

## MINUTES

### KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

March 21, 2003

The meeting was called to order by Chairperson Bruce Burditt at 8:30 a.m., in the Retirement System boardroom, Topeka, Kansas.

Board members present:

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

Vern Chesbro led the Board, staff and guests in the Pledge of Allegiance.

#### **Employee of the Quarter**

Bruce Burditt recognized Carolyn Haden as employee of the quarter for the 4<sup>th</sup> quarter of 2002. Mr. Burditt acknowledged that Ms. Haden was hired to a newly created position at KPERS and not only had to learn a new job but also develop procedures for the position. She is always willing to lend a hand to help in anyway she can within her unit or with internal and external customers.

#### **Public Comment**

There was no public comment.

#### **Approval of Minutes**

It was moved by Michael Braude and seconded by Marjorie Lee Webb that the minutes of the meetings of January 17, 2003 and February 3, 2003 be approved as submitted. Motion passed.

#### **Executive Director's Report**

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reported on the outstanding contributions by staff to the Project Topeka campaign. Mr. Deck reported on new KPERS brochures, the annual financial report, new stationery and business cards, and the status of the annual statement project. Mr. Deck reviewed the four major KPERS issues: long-term funding, death and disability fund status, 13<sup>th</sup> check issue and the information systems project and responded to questions.

## **Legislative Report**

Glenn Deck, Executive Director, reviewed the status of the death and disability moratorium legislation and a timing issue, with regard to local employer contributions.

Michael Braude moved that staff be authorized to notify local employers of the pending death and disability moratorium legislation and direct them to hold the 0.6 percent insurance portion of the employer contributions for payroll periods after April 1, 2003, and to not remit these contributions until further notice. Lon Pishny seconded the motion. Motion passed.

Jack Hawn, Deputy Executive Director, reviewed various bills relating to the Board's authority for appointing staff, TIAA special members, working after retirement, allowing KP&F members to retire with unreduced benefits after 32 years, and providing a ½ of a 13<sup>th</sup> check.

## **Member Operations**

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly operations report and reported on the transition to Minnesota Life Insurance Company for group life insurance and that KPERS has received the CEM report that will be reviewed at a later date. Ms Lambert reported on the status of the current pre-retirement seminars and responded to questions.

## **Monthly Financial Report**

The Chairperson recognized Leland Breedlove, Chief Financial Officer. Mr. Breedlove reviewed the KPERS February 28, 2003 financial statements and the FY 2003 School Employer Contributions Report.

## **Investment Operations**

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reported that the System had placed Lend Lease, Nomura Securities and Morgan Stanley on probation due to management personnel changes.

Mr. Woodard reviewed the January 31, 2003 Performance Report and provided preliminary numbers for February and March. He stated that the Retirement System has a total return of -5.8 percent (not annualized) for the fiscal year-to-date and -7.4 percent for the latest twelve months. Mr. Woodard also reviewed reports for the Treasurer's Unclaimed Property Fund and the Senior Services Fund.

The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard provided the Derivatives and Foreign Exchange Contracts Report for the January – February 2003 period.

### **Asset Allocation Review**

The Chairperson recognized Alan Emkin, Pension Consulting Alliance who provided the annual review of the Asset Allocation Policies and Objectives. Liz Miller stated in the future she would like to see more detail in advance on the asset allocation recommendations and accompanying assumptions.

Lynn Jenkins left the meeting at this time.

### **Publicly Traded Securities Committee Report**

Bruce Burditt recognized Jarold Boettcher who provided a report of the Committee meeting held on March 20<sup>th</sup>. Mr. Boettcher noted that the fixed income manager roundtable discussion was excellent.

### **Real Estate Committee Report**

The Chairperson recognized Marjorie Lee Webb, Chairperson of the Real Estate Committee. Ms. Webb provided a report of the Committee meeting held on March 20<sup>th</sup>. Ms. Webb recognized Bob Schau, Real Estate Investment Officer, who provided a summary of the proposed investment in the Deutsche Bank Real Estate Global Opportunities Fund.

Ms. Webb indicated that before proceeding with a motion to consider this investment the Committee wished to first determine the Board's interest in investing in international real estate at this time. Lon Pishny moved that the Board reconsider its position on international real estate. Jarold Boettcher seconded the motion. During discussion on the motion Robert Woodard and Alan Emkin responded to Board questions on the issue. Official action of the board requires five favorable votes; the motion failed. 4-yes 3-no (Chesbro, Miller, Webb). The Chairman requested that this item be placed on the agenda for consideration at the May Board meeting.

### **New Group Life Insurance Provider Overview**

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert reviewed the transition process to the new insurance company and introduced Bob Olafson, Von Peterson, and Lynn Gordon of Minnesota Life Insurance Company.

Bob Olafson, Vice President Group Insurance, provided a presentation on Minnesota Life Insurance Company, Von Peterson, Client Relationship Director, reported on services provided by Minnesota Life Insurance Company and Lynn Gordon, Topeka Branch Office Manager, reported on underwriting and claims as well as a proposed transition schedule.

### **Information Systems Project Status Report**

The Chairperson recognized John Oliver, Chief Information Officer. Mr. Oliver provided a presentation on the Information Systems Replacement Project and the project's objectives and timeline.

## **Litigation Status Report**

The Chairperson recognized Eugene J. Schiltz, Robert F. Coleman and Associates who participated by phone.

Michael Braude moved at 11:30 a.m. 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 Boardroom at 11:45 a.m. Marjorie Lee Webb seconded the motion. Motion passed. The Chairperson directed Glenn Deck, Executive Director; Laurie McKinnon, General Counsel; and Eugene J. Schiltz, Robert F. Coleman and Associates, attend the executive session for the purpose of aiding the Board in its discussions.

The Board reconvened in the Boardroom of the Kansas Public Employees Retirement System at 11:45 a.m.

Michael Braude moved that the Board authorize its counsel to dismiss KPERS' appeal of the Mobile Traveler decision and to conclude a settlement of Linde Thomson's pending claims against KPERS on the terms outlined to the Board by counsel in Executive Session. Lon Pishny seconded the motion. Motion passed. 6-yes 1-no (Boettcher)

Jarold Boettcher explained that he voted no on this motion because he believed the outcome of some of these cases was partially due to the contingency fee litigation approach which he opposed when it was adopted many years ago.

## **Appointment of Hearing Officer**

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for an administrative appeal by Marcia G. Cooper.

Michael Braude moved that staff be authorized to contract with the Office of Administrative Hearings for assignment of a hearing officer at this time, for the purpose of hearing the administrative appeal of Marcia G. Cooper. Liz Miller seconded the motion. Motion passed.

## **Employer Council Appointments**

The Chairperson recognized Mary Beth Green, Management Analyst. Ms. Green reviewed the Employer Council Appointments report and responded to questions.

Michael Braude moved that the Board appoint the recommended candidates for the specified terms to the Employer Council. Liz Miller seconded the motion. Motion passed.

Marjorie Lee Webb urged staff to continue to seek geographic balance in these appointments by finding a candidate in northwest Kansas for the next round of appointments.

## **Fiduciary Checklist Report**

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided background on the Fiduciary Checklist Report, which is a follow-up to a presentation by Mary Beth Braitman on Board fiduciary responsibilities at the October educational session. Mr. Deck reviewed areas for future improvement, including: internal audit, benefit administration procedures and training, and the development and testing of disaster and business continuity plans.

## **Informational Items**

Bruce Burditt announced that the one informational item included in the Board material was an Error Correction Statute Report. Marjorie Lee Webb commented on her interest in potentially pursuing a change in this statute in the future.

## **Old Business**

There was no old business.

## **New Business**

### **Pension Obligation Bonds**

Bruce Burditt introduced the topic of the Governor's request for the Board's position on Pension Obligation Bonds. Glenn Deck, Executive Director, provided a status report on long-term funding. Discussion was held regarding the concept of the bonds, the potential risks and opportunities of this funding method, and possible draft language for a response letter. The Chairman was directed to draft a letter and circulate to all members for comments and then to send a final Board response to the Governor.

Meeting adjourned at 12:25 p.m.