

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

May 17, 2002

The meeting was called to order by Chairperson Jarold Boettcher at 8:30 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present: Jarold Boettcher, Chairperson
 Michael Braude
 Bruce Burditt, Vice Chairperson
 Vern Chesbro
 Lon Pishny
 Marjorie Lee Webb

Public Comment

There was no public comment.

Approval of Minutes

It was moved by Michael Braude and seconded by Lon Pishny that the minutes of the meeting of April 19, 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, agenda items, and progress on the employer reporting project. Mr. Deck state that the catastrophic life coverage quotes had not been received from Security Benefit Group. Consequently, this issue will not be considered until the July meeting.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the March 2002 Performance Report, and investment activity in April and May 2002 to date. He stated that the Retirement System has a total return of -0.8 percent (not annualized) for the nine month period ending March 31, 2002 and 3.1 percent (not annualized) for the latest twelve months.

The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer who provided the Derivatives and Foreign Exchange Contracts Report.

The Chairperson recognized Joan Hancock, General Counsel. Ms. Hancock reviewed the process of granting power of attorney to certain staff members. Ms. Hancock responded to questions from the Board. Bruce Burditt moved that the Board adopt three separate

resolutions, each consistent with the wording of the suggested resolutions submitted by staff, granting power of attorney to certain staff members, as stated therein, to execute documents on behalf of the System related to authorized investment transactions. Lon Pishny seconded the motion. Motion carried.

Alternative Investment Committee

Jerry Boettcher recognized Vern Chesbro, Alternative Investment Committee Chairperson. Mr. Chesbro reported that the Alternative Investment Committee met on Thursday, May 16th and heard presentations from two mezzanine managers, received the Alternative Investment Business Plan, and considered a staff proposal for an Alternative Investment Program Review. Mr. Chesbro asked Rob Woodard, Chief Investment Officer to provide an overview of the Alternative Investment Program Review.

Vern Chesbro moved that the Board authorize a Procurement Negotiating Committee consisting of Glenn Deck, Robert Woodard and Janet Kruzel to develop and advertise a Request for Proposals for services related to a review of the System's alternative investment portfolio with finalist recommendations to be provided at the July 2002 Board meeting. Michael Braude seconded the motion. Motion carried.

Custodial Bank Search

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove provided a report on the System's custodial bank and securities lending services and staff's recommendation to begin a competitive search for these services.

Bruce Burditt moved that a Procurement Negotiating Committee be established consisting of Leland Breedlove, Robert Woodard, Scott Peppard and Mitchell Fick, for the purpose of working with the Board's consultant, Pension Consulting Alliance, at PCA's quoted fee, to develop and advertise a Request for Proposals and to complete all preliminary steps of a competitive search for a financial institution or institutions to provide custodial and securities-lending services for the System following which the PNC shall present at least two finalist candidates to the Board at the Board's September 2002 meeting, at which time the Board will choose a custodian / securities-lending services provider or providers to contract with the System. Marjorie Lee Webb seconded the motion. Motion carried.

Audit Committee Report

Jerry Boettcher recognized Bruce Burditt, Audit Committee Chairperson. Mr. Burditt reported that the Audit Committee met on Thursday, May 16th. Mr. Burditt reviewed the activities of the Committee and reported that the Committee discussed plans for strengthening the System's internal audit function and the need to document the Audit Committee's responsibilities in an Audit Charter.

Personnel Committee Report

Jerry Boettcher recognized Lon Pishny, Personnel Committee Chairperson. Mr. Pishny reported that the Personnel Committee met on Thursday, May 16th and considered various personnel matters. He announced that there would be a Personnel Committee meeting in July.

Member Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly operations report, reviewed recent retirement presentations and seminars, infoline progress, and announced that systems are being put in place for implementation of the Trustee-to-Trustee Transfers for purchasing service credit.

Legislative Issues

The Chairperson recognized Jack Hawn, Deputy Executive Director. Mr. Hawn provided a current update on legislative issues. Mr. Hawn reviewed the Trustee-to-Trustee Transfer legislation, the status of the State's funding of the school employer contributions, and other KPERS legislation.

Administrative Appeals Overview

The Chairperson recognized Laurie McKinnon, Assistant General Counsel who reviewed the outcomes of four recent appeals. Mr. Boettcher recognized Joan Hancock, General Counsel. Ms. Hancock reviewed outcomes of appeals since 1992.

Monthly Financial Report

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

July Board Reorganization

The Chairperson reviewed the history of Board leadership and discussed the Board reorganization and the election of a new Chairperson in July.

Old Business

There was none.

New Business

The July Board meeting is scheduled for July 19th. Audit, Personnel, and Real Estate Committees are tentatively scheduled to meet on July 18th.

The Board Meeting Adjourned at 10:30 a.m.

