

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

May 21, 2004

The meeting was called to order by Vice-Chairperson Liz Miller at 9:00 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present: Liz Miller, Vice Chairperson
 Jody Boeding
 Jarold Boettcher
 Bruce Burditt
 Lynn Jenkins
 Don Steffes
 Marjorie Lee Webb
 Doug Wolff

Oath of Office for New Trustee

Laurie McKinnon, General Counsel, administered the Oath of Office to new Trustee, Jody Boeding.

Public Comment

There was no public comment.

Approval of Minutes

It was moved by Jarold Boettcher and seconded by Bruce Burditt that the minutes of the meeting of March 19, 2004 be approved as submitted. Motion passed.

Executive Director's Report

The Vice-Chairperson recognized Glenn Deck, Executive Director. Mr. Deck announced that a resolution congratulating and commending Jack Hawn had been passed by the Senate. He also discussed the plans for the Publicly Traded Securities Committee meeting on June 3rd, the progress on the Information System Replacement Project, and the annual statement production improvements. Mr. Deck responded to questions.

Legislative Report

The Vice-Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reviewed the provisions of SB 520, the KPERS Omnibus Bill, and responded to questions.

Investment Operations

The Vice-Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the March 31, 2004 Performance Report. He reported that the Retirement System had a total return of 16.4 percent (not annualized) for the fiscal year-to-date and 3.7 percent for the calendar year to date. Mr. Woodard also reviewed preliminary numbers through May. In addition, Mr. Woodard reviewed proposed changes to the Securities Lending/Collateral Account management agreement.

Mr. Woodard announced the resignation of Abby Austin, Investment Operations Analyst and wished her well in her new endeavors.

The Vice-Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard provided the derivatives and foreign exchange contracts report activity for March – April 2004 and responded to questions.

Asset/Liability Study

Liz Miller recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the proposed in-depth study of the assets and liabilities of the System and responded to questions.

A motion was made by Jarold Boettcher and seconded by Bruce Burditt that the Board direct staff to engage Ennis Knupp, under the terms discussed, to provide the System's Asset/Liability Analysis, with results to be presented to the Board later this calendar year. Motion carried.

Publicly Traded Securities Committee Report

The Vice-Chairperson recognized Jarold Boettcher, Chairperson of the Publicly Traded Securities Committee. Mr. Boettcher provided a report of the Committee meeting of May 20th.

Mr. Boettcher requested that Board members review staff's memo of April 1, 2004 regarding "Portfolio Management & Governance" and requested that a discussion of the concepts set forth in the memo be an agenda item for the July Board meeting. He also requested that staff provide specific recommendations regarding the topics within the memo for the Board's consideration at the July meeting.

Real Estate Investments

The Vice-Chairperson recognized Marjorie Lee Webb, Real Estate Investment Chairperson. Ms. Webb provided a report of the Real Estate Committee meeting of May 20th and recognized Bob Schau, Real Estate Investment Officer. Mr. Schau provided a report on a core real estate recommendation.

Marjorie Lee Webb moved that the Board direct staff to invest \$75 million in the Morgan Stanley Prime Property Fund as discussed. Don Steffes seconded the motion. Motion carried.

Audit Committee Report

The Vice-Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report of the Committee meeting held on May 21st. Mr. Burditt announced that minutes will be taken at all future Audit Committee meetings and audit reports are available for all Board members.

Personnel Committee Report

The Vice-Chairperson recognized Jarold Boettcher, Chairperson of the Personnel Committee. Mr. Boettcher provided a report of the Committee meeting of May 20th and announced that the purpose of the meeting was pre-planning for the July Committee meeting.

Actuarial Cost Method and Asset Smoothing Method

Liz Miller recognized Glenn Deck, Executive Director. Mr. Deck provided a report on Actuarial Cost Method and Asset Smoothing Method and responded to questions.

Jarold Boettcher made a motion and Bruce Burditt seconded it that 1) the Board adopt the following actuarial methods beginning with the December 31, 2003 Actuarial Valuation for all three systems (KPERS, KP&F and Judges): a) the Entry Age Normal actuarial cost method and b) a Five-year asset smoothing method; and 2) If SB 520 is not signed by the Governor then the KPERS actuarial cost method will remain by statute as the Projected Unit Credit Method. Motion carried.

Death and Disability Program

The Vice-Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a report on Death and Disability program funding, plan design options, and the third-party administration of the program and responded to questions and comments.

Lynn Jenkins left the meeting at this point.

Jarold Boettcher made a motion that 1) a Procurement Negotiating Committee (PNC) consisting of Glenn Deck, Judy Lambert, Mary Beth Green and Leland Breedlove be appointed for the Disability Third-Party Administrator/Insurance services project, 2) the PNC be authorized to publish a RFP for these services, and 3) staff be authorized to amend the actuarial services agreement with Milliman USA to provide additional services on this project. Don Steffes seconded the motion. Motion carried.

Member Operations

The Vice-Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly operations report and reported on the status of the annual statements mailing, the use of a locator service to assist with inactive member and retiree death identification, as well as elderly retirees and members living abroad. She additionally reported on the Optional Group Life Insurance open enrollment and staff attendance at the CEM international conference in Austin, Texas.

As part of the implementation of SB 520, Ms. Lambert reported on plans for administration of multiple beneficiaries and notifying newly eligible KP&F members.

Monthly Financial Report

The Vice-Chairperson recognized Leland Breedlove, Chief Financial Officer. Mr. Breedlove reviewed the April 30, 2004 financial statements and responded to questions.

Appointment of Hearing Officer

The Vice-Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for an administrative appeal by Robert Metcalf.

Jarold Boettcher 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 Robert Metcalf. Jody Boeding seconded the motion. Motion carried.

Review of Initial Order

The Vice-Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the Initial Order on the Annette Wingerson Appeal and presented the Board's options. Jarold Boettcher made a motion that the Board adopt the Presiding Officer's Initial Order and direct the Executive Director to draft a Final Order containing the Board's decision. The Final order is to be signed by the Chairperson and served on the parties by the Executive Director in accordance with the provisions of the Kansas Administrative Procedure Act. Jody Boeding seconded the motion. Motion carried. Marjorie Lee Webb abstained from voting.

Old Business

There was no old business.

New Business

The July Board and Committee meetings will be held on July 15th and 16th.

The meeting adjourned at 12:00 p.m.