

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

January 17, 2025

The meeting of the Board of Trustees was called to order by Chairperson James Zakoura at 9:45 a.m., on January 17, 2025, in the Retirement System Board Room, Topeka, Kansas.

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

Board members absent:	None
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Chairperson James Zakoura welcomed David Wiese and Jason Thompson, Office of Revisor of Statutes (via Zoom), Steven Wu, Mike Ditch and Nicole Fielder, Kansas Legislative Research (via Zoom), and all other participants.

Public Comments

There were no public comments.

Consent Agenda

The consent agenda included the minutes of the November 22, 2024, meeting; the New Affiliations for 2025; Power of Attorney for Investment Transactions Certificates; and the appointment of a Hearing Officer for Mark Bruce.

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

Judy McNeal's Retirement Farewell

Alan Conroy, Executive Director, honored Judy McNeal, Chief Fiscal Officer, as she plans to retire on April 1, 2025. Ms. McNeal has provided over 37 years of service to the State of Kansas, with 32 of those years spent at KPERS. Ms. McNeal joined KPERS as an Accountant V and was later promoted to the Assistant Chief Fiscal Officer. In March 2015, she became the Chief Fiscal Officer. Chairperson James Zakoura presented Judy with a plaque and congratulated her for outstanding service as Chief Fiscal Officer.

Board of Trustees Election 2025

Chairperson Zakoura recognized Emily Wilson, Communications Officer. Ms. Wilson stated that KPERS is preparing for the April 2025 Board of Trustees Election. The Board Election occurs every four years. Members can elect a fellow member to represent their group on the KPERS Board of Trustees (one each for the School and Non-School groups). Prospective candidates were required to submit 100 petition signatures and a signed affidavit to KPERS by November 30, 2024, at 5:00 p.m. As of that date, KPERS received two candidate petition affidavits and signatures for the Non-School group and three candidate petition affidavits and signatures for the School group. In December, KPERS' Executive Secretary verified all petitions and confirmed that the following candidates had collected 100 signatures, allowing them to be on the 2025 ballots:

School Candidates

Ernie (Paul E.) Claudel

- Retired teacher and building administrator, mostly in USD 233 Olathe Public Schools.
- Current elected school member of the KPER Board of Trustees, now completing third four-year term.
- Co-chair of Kansas Coalition of Public Retirees.
- Legislative Chairman for Kansas Association for Retired School Personnel.

Chris Huntsman

- Retired teacher for USD 501 Topeka Public Schools.

Dennis Burns

- Retired teacher for USD 260 Derby.

Non-School Candidates

Ryan Trader

- Firefighter/paramedic for City of Olathe Fire Department.
- Current elected non-school member of the KPER Board of Trustees, now completing second four-year term.

Arthur "Ty" Lasher

- Retired City Manager, City of Bel Aire.

The next step in our election process is to obtain biographies for each candidate, convene the Election Oversight Council (three KPERS members who will help administer the election and certify results), and prepare promotional materials. Candidate information will be available in late March on kspers.gov and distributed to members by email (actives) and mail (retirees and disability members).

Starting April 1, members will be able to vote by one of three methods: online in their KPERS' accounts, by phone, or by paper ballot. Results will be announced at the May 2025 Board meeting and distributed to members in June 2025.

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 finalize new affiliation for five KPERS employers, eight KP&F employers, and eight optional life insurance employers. The affiliations began on January 1, 2025.

The team assisted more than 450 members and survivors who visited KPERS in person during November and December, as well as responded to 14,300 incoming phone calls. Division staff members have been collaborating with IT, Fiscal Services and Administration staff on 2024 benefit payment reconciliation and associated tax withholding. This work is in effort to finalize about 140,000 annual 1099-R tax forms for printing and distribution.

KPERS published the Fiscal Year 2024 Annual Comprehensive Financial Report on December 19, 2024. It is available on kspers.gov. Moss Adams LLP is currently reviewing the FY 2024 KPERS GASB 68 report. Once completed, this report will also be published on the KPERS website for employers' use in recording their portion of the net pension liability.

The Employer Auditing Unit completed 19 employer audits since the November Board meeting. This brings the total to 49 audits completed year to-date.

The Employer Reporting Unit handled over 3,100 calls and emails from employers since November and distributed about 8,800 letters to employers.

The KPERS Information Technology team has been working on implementing new application capabilities, providing information to audits, and preparing for the KAPS project. The team continues to work with LexisNexis to strengthen our security for portal logins, bank verification and fraud protection. Staff implemented the first phase of changes to member web portal login and are preparing for the next phase of the full LexisNexis strategy.

Information Technology staff completed initial network testing for the Tegrit Oracle Cloud. Staff is working with Genus Technologies on extracting test images from our current system, converting them to PDF files and then moving the sample files to Tegrit's system for testing. Also, staff is working with Genus on improvements to the imaging workflow and assisting with changes to KPERS forms that will be used in the new system.

Investment staff finalized its due diligence work on the international equity request for proposal and prepared material in order to bring a recommendation to the January 2025 meeting. Staff also continued contract negotiations and the account opening process with the two high yield investment managers hired by the Retirement System. Staff anticipates the new accounts will be funded by the end of this month. Staff members have also taken steps to implement the interim asset allocation and benchmark changes approved at the November board meeting and were effective January 1, 2025.

The KPERS 457 team added two local government plans – the City of Spearville and USD 353 Recreation Commission. The KPERS 401(a) also added two new plans – the League of Kansas Municipalities and the City of Valley Center. This brings the total number of joiners added to 27 for the calendar year. Empower will work with employers enroll new participants and post their deferrals.

KPERS 457 staff and Empower completed the conversion of assets from Butler County to the KPERS 457 Plan in December. A total of \$3.9 million in funds were transferred to KPERS 457 from the previous provider, with 163 participants enrolling in the plan. By converting to the KPERS 457 Plan, we were able to offer participants reduced fees equal to about six times less than what they were paying before, as well as a dedicated Retirement Plan Advisor to serve their participants.

Planning and Research staff has been preparing for the Legislative session by updating actuarial and administrative considerations for common topics such as cost-of-living adjustments (COLA), defined contribution plan design, and KPERS 3 changes. Staff also attended the special legislative budget committee hearing on the KPERS Fiscal Year 2026 budget request.

The Communications team focused on our print design refresh, the switch to kspers.gov and KPERS three annual mailings (1099-Rs, tax withholding letters and member annual statements). Staff have been reviewing and editing all web and print materials. The new domain went live this month in advance of the February 1 legislative deadline to convert to a .gov site. The team continues to apply the corporate identity refresh and plain language edits to our print publications, as well as KAPS forms and letters. The team is reviewing final 1099-Rs and tax letter proofs to ensure all are distributed by the January 31 deadline.

The Communications team is completing a pre-testing of all voting options for the election of school and non-school candidates for Board of Trustees members and verified prospective candidates' petitions. The team will be working on a communications campaign and marketing materials to encourage voting in the April election.

Alan Conroy, Executive Director, made two outside presentations since the last Board meeting. He provided information to the Special Committee on State Employee Compensation on KPERS 1, 2, 3, and COLAs. He also provided a general KPERS overview to the Senate Republican Caucus on January 12, 2025.

The National Council on Teacher Retirement (NCTR) recently released its 2025 meeting schedule. The NCTR Annual Trustee Workshop will be July 13-16, 2025, in Williamsburg, Virginia. The Workshop will be held in conjunction with the Raymond A. Mason School of Business, College of William and Mary. It is open to new and experienced trustees.

Once again, the agency supported a holiday outreach to the Sheldon Head Start School in Topeka. Staff "adopted" nine families and provided holiday gifts to these families in need. In addition, staff provided toys for 221 children at the school. KPERS staff shopped, wrapped, and delivered in a vehicle caravan the presents to the Sheldon Head Start School. The Sheldon families and children were very appreciative of the gifts from the KPERS staff.

Overview of KPERS Issues in the 2025 Session of the Legislature

Chairperson Zakoura recognized Senator Brenda Dietrich, Chairperson of the Senate Financial Institutions and Insurance Committee, and Representative Nick Hoheisel, House Majority Whip and Chairperson of the House Financial Institutions and Pensions Committee. Senator Dietrich and Representative Hoheisel gave an overview of the legislative process for KPERS issues during the 2025 Legislative Session and responded to questions.

Investment Operations

The Chairperson recognized Bruce Fink, Chief Investment Officer. Mr. Fink reviewed the November 30, 2024, Investment Performance Report. Mr. Fink reported that, for the one year ending November 30, 2024, the System's investment portfolio achieved a 14.4% total return, trailing the policy index return of 16.2%. He reported an 8.0% average annualized total return for the trailing five years and 7.5% average annualized total return for the trailing ten years ending November 30, 2024.

Mr. Fink noted that the return on the total portfolio outperformed the return of the policy index for the 5-, 10-, 20- and 25-year periods.

The Chairperson recognized Allan Emkin, Meketa Investment Group. Mr. Emkin reviewed Meketa's Capital Markets Outlook and Risk Metrics Report and responded to questions.

Investment Committee Report

The Investment Committee met on Thursday, January 16, 2025. Vice Chairperson Brad Stratton, Investment Committee, provided a brief report.

Trustee Stratton moved that the Board of Trustees authorize the investment management agreement with JP Morgan be terminated as soon as practicable. Trustee Yun seconded the motion. The motion carried.

Trustee Stratton moved that the Board of Trustees authorize that MFS be retained to manage a portfolio within the System's International Equity program with an initial investment of up to \$1.1 billion. Trustee Williams seconded the motion. The motion carried.

Audit Committee Report

The Audit Committee met on Thursday, January 16, 2025. Jo Yun, Chairperson of the Committee, provided a report on the meeting and responded to questions.

Trustee Yun moved that the Board of Trustees accept the FY 2024 KPERS Annual Comprehensive Financial Report. 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 January 17, 2025. Trustee Claudel provided a report and responded to questions.

Trustee Claudel moved that the Board of Trustees approve the adoption of the pay grades for positions as recommended by the Executive Director and CBIZ Compensation Consulting as a

result of the classification and compensation study that was recently completed and that such pay grades be implemented at the beginning of Fiscal Year 2026, or as soon thereafter as practical. Trustee Yun seconded the motion. The motion carried.

KPERS Death and Disability Actuarial Valuation and Experience Study Results

Chairperson Zakoura recognized Tasha Kahn, FSA, MAAA, Principal, Milliman, Inc. Ms. Kahn presented an overview of the Death and Disability Actuarial Valuation and experience study results as of June 30, 2024. An 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.

Trustee Zakoura moved that the Board of Trustees adopt the June 30, 2024, valuation of the KPERS Death and Disability Plan. Treasurer Johnson seconded the motion. The motion carried.

Retirement System Operations Report

Chairperson Zakoura recognized Mary Beth Green, Chief Benefits Officer. Ms. Green reviewed member service performance for November and December 2024 and responded to questions.

Retirement System Financial Report

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal reviewed the preliminary December 31, 2024, financial statements and responded to questions.

Report and Review of Governor's Budget Recommendations for KPERS for Fiscal Year 2026

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner presented a report and reviewed the Governor's Budget Recommendations for KPERS Fiscal Year 2026. Mr. Waltner stated that the Governor's Budget Report recommendations for FY 2025 and FY 2026 did not propose any changes to the budget requested by the agency. The pension administration modernization project is fully funded in the budget recommendation. Mr. Waltner responded to questions.

Presentation of KPERS Summary Overview for Policy Makers

Chairperson Zakoura recognized Alan Conroy, Executive Director. Mr. Conroy reviewed the sample welcome letter that will be sent to the 2025 Legislature. Mr. Conroy also reviewed the KPERS Fast Facts and 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 and responded to questions.

Presentation of the KPERS Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024

Chairperson Zakoura recognized Judy McNeal, Chief Fiscal Officer. Ms. McNeal presented the highlights of the KPERS Annual Comprehensive Financial Report for Fiscal Year 2024 and responded to questions.

Update on Requested KPERS Legislation for Consideration by the 2025 Legislature

Chairperson Zakoura recognized Jarod Waltner, Planning and Research Officer. Mr. Waltner provided an update on requested KPERS Legislation for consideration by the 2025 Legislature and responded to questions.

Informational Items

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

Board Self Evaluation

There was no further discussion.

Trustee Claudel moved that the Board adjourn the meeting at 12:57 p.m. Trustee Stratton seconded the motion. The motion carried.