

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

February 15, 2002

The meeting was called to order by Chairperson Jarold Boettcher at 9:00 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present:

- Jarold Boettcher, Chairperson
- Michael Braude
- Bruce Burditt, Vice Chairperson
- Vern Chesbro
- Liz Miller
- Lon Pishny
- Tim Shallenburger
- Marjorie Lee Webb

Public Comment

Loretta Lynn, Vice President of the Kansas Retired association of School Personnel thanked the Board for the opportunity to be a featured member in KPERS' 2001 Annual Report.

Approval of Minutes

It was moved by Bruce Burditt and seconded by Liz Miller that the minutes of the meetings of February 15 and 26, 2002 be approved as printed. Motion carried.

Executive Director's Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reported on current legislative matters including KPERS' budget request, Catastrophic Life Insurance, today's agenda, and current KPERS activities including the earlier than ever mailing of Annual Statements. Mr. Deck called attention to the team effort of Member Services, Fiscal Services and Information Resources in improving, producing and mailing the 2001 annual statements.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the February 2002 Performance Report, and the investment activity March and April 2002 to date. He stated that the Retirement System has a total return of -3.3 percent (not annualized) for the eight month period ending February 28, 2002 and -3.4 percent (not annualized) for the latest twelve months.

Mr. Woodard reported on the Alternative Investment Portfolio Update, Western Asset Contract Negotiations, Outstanding Derivatives Exposure Report and Alternative Investment Update. Mr. Woodard announced that there would be an Alternative Investment Committee meeting next month.

Mr. Woodard recognized Scott Peppard, Deputy Investment Officer and Cheri Woosley, Portfolio Manager and Investment Analyst who provided the *annual?* Internal Management Review.

Implementation of Asset Allocation

Jerry Boettcher

Alternative Investment Committee

The Chairperson recognized Vern Chesbro, Alternative Investment Committee Chairperson. Mr. Chesbro reported on the Alternative Investment Committee meeting held on Thursday, February 14th.

Publicly Traded Securities Committee

The Chairperson recognized Liz Miller, Publicly Traded Securities Committee Chairperson. Ms. Miller reported on the Publicly Traded Securities Committee meeting held on Thursday, February 14th.

Fixed Income Manager Selection

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the Request for Proposal process and the staff's analysis of the manager candidates used in recommending a Fixed Income Manager. Mr. Woodard introduced Claudia Schloss, Client Service Officer, and Ken Leach, Chief Investment Officer, of Western Asset Management, Pasadena, California. Ms. Schloss and Mr. Leach provided an overview of their firm's background, investment style and capabilities.

Bruce Burditt moved that staff be authorized to negotiate and execute a management agreement with Western Asset Management Company for the purposes and under the terms and conditions contained in the System's Request for Proposals and the firm's written proposal. Lon Pishny seconded the motion. Motion carried.

Real Estate Appraiser Acquisition

The Chairperson commented that the Board has two options available in selecting a real estate appraiser as outlined in the staff memo. He recognized Joan Hancock, General Counsel and Rob Woodard, Chief Investment Officer, to answer questions on these options. Tim Shallenburger discussed the legislative history of the professional services procurement legislation and indicated it was his preference to follow the agency Procurement Negotiating Committee process. Liz Miller agreed and stated that she

preferred a selection process that was separate from the System's real estate advisor, Lend Lease.

Bruce Burditt moved that the Board Chairperson appoint a Procurement Negotiating Committee for the real estate appraiser selection process. Michael Braude seconded the motion. Motion carried.

Member Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert passed out a sample of the proposed KPERS Annual Statement and reviewed the information contained on the Statement. Ms. Lambert reviewed current issues of Employer Reporting, KPERS Papers, and the CEM reports on benefits.

Audit Committee

The Chairperson recognized Bruce Burditt, Audit Committee Chairperson. Mr. Burditt reported on the Audit Committee meeting held prior to the Board meeting today.

Employer Council Nominations

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reviewed the process of selecting Employer Council nominees by geographic balance, type of employer and size, as well as the purpose of the Employer Council. Mr. Deck reviewed the recommended candidates and their qualifications.

It was moved by Bruce Burditt and seconded by Marjorie Lee Webb that the Board appoint the recommended candidates for the specified terms to the Employer Council. Motion carried.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Financial Officer. Mr. Breedlove reviewed the KPERS January, 2002 financial report.

Legislative Issues

The Chairperson recognized Jack Hawn, Deputy Executive Director. Mr. Hawn reviewed the current legislative status.

Litigation Status Report

The Chairperson recognized Tom Murray of Barber, Emerson Law Firm, and Gene Schiltz of Robert F. Coleman and Associates who participated by phone.

Bruce Burditt moved that the Board recess into executive session to consult with the Board's counsel concerning litigation and reconvene the open meeting in the Retirement System's Boardroom at 1:10 p.m. Michael Braude seconded the motion. Motion carried.

The Chairperson directed that Glenn Deck, Executive Director; Joan Hancock, General Counsel; Laurie McKinnon, Assistant General Counsel; Eugene Schiltz, Robert F. Coleman and Associates; and Thomas V, Murray, Barber Emerson Law Firm, attend the executive session for the purpose of aiding the Board in its decisions.

The Board reconvened in the Boardroom of the Kansas Public Employees Retirement System at 1:10 p.m.

Bruce Burditt moved that the Board recess into executive session to consult with the Board's counsel concerning litigation and reconvene the open meeting in the Retirement System's Boardroom at 1:20 p.m.

The Board reconvened in the Boardroom of the Kansas Public Employees Retirement System at 1:20 p.m.

Old Business

There was none.

New Business

There was none.

The Board Meeting Adjourned at 1:25 p.m.