calendar year.

Participants continue to utilize the Managed Accounts service, which provides individual investment advice and retirement readiness services. Since it opened in April, 121 participants have enrolled.

The KPERS 457 Team hosted its annual Strategic Planning meeting in August. The meeting provided an opportunity for both Empower associates and KPERS staff to discuss goals and new initiatives for 2025.

Alan Conroy, Executive Director presented a status report on the Pension Administration System Modernization Project to the legislative Joint Committee on Information Technology.

Investment Operations Report

Chairperson Zakoura introduced Aysun Kilic, Meketa Investment Group. Ms. Kilic reviewed Meketa's Semi-Annual Investment Performance Report for June 30, 2024, and responded to questions. She reported that the Retirement System experienced a total return of 9.7% for Fiscal Year 2024, while the Policy Index benchmark was 11.0%. Ms. Kilic noted that the Retirement System's investment portfolio outperformed the Policy Index for all time periods of three years and longer. Ms. Kilic responded to questions from Board members.

Bruce Fink, Chief Investment Officer, reviewed the System's Investment Performance Report for time periods ending July 31, 2024. Mr. Fink reported that the Retirement System experienced a total return of 4.2% annualized over the past three years, while the Policy Index benchmark was 3.7%. The System's investment portfolio has outperformed the Policy Index for time periods reported of three years and longer. The investment portfolio has produced a 7.3% average annualized total return over the past ten years, outperforming the Policy Index by 0.4%. Over the trailing 25-year period, the System's investment portfolio has produced a 7.0% average annualized total return, exceeding the Policy Index by 0.3%. Long-term returns exceed the System's currently 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 Emily Hill, Chairperson of the Investment Committee. The Investment Committee met on September 12, 2024. Trustee Hill provided a report and responded to questions.

Trustee Hill moved that the Board of Trustees adopt the new target asset mix, with long term asset allocation policy targets, as follows:

- *U.S. Equity:* 23%
- *International equity:* 18%
- *Core Fixed Income:* 12%
- *Yield Driven:* 8%
- *Real Estate:* 12%
- *Real Return:* 13%
- *Private Equity:* 11%
- *Cash Equivalents:* 3%

Trustee Claudel seconded the motion. Trustee Johnson opposed the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve a commitment of up to €81.4 million to BDC V A LP 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 \$90 million to Stellex Capital Partners III LP 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 Zakoura recognized Ernie Claudel, Chairperson of the Personnel Committee. The Personnel Committee met on September 13, 2024. Trustee Claudel provided a report and responded to questions.

Trustee Claudel moved that the Board of Trustees grant authority to the Executive Director to set salaries for Executive Committee unclassified positions within the Board approved Pay Grades at KPERS to become effective immediately. Trustee Yun 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 12, 2024.

Trustee Trader moved that the Board of Trustees approve the amendments to the KPERS 457 Plan Investment Policy Statement fund benchmarks, dated September 13, 2024. Trustee Hill seconded the motion. The motion carried.

Trustee Trader moved that the Board of Trustees approve the addition of the Qualified Disaster Recovery Distributions voluntary provision permitted under the Federal SECURE Act 2.0 to the KPERS 457 Plan document and direct staff to work with Empower to make this available to plan participants in a timely manner. Trustee Claudel seconded the motion. The motion carried.

Other Public Pension Plans Term of Office for Board Chairperson and Appointment Process for Board Chairperson

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the information provided by members of the National Association of Public Pension Attorneys (NAPPA) regarding their board chairperson's term of office and the appointment process for board chairperson. Ms. McKinnon responded to questions.

KP&F Deferred Retirement Option Program (DROP) Benefit Calculator

Chairperson Zakoura recognized Mary Beth Green, Deputy Executive Director for Modernization and Chief Benefits Officer. Ms. Green presented an overview of the KP&F deferred retirement option program benefit calculator. Ms. Green and Ms. Ngole, Deputy Chief Benefits Officer responded to questions.

Retirement System Operations

Chairperson Zakoura recognized Mary Beth Green, Deputy Executive Director for Modernization and Chief Benefits Officer. Ms. Green reviewed the monthly operations

report of the Benefits and Member Services Division's performance and responded to questions.

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

Status Report on Pension Administration System Modernization

Chairperson Zakoura recognized Susan Hancock, Chief Project Management Officer. Ms. Hancock presented an overview of the KPERS Pension Administration System Modernization project, the continuing progress and high quality of the improvements. Ms. Hancock, Ms. Green, Deputy Executive Director for Modernization and Chief Benefits Officer, and Mr. Cahill, Chief Information Officer, responded to questions.

Fiscal Year 2026 Budget Request

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal gave an overview of the FY 2026 budget requests, including the enhancement of the pension administration system, and responded to questions.

Trustee Yun moved that the Board approve the Fiscal Years 2025 and 2026 budget request for submission to the Governor's Division of Budget and the Legislature. Trustee Stratton seconded the motion. The motion carried.

Fiscal Years State Budget Impact for General State Employee Salary Increases on KPERS Employer Contributions

Chairperson Zakoura recognized Trustee Williams and Jarod Waltner, Planning and Research Officer. Trustee Williams and Mr. Walter reviewed the fiscal year state budget impact for the general state employee salary increases on KPERS employer contributions. Mr. Waltner responded to questions.

Review of Initial Orders

Chairperson Zakoura recognized Kathleen Billings, Staff Attorney. Ms. Billings reviewed the Initial Orders regarding the appeal of Brent Mohny and responded to questions.

Trustee Claudel moved the Board inform the Executive Director of its decision to accept the Presiding Officer's Initial Order of the Brent Mohny 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.

Other Business

No other business was discussed.

Informational Items

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

Board Self Evaluation

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy provided more information on the Educational and Planning Session that will be held at the Johnson County Community College, in Overland Park, Kansas on October 17-18, 2024.

Meeting Adjourned

Chairperson Zakoura *moved to adjourn the meeting at 12:24 p.m.*