

## **MINUTES**

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

July 20, 2001

The meeting was called to order by Chairperson Jarold Boettcher at 9:30 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present:

- Jarold Boettcher, Chairperson
- Michael Braude
- Bruce Burditt
- Vern Chesbro
- Liz Miller
- Lon Pishny
- Don Steffes
- Marjorie Lee Webb

#### **Public Comment**

Marjorie Lee Webb introduced Paul Osgood, Kansas Science Teacher of the Year. Mr. Osgood addressed the Board on current Kansas teacher retirement issues. He urged the Board to advocate for enhanced school retirees' benefits.

Bruce Burditt and Michael Braude thanked Mr. Osgood for his interest and comments.

#### **Organization of the Board**

Jerry Boettcher introduced and welcomed Don Steffes as a newly appointed member of the Board of Trustees.

Lon Pishny nominated Jerry Boettcher for Chairperson of the Board. Bruce Burditt seconded the motion. Vern Chesbro moved that the Board cast a unanimous ballot for Jerry Boettcher as Chairperson of the board. Marjorie Lee Webb seconded the motion. The motion carried.

Jerry Boettcher appointed Bruce Burditt as Vice Chairperson. Jerry Boettcher requested that all Board members let him know of their committee interests prior to the September board meeting.

Joan Hancock administered the oath of office to all Board members.

**Executive Director's Report**

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck briefly reviewed the Board agenda as well as the Retirement System's 2001 accomplishments. Mr. Deck called attention to the current Board issues summary, including the valuation date change recommendations, asset/liability study, strategic business plan and the System's litigation status. He reported on the Joint Committee meeting that was held on June 26<sup>th</sup> and 27<sup>th</sup>.

**Approval of Minutes**

It was moved by Bruce Burditt and seconded by Liz Miller that the minutes of the meetings of May 18, 2001 and June 20, 2001 be approved as printed. Motion carried.

**Investment Operations**

**Investment Performance Report.** The Chairperson recognized Robert Woodard, Chief Investment Officer. Mr. Woodard reviewed the performance report stating that the Retirement System has earned a total return of 0.8 percent (not annualized) for the three month period ending May 31, 2001 and -1.9 percent (not annualized) for the latest twelve months.

Mr. Woodard reported that Pilgram Baxter has a new CIO. Mr. Woodard responded to questions. He also introduced Tim Miller, Investment Operations Analyst, to the Board.

**Outstanding Derivatives Exposure Report.** The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard reviewed the derivatives report which covered activity during May and June.

**Quarterly Alternative Investment Update.** The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard reviewed the quarterly alternative investment report and provided an update on the alternative investment allocation.

**Actuarial Valuation Date Change Recommendation**

Pat Beckham of Milliman USA gave a presentation on the advantages to the System of changing the actuarial valuation date from June 30<sup>th</sup> to December 31<sup>st</sup>.

It was moved by Bruce Burditt and seconded by Marjorie Lee Webb that the Board adopt the actuary's recommendation to change the actuarial valuation date of the System to December 31<sup>st</sup> and fully recognize the System's liabilities and assets as of the date of the first valuation under this new schedule. Discussion included questions from Don Steffes asking if there were any more actuarial "correction" steps to be taken. Motion carried.

**Asset/Liability Study**

Rob Woodard reviewed the asset overview provided at the May Board meeting. He announced that the focus of this report would be on liability issues. Mr. Woodard introduced Pat Beckham of Milliman USA who reported on the liability projections for the System.

Pat Beckham introduced Alan Perry of Milliman USA who reviewed what to expect in the September Asset/Liability report.

Rob Woodard introduced Allen Emkin of Pension Consulting Alliance who reported that the goal of this process was to provide the Board information to be used as a tool for understanding the asset/liability choices. Mr. Woodard responded to questions from Don Steffes regarding having the opportunity to discuss the potential of a defined contribution plan at a future meeting.

**Employee of the Quarter**

Jerry Boettcher recognized Marsha Veal as the Employee of the Quarter for the second quarter of 2001. After reviewing Ms. Veal's contributions to KPERS and congratulating her, Jerry Boettcher presented Ms. Veal with a framed certificate.

**Personnel Committee Report**

It was moved by Lon Pishny and seconded by Bruce Burditt that the Board recess into executive session to discuss personnel matters with the meeting to reconvene at 1:15 p.m., in the Retirement System Boardroom. Motion carried.

The Board reconvened in the Retirement System Boardroom at 1:15 p.m.

It was moved by Lon Pishny and seconded by Bruce Burditt that the Board recess into executive session to discuss personnel matters with the meeting to reconvene at 1:25 p.m., in the Retirement System Boardroom. Motion carried.

The Board reconvened in the Retirement System Boardroom at 1:25 p.m.

It was moved by Lon Pishny and seconded by Bruce Burditt that the Board recess into executive session to discuss personnel matters with the meeting to reconvene at 1:35 p.m., in the Retirement System Boardroom. Motion carried.

The Board reconvened in the Retirement System Boardroom at 1:35p.m.

Lon Pishny made a motion that the Board adopt the Personnel Committee's recommendation for Fiscal Year 2002 compensation for the Retirement System's unclassified personnel. Liz Miller seconded the motion. Motion carried. Marjorie Lee Webb abstained.

### **Litigation Status**

**Report by Special Counsel.** Jerry Boettcher recognized Eugene Schiltz, Robert F. Coleman & Associates; and Thomas V. Murray, Barber Emerson Law Firm. Both participated by phone.

It was moved by Bruce Burditt and seconded by Lon Pishny that at 1:48 p.m. the Board recess into executive session for consultation with the Board's counsel to discuss the status of litigation and that the open meeting resume at 1:58 p.m., in the Retirement System Boardroom. Motion carried. The Chairperson directed that Glenn Deck, Executive Director; Joan Hancock, General Counsel; Eugene Schiltz, Robert F. Coleman & Associates; and Thomas V. Murray, Barber Emerson Law Firm, 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 1:58 p.m.

Bruce Burditt moved to accept the recommendations of counsel covering settlement with Donald Clark. Seconded by Michael Braude. Motion carried.

### **Real Estate Committee Report**

**Report by Real Estate Committee.** Jerry Boettcher recognized Marjorie Lee Webb, Chairperson of the Real Estate Committee. The Committee met at 2:30 p.m., on Thursday, July 19, 2001. Marjorie Lee Webb requested that Bob Schau, Real Estate Investment Officer, review the deal log presented this month.

It was moved by Marjorie Lee Webb and seconded by Bruce Burditt that the Board authorize Lend Lease Real Estate Investments to proceed with the analysis and due diligence of the subject properties noted in this month's deal log. Final authority to consummate an investment in any of these properties is contingent upon receipt of satisfactory recommendations from staff and the System's consultant, and delivery of a final due diligence report. Motion carried.

Marjorie Lee Webb requested that Bob Schau, Real Estate Investment Officer, comment on the FY 2002 management plans. Mr. Schau reviewed the current market conditions and their effect on real estate. It was moved by Marjorie Lee Webb and seconded by Bruce Burditt that the Board authorize staff and Lend Lease Real Estate Investment

Management, Inc. to implement the FY 2002 asset management plans under the terms and conditions discussed. Motion carried.

### **Audit Committee Report**

**Report by Audit Committee.** Jerry Boettcher recognized Bruce Burditt, Chairperson of the Audit Committee. Bruce Burditt reported that the Committee met on Friday, July 19, 2001 at 4:00 p.m. Bruce Burditt reported on the most common audit findings by the internal auditor and the new emphasis on problem employer audits.

### **Board Policy on Retirement Legislation**

Chairperson Jerry Boettcher gave a report on the draft policy of the Board on legislation affecting retirement issues. Discussion followed. Bruce Burditt moved that the Board adopt the “Guidelines for Board Commentary on Legislative Issues” as submitted. Marjorie Lee Webb seconded the motion. Motion carried. Don Steffes abstained.

### **Strategic Planning Presentation**

Glenn Deck provided a broad overview of a proposed strategic business plan. Discussion followed.

### **CEM Study Presentation**

**Report by KPERS Staff.** Leland Breedlove and Judy Lambert presented a report on the recent Cost Effectiveness Measurement (CEM) study results and the areas where the System needs to make improvements in benefits administration.

### **Review of Two Initial Orders – Mikesic Appeal**

The Chairperson recognized Joan Hancock, KPERS General Counsel. Ms. Hancock outlined the Board’s options. Bruce Burditt moved that the Board adopt the Presiding Officer’s two Initial Orders 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. Lon Pishny seconded the motion. Discussion was held. Motion carried. Marjorie Lee Webb voted no.

**Delegation of Purchasing Authority to Staff**

Report presented and discussion directed by Joan Hancock, KPERS General Counsel. Bruce Burditt moved that the Board formally instruct the Executive Director (1) to oversee compliance with State purchasing laws applicable to KPERS, specifically as amended in 2001, and (2) in so doing to faithfully comply at all times with the principles set forth in the Board's official policies and guidelines, section 14, entitled "Standards for the selection of consultants, investment managers, custodians and other professionals," and (3) to work closely with and report regularly to the Board in carrying out these duties, and further that the Board vest in the Executive Director the necessary authority to fulfill the functions prescribed by the purchasing laws in accordance with these instructions. Seconded by Lon Pishny. Motion carried.

**Retirement System Operations**

**Financial Report.** The Chairperson recognized Leland Breedlove, KPERS' Chief Fiscal Officer. Mr. Breedlove reviewed the monthly financial statements.

**Current Operations.** The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert reviewed monthly KPERS operations information and responded to questions.

**Schedule of Future Board Meetings**

The Board adopted the Board/Committee Meeting schedule for fiscal year 2002. The Board will meet on the third Friday of the month, with no meetings scheduled for August, December, March and June. An educational session will be held in Hays, KS on October 19<sup>th</sup> and the regular Board meeting will be held on October 20<sup>th</sup> in Hays. The Board adjourned at 3:55 p.m.