

MINUTES
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES

July 26, 2024

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura, at 10:00 a.m. on July 26, 2024, in the Retirement System Board Room, Topeka, Kansas.

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

Board member absent: None

Chairperson James Zakoura welcomed Melissa Renick, Kansas Legislative Research Department, Chris Huntsman, KPERS retiree, and Ruth Goff, KPERS retiree.

Chairperson Zakoura also welcomed guests via Zoom, Adam Proffitt, Secretary of Administration and Director of the Budget Division, Steven Wu, Kansas Legislative Research Department, David Wiese, Revisor of Statutes Office, Jeff Arpin, Budget Division, and Jeff Chanay, State Treasurer's Office, and all other participants.

Organization of the Board

Chairperson Zakoura stated that at the request of several Trustees, there will be written ballots for the voting of the Chairperson for FY 2025. Chairperson Zakoura assigned Laurie McKinnon, General Counsel, and Kathleen Billings, Staff Attorney, as tellers who once the nomination is closed, will distribute the paper ballots to all the Board Members, and tally the ballots.

Trustee Ernie Claudel nominated James Zakoura to continue to serve as the Board of Trustees Chairperson for FY 2025.

Trustee Jo Yun nominated Brad Stratton to serve as the Board of Trustees Chairperson for FY 2025.

Trustee Johnson and Trustee Hill stated that they appreciated and respected both Trustee Zakoura and Trustee Stratton.

Ms. McKinnon reported and verified the votes. Five Board Members voted in favor of James Zakoura and four Board Members voted for Brad Stratton for Board of Trustees Chairperson. The nomination carried for James Zakoura to serve as Board Chairperson for FY 2025.

Chairperson Zakoura thanked Trustee Stratton for his candidacy, and everyone that voted for Trustee Stratton, and everyone that supported and voted for him. Chairperson Zakoura announced that he would appoint Ernie Claudel as Vice Chairperson, stating that he is the longest serving member of the Board, serving since 2013.

Chairperson Zakoura stated that he would support the efforts to address changing the by-laws in the procedure of how a chairperson is elected in the future. He asked that the Legal Division present a survey of how other states select a Board Chairperson to the next Board meeting. Chairperson Zakoura commented that he will not run for the FY 2026 Board of Trustee's Chairperson.

Chairperson Zakoura stated the FY 2025 Committee Assignments, including Committee Chairs and Vice Chairs would remain the same.

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy discussed the meeting schedule for Fiscal Year 2025.

Trustee Johnson moved that the Board of Trustees approve the Fiscal Year 2025 Board and Committee meeting schedule as presented by staff. Trustee Claudel seconded the motion. The motion carried.

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy stated Trustees have a copy of the Certification of Investment Holdings at their desk to review. The signing of the Certification of Investment Holding is a statutory requirement for the organization of the Board, and asked that Trustees sign, date, and return to Mr. Conroy before the end of the Board Meeting.

Public Comments

Chairperson Zakoura recognized Chris Huntsman, KPERS retiree. Ms. Huntsman presented a information from the National Institute on Retirement Security's February Retirement Insecurity 2023 - Executive Summary of a public opinion poll. Specifically, on the insecurity for female teachers. Ms. Huntsman stated that there is a retirement accumulated wealth gap between men and women. Ms. Huntsman stated that KPERS was designed for individuals to maintain a similar standard of living during retirement, as when they were employed.

Ms. Huntsman appealed to the Board of Trustees as a fiduciary responsibility to advocate for a Cost-of-Living Adjustment (COLA), especially, for the older retirees. She also asked the KPERS Board of Trustees to support changing KPERS 3 benefit members to a KPERS 2 benefit. She asked that the Board encourage the legislature to at least hold a hearing on these requests during the 2025 Legislative Session.

Outstanding Service Award

Chairperson James Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy congratulated Lorie Hernandez, Administrative Specialist, as the recipient of the KPERS Outstanding Service Award for the period of August 2024 through November 2024, because of the great first impression she makes on all who visit or call. She is the "face of KPERS" for anyone coming to the lobby or calling the office. She is personable, welcoming

and treats everyone with integrity and respect. Lorie is dedicated to ensuring every guest is taken care of and has a great experience. She asks good questions to make sure she thoroughly helps with what they need.

Alan Conroy, Executive Director, and Chairperson James Zakoura awarded Lorie Hernandez with an Appreciation Certificate, congratulating her on the accomplishments and great service to KPERS.

Consent Agenda

The consent agenda included approval of the May 17, 2024, Board meeting minutes and the new affiliation for KPERS Optional Group Life Insurance for the city of Horton, and USD 470, Arkansas City.

Chairperson Zakoura moved that the Board of Trustees adopt the consent agenda. Trustee Hill seconded the motion. The motion carried.

Certificate of Achievement for Excellence in Financial Reporting

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy informed the Board that KPERS received the Certificate of Achievement for Excellence in Financial Reporting for its FY 2023 Annual Comprehensive Financial Report (ACFR). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. It represents a significant accomplishment by KPERS, and specifically the Fiscal Services division under the leadership of Chief Fiscal Officer Judy McNeal. This is the 30th consecutive year that KPERS has received this award. The following staff received recognition for their contribution: Judy McNeal, Chief Fiscal Officer; Jason Van Fleet, Deputy Chief Fiscal Officer; Jessica Tufts, Investment Controller; Candace Blythe, Senior Investment Accountant; Krystal Yegon, Senior Accountant; John Hooker, Senior Fiscal Analyst; Teresa Jurgens, Senior Corporate Accountant; and Emily Wilson, Communications Officer.

Reflections on the National Council on Teachers Retirement 24th Annual Trustee Workshop – July 2024

Chairperson Zakoura recognized Trustee Emily Hill and Trustee Brad Stratton. Trustee Hill commented excellent experience she had at the National Council on Teachers Retirement (NCTR) Trustee Workshop. She stated that she networked with other Trustees from across the country, and strongly recommended other Trustees attend next year, if they have not had an opportunity to attend. Trustee Hill reviewed the highlights of the conference, including private equity funds, asset allocation, and institutional asset management.

Trustee Stratton also gave an overview of the National Conference on Teacher Retirement's Trustee Workshop that he attended in July. He stated this was his third time attending, due to the speaker's content always being incredible. As an investment professional, Trustee Stratton said he had an opportunity to network with peers across the country. He annotated of two the speakers, Chris Ailman, Former Chief Investment Officer, California State Teachers Retirement System (CalSTRS), which is the second largest pension system. CalSTRS has 240 investment staff for the state public pension fund. The other speaker was Rick Snyder, former Governor of Michigan and CEO/Co-Founder of

SensCy. Mr. Snyder spoke on Cyber Security and how we can be more knowledgeable and informed on the safety and responsibility of the information we have in our pension system. The takeaway from both speakers is how to be a better steward with the financial and informational responsibilities in pension systems. Trustee Stratton and Trustee Hill responded to questions.

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 successfully processed 1,346 retirement applications for new retirees and currently are finalizing 728 applications for members retiring in July. Infoline representatives responded to 96.5 percent of 16,890 incoming telephone calls during May and June, and staff handled nearly 4,300 email requests.

Staff members have been working on implementing the changes enacted in House Bill 2711 (increasing the retiree death benefit to \$6,000, increasing the KPERS working after retirement employer threshold and increasing the KP&F earnings limit to \$40,000).

Along with the Communications team, educational staff members presented quarterly Pre-Retirement Webinars with different sessions offered for (1) members within 12 months of retirement, (2) members within 1 to 5 years of retirement, (3) KPERS 3 members and (4) KP&F members.

The Fiscal Services Employer Auditing Unit completed 14 employer audits since the May Board meeting. This brings the total to 92 for the Fiscal Year. In partnership with Internal Audit, the Unit also began collecting samples from employers chosen by KPERS' external auditor, Moss Adams, for the Fiscal Year 2024 GASB 68 audit.

The Fiscal Services Employer Reporting Unit handled over 5,000 calls and emails from employers. In addition, the Unit distributed about 3,400 letters to employers on various topics.

KPERS received a Certificate of Achievement from the Government Finance Officers Association for the Fiscal Year 2023 Annual Comprehensive Financial Report. This marks the 30th consecutive year that KPERS has received this award.

Investment staff implemented policy and procedure updates related to the Countries of Concern Act (effective July 1, 2024). Staff worked with Meketa to prepare a presentation on the Asset Allocation Review project for the Investment Committee. Staff also compiled the Fiscal Year 2024 proxy voting activity, which will be published on kpers.org.

Private markets staff conducted real estate due diligence meetings and worked with The Townsend Group to prepare an investment recommendation for the July Investment Committee meeting. Staff held review meetings and attended quarterly meetings with several of the private markets' investment managers. Staff completed its legal review and executed documents for two private equity commitments approved by the Board earlier this year.

Construction has begun on replacing the KPERS building elevators.

The Information Technology Division has been working on upgrading all employee laptops to Windows 11.

The Application Development Team completed 138 Problem Incident Reports since May. This includes requests related to HB 2711. The Team also completed development of the new KPERS 3 benefit calculator, which is ready to release.

IT staff continue to work with Catch Intelligence and the Data Governance team on data cleansing and development of a vendor-neutral data vault.

The Kansas Information Technology Office has fully approved the Pension Administration System Modernization Project. The remaining task is to sign a contract. Staff continues to make progress on contract negotiations with Tegrit. As part of the negotiation process, staff engaged in multiple discussions about KPERS' functional and technical needs to ensure those are supported with legal documentation.

Staff continues to support the existing Pension Administration System and engage in multiple efforts to improve our operations and support KPERS members. Notable efforts include: 1) working to integrate LexisNexis Fraud Identification products into our existing member platforms; 2) implementing and automating new legislation; 3) continuing work on Data Cleansing in preparation for Modernization; 4) hiring personnel to support all initiatives; 5) designing new programs for staff engagement through organizational change management; and 6) documenting procedures and developing supportive training.

The Communications Team is preparing for Fall 2024 optional life insurance open enrollment. Staff is working with The Standard to revise the marketing materials.

Employer communications focused on Certification for Schools and Summer Pay. Staff communicated with employers about these topics via a new QuickVid video, how-to and Q&A documents, an employer webinar and targeted employer emails.

Staff promoted this summer's monthly financial wellness webinars, released the latest employer *NewsByte* newsletter, and began a soft launch of the new *My Total Retirement* fee-based investment service.

Internal communications work centered around organizational change management. Our goal is to help staff prepare for the modernization project. Recent emails shared updates on the vendor contract, changes to staff roles, and the KAPS Team office suite.

Planning and Research staff has been working on the December 31, 2023, Actuarial Valuation Report, responding to follow-up questions about the 2023 data file, and reviewing the valuation results.

Staff continued to work with CATCH Intelligence and the Data Governance Team on data cleansing. Since the May meeting, the group has been establishing business rules for the data and creating the "raw vault." This will be a copy of data, which will ultimately be cleansed and used to populate the new pension administration system.

Planning and Research Staff has also been preparing statutory reports for this fall's Joint Committee meeting, as well as budget documents for the Fiscal Year 2026 budget

submission. In addition, staff has been preparing for the Executive Committee strategic planning sessions this fall to update the 5-year strategic plan.

Since May, the KPERS 457 team has added two local government plans – Morris County and Douglas County Rural Water District #2. The team also added two KPERS 401(a) plans – Labette Community College and Douglas County Rural Water District #2. That brings the total number of joinders to 16 for 2024. Empower will work with the newly affiliated employers to facilitate participant enrollment and post deferrals.

In May, the KPERS 457 Plan Officer, Arlen Zentner attended Empower's annual Client Advisory Board meeting at their corporate offices in Denver, Colorado. The two-day meeting featured discussion on cybersecurity, artificial intelligence, participant engagement, financial planning, and SECURE 2.0. Mr. Zentner presented a case study to the group about collecting employer census data and how using this data can increase participant enrollment.

On July 1, Empower reduced the KPERS 457 administrative fee from 4.8 to 4.5 basis points. In addition, Empower initiated a participant plan fee credit of \$500,000 for all plan participants with an account balance. Over 20,000 plan participants (73.6%) received a credit. The average amount is \$24.65. The maximum credit is \$709.

Participants continue to sign up for the Managed Account service, which provides individual investment advice. There were 94 participants enrolled as of June 30, 2024. It will officially launch in August with email and direct mail announcements.

Investment Operations Report

Chairperson Zakoura recognized Bruce Fink, Chief Investment Officer. Mr. Fink reviewed the May 31, 2024, investment performance report. Mr. Fink reported that the Retirement System's investment portfolio produced a total return of 8.4% for the fiscal year to date time period (not annualized). He reported that for the one year ending May 31, 2024, the System's investment portfolio achieved a 11.3% total return, trailing the Policy Index by 1.5%. 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 4.0% for the trailing three-year time period, 7.1% for the trailing ten-year time period, and 6.9% for the trailing 25-year time period ending May 31, 2024. The System's investment portfolio outperformed the Policy Index benchmark for all time periods three years and longer. Mr. Fink responded to questions.

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

The Investment Committee met on July 25, 2024. Emily Hill, Chairperson of the Investment Committee, reported on the Investment Committee's meeting, and responded to questions.

Trustee Hill moved that the Board of Trustees approve a commitment of up to \$85 million to Ventas Life Science and Healthcare Real Estate Fund, 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.

Trustee Hill moved that the Board of Trustees authorize the Executive Director to form a Procurement Negotiating Committee in order to issue Request for Proposals, in accordance with the System's Statement of Investment Policy, Objectives and Guidelines, to identify qualified firms to manage an active international equity mandate for the System. Trustee Johnson seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees adopt the amended Treasurer's Unclaimed Property Fund Statement of Investment Policy, Objectives and Guidelines. Trustee Claudel seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees adopt the Egan-Jones Wealth Focused Principles and Guidelines as the Treasurer's Unclaimed Property Fund's policy governing proxy voting decisions. Trustee Kreifels seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve that Mellon Investment Corporation be retained as a passive U.S. equity manager benchmarked to the S&P 500 Index for the Treasurer's Unclaimed Property Fund with an initial funding amount of approximately \$60 million. Trustee Claudel seconded the motion. The motion carried.

Trustee Hill moved that the Board of Trustees approve that MacKay Shields be retained as an active core-plus fixed income manager for the Treasurer's Unclaimed Property Fund with an initial funding amount of approximately \$140 million. Trustee Claudel 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 July 26, 2024. Trustee Claudel provided a report and responded to questions.

Trustee Claudel moved that the Board of Trustees approve an adjustment in selected staff salaries for Fiscal Year 2025 as recommended by the Personnel Committee and as requested by the Executive Director. Such adjustments should be made effective as soon as possible. Trustee Trader seconded the motion. The motion carried.

Trustee Claudel moved that the Board of Trustees approve an adjustment in the salary of the Executive Director as recommended by the Personnel Committee. The adjustment should be made effective as soon as possible. Trustee Kreifels seconded the motion. The motion carried.

Audit Committee Report

Chairperson Zakoura recognized Trustee Jo Yun, Chairperson of the Audit Committee. Trustee Yun provided a report on the Audit Committee held on July 25, 2024, and responded to questions.

Retirement System Operations

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer/Deputy Executive Director for Modernization. Ms. Green reviewed the monthly operations report of the Benefits and Member Services Division's performance and responded to questions.

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

Significant State Pension Litigation 2023-2024

Chairperson Zakoura recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the significant state pension litigation for April 2023 – May 2024, including: *Wong v. New York City's Employees' Retirement System*; *Board of Trustees of the North Dakota Public Employees' Retirement System v. North Dakota Legislative Assembly*, and *Public School Retirement System of Missouri v. Regions Bank Inc.*

Actuarial Valuation Report

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an introduction of the 2023 actuarial valuation.

Chairperson Zakoura recognized KPERS' consulting actuary Pat Beckham, FSA, EA, FCA, MAAA, Principal and Consulting Actuary with Cavanaugh Macdonald. Ms. Beckham presented the December 31, 2023, Actuarial Valuation and responded to questions.

Trustee Yun moved that the Board adopt the results of the December 31, 2023, Actuarial Valuation. Trustee Kreifels seconded the motion. The motion carried.

Board Self Evaluation

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy asked Board Members to sign and return the Certification of Investment Holdings and reminded the Board that the September Board Meeting dates changed to September 12-13, 2024. Mr. Conroy asked the Board members for suggested speakers and topics for the Educational and Planning Session which will be located at the Johnson County Community College in Overland Park, Kansas on October 17-18, 2024.

Trustee Williams requested that efforts be made to address changing the by-laws in the procedure of how a chairperson is elected in the future.

Other Business Informational Items

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

Meeting Adjourned

Trustee Kreifels moved to adjourn the meeting at 1:48 p.m. Vice-Chairperson Claudel seconded the motion. The motion carried.