

## **MINUTES**

### **KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES**

May 16, 2003

The meeting was called to order by Chairperson Bruce Burditt at 9:00 a.m., in the Retirement System boardroom, Topeka, Kansas.

Board members present:

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

Lon Pishny led the Board, staff and guests in the Pledge of Allegiance.

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

No employee of the quarter award was made for this quarter.

#### **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 March 21, 2003 and April 7, 2003 be approved as submitted. Motion passed.

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

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck made the following announcements: Vern Chesbro apologized for not attending the Board meeting due to being out of state as he had anticipated a replacement being appointed; Leland Breedlove is recuperating from back surgery; and Jack Hawn has announced his intention to retire on October 1, 2003 after 38 years of KPERS service.

Mr. Deck reported on recent positive investment performance, the InfoLine satisfaction survey, and the group life insurance contract implementation. Mr. Deck briefly reviewed the 2003 legislative session.

## **Legislative Report**

Glenn Deck, Executive Director, reviewed the provisions of HB 2014, the KPERS Omnibus Bill. Mr. Deck responded to Board questions on the pension obligation bond authorization, death and disability moratorium, and the 13<sup>th</sup> check.

## **Member Operations**

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly operations report and reported the status of the pre-retirement seminars and DA workshop sessions. Ms. Lambert reviewed member account updates, July retirement applications, InfoLine response rate, e-mail requests, open enrollment procedures, service purchase applications and death benefit payments and responded to questions.

Lon Pishny suggested a comparison to last year's statistics would be useful to Board members in the member services report.

## **Monthly Financial Report**

The Chairperson recognized Judy McNeal, Assistant Chief Financial Officer. Ms. McNeal reviewed the KPERS April 30, 2003 financial statements.

## **InfoLine Satisfaction Survey**

The Chairperson recognized Mary Beth Green, Management Analyst. Ms. Green provided a report on the InfoLine satisfaction survey process and results. Overall, the survey responses were very positive and indicated that responding members were satisfied with the service provided by the InfoLine staff.

## **Investment Operations**

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the March 31, 2003 Performance Report. He reported that the Retirement System had a total return of -5.7 percent (not annualized) for the fiscal year-to-date and -9.4 percent for the latest twelve months through March. Mr. Woodard also reviewed preliminary numbers for April and May to date which reflected a positive turnaround in the equity markets since March.

The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard provided the Derivatives and Foreign Exchange Contracts Report for the two months ending April 30, 2003.

## **Real Estate**

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard provided a report on international real estate investments as an option under the System's non-core real estate investment strategy and responded to questions. Allan Emkin of

Pension Consulting Alliance made a brief presentation on the history and pros and cons of international real estate investments.

After Board discussion, the Chair Bruce Burditt advised staff to pass on the Deutsche Bank Real Estate Global Fund international real estate investment opportunity and to not pursue additional international real estate investments at this time.

The Chairperson recognized Bob Schau, Real Estate Investment Officer. Mr. Schau provided a report on status of proposals received on the Separate Account RFP.

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

Bruce Burditt recognized Liz Miller, Chairperson of the Publicly Traded Securities Committee. Ms. Miller provided a report of the Committee meeting held on May 15<sup>th</sup> and the presentations by the domestic equity managers.

### **Alternative Investment Committee Report**

The Chairperson recognized Don Steffes, Chair of the Alternative Investment Committee. Mr. Steffes provided a report of the Committee meeting held on May 15<sup>th</sup> and the presentations by two buy-out investment firms. Mr. Steffes also recognized Rob Woodard who provided an update on the continuing internal alternative investment management review.

### **Personnel Committee Report**

The Chairperson recognized Lon Pishny, Chairperson of the Personnel Committee. Mr. Pishny provided a report of the Committee meeting held on May 16<sup>th</sup>.

### **Group Life Insurance Policy Issues**

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided a report on recommended modifications to basic group life and optional group life insurance. These proposed changes included increased guaranteed issue and maximum coverage for the optional program and the elimination of the waiver of premium provision for the optional coverage. Ms. Lambert introduced Lynn Gordon, local office manager for Minnesota Life Insurance Company and they responded to questions.

Mike Braude made a motion that the Board authorize staff to proceed in implementing the proposed changes to the basic and optional group life insurance programs to be offered initially during the upcoming fall open enrollment and effective January 1, 2004. Liz Miller seconded the motion. Motion passed 6 – yes 2 – no. (Pishny and Webb) Marjorie Lee Webb requested for it to be noted that she voted negative because this change is unfair and it benefits the larger group to the detriment of those who most need help.

### **Milliman USA Actuarial Services Agreement**

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck outlined the base services as well as the additional services provided in the Milliman USA actuarial services agreement and answered questions.

Michael Braude moved that the Board approve the renewal and amendment of the Milliman USA actuarial services consulting services agreement under the terms outlined. Lon Pishny seconded the motion. Motion passed.

### **Disability Program Review**

The Chairperson recognized Mary Beth Green, Management Analyst. Ms. Green provided a report of the Procurement Negotiating Committee on the disability review and answered questions.

Lynn Jenkins left the meeting at this time.

Michael Braude made a motion that the Board direct the PNC for the Disability Program Review to contract with Milliman USA to conduct a comprehensive review of the Retirement System's disability programs, contingent upon successful conclusion of negotiations for the final terms of an agreement. Lon Pishny seconded the motion. Motion passed.

### **New Employer Affiliations**

The Chairperson recognized Judy McNeal, Assistant Chief Financial Officer. Ms. McNeal reviewed the revised list of employer affiliations for January 1, 2003.

Michael Braude moved that the Board approve the revised 2003 affiliation of entities list. Jarold Boettcher seconded the motion. Motion passed.

### **Securities Litigation**

The Chairperson recognized Laurie McKinnon, General Counsel and Dan Girard and Aaron Sheanin of Girard Gibbs & De Bartolomeo who participated by phone.

Michael Braude moved at 11:55 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 12:20 a.m. Liz Miller seconded the motion. Motion passed. The Chairperson directed Glenn Deck, Executive Director; Laurie McKinnon, General Counsel; Rob Woodard, Chief Investment Officer; and Scott Peppard, Deputy Chief Investment Officer, 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 12:15 a.m.

Michael Braude moved that the Board authorize staff to work with Girard Gibbs & De Bartolomeo in performing due diligence necessary to determine whether KPERS will proceed in seeking lead or co-lead plaintiff status in the i2 Technologies class action lawsuit, and if staff and outside counsel conclude that it is in KPERS' best interest to pursue a lead role in this suit, that they should do so. Lon Pishny seconded the motion. Motion passed.

### **Informational Items**

Bruce Burditt announced that the one informational item included in the Board material was the litigation status report.

### **Old Business**

There was no old business.

### **New Business**

Bruce Burditt announced that the scheduled next Board meeting date is July 17<sup>th</sup> and 18<sup>th</sup> and reminded members that the Board will conduct its annual reorganization of officers at the beginning of that meeting.

The meeting adjourned at 12:25 p.m.