

## **MINUTES**

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

September 19, 2003

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

Board members present:                   Michael Braude, Chairperson  
                                                  Jarold Boettcher  
                                                  Bruce Burditt  
                                                  Lynn Jenkins  
                                                  Lon Pishny  
                                                  Don Steffes  
                                                  Marjorie Lee Webb

#### **Public Comment**

There was no public comment.

#### **Approval of Minutes**

It was moved by Bruce Burditt and seconded by Marjorie Lee Webb that the minutes of the meeting of July 18, 2003 be approved as amended. Motion passed.

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

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck made the following announcements: introduced Scott Sexton as staff attorney, congratulated Jack Hawn on his recent retirement, and reported on his orientation meeting with Doug Wolff.

Mr. Deck reported on member services highlights including Minnesota Life open enrollment procedures, the new KPERS web site, and the Joint Committee on Pensions, Investments and Benefits meeting in August. Mr. Deck reported that presentations to the Joint Committee included: closeout of the investment litigation, death and disability fund options, an investment presentation, 13<sup>th</sup> check and TIAA bond issue, the actuarial valuation report, and long-term retirement funding.

#### **Member Operations**

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert reported that the member services staff processed over 1,000 new retirements in July and will be paying the 13<sup>th</sup> check in September. Ms. Lambert reported that staff is currently providing optional group life information meetings throughout the state and starting the DA workshops. Recent service initiatives include: the telephone software upgrade, hands-on telephone training, and employer reporting enhancements.

## **Monthly Financial Report**

The Chairperson recognized Leland Breedlove, Chief Financial Officer. Mr. Breedlove reviewed the August 31, 2003 financial statements and reported on highlights of the first two months of fiscal year 2004.

## **Investment Operations**

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the July 31, 2003 Performance Report. He reported that the Retirement System had a total return of -0.1 percent (not annualized) for the fiscal year-to-date and 8.8 percent for the twelve months ending in July. Mr. Woodard also reviewed preliminary numbers through September showing portfolio assets at \$9.2 billion. Mr. Woodard then updated the Board on the recent performance of Loomis Sayles and of the recent developments regarding Triumph Partners III, LLP.

The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard provided the Derivatives Report for the first two months of fiscal year 2004 and responded to questions.

## **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 September 18<sup>th</sup>.

Ms. Webb moved that the Board authorize staff to proceed with the investment of \$25 million in CB Richard Ellis Strategic Partners III, LP, under the terms discussed. Don Steffes seconded the motion. Motion passed.

## **Publicly Traded Securities Committee**

The Chairperson recognized Jarold Boettcher, Chairperson of the Publicly Traded Securities Committee. Mr. Boettcher provided a report of the Committee meeting held on September 18<sup>th</sup>. Mr. Boettcher recognized Cheri Woosley, Fixed Income Investment Officer, who reviewed the securities lending cash collateral investment policy and guidelines and responded to questions.

Jarold Boettcher moved that the Board adopt the changes to the securities lending cash collateral investment policy and guidelines as set forth in staff's memo, and that Exhibit C of the Mellon contract be amended to appropriately reflect these changes. Don Steffes seconded the motion. Motion passed.

## **Pension Obligation Bond Issue Presentation**

The Chairperson introduced Steve Weatherford, President of Kansas Development Finance Authority (KDFA) and Todd Frazier, Vice President of Finance of KDFA.

Mr. Braude recognized Glenn Deck, Executive Director. Mr. Deck provided an overview of the presentation provided to the Joint Committee on Pensions, Investments and Benefits on August 27<sup>th</sup> and 28<sup>th</sup> on pension obligation bonds. Rob Woodard, Chief Investment Officer, presented investment information and key risks regarding investment of pension bond proceeds. Steve Weatherford presented an overview of the credit rating factors for pension bonds, bond-structuring tradeoffs, and a range of bond alternatives requested by the Joint Committee.

Considerable discussion was had regarding the concept of the bonds, potential risks and opportunities and possible draft language for a letter to the Chairman of the Joint Committee.

Mike Braude made a motion that staff finalize the draft letter to the Joint Committee regarding the potential risks and opportunities of the bonds and the Board's commitment to working with the Governor and Legislature on the bonds. Don Steffes seconded the motion. Motion passed.

### **Legislative Issues**

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck gave a brief review of potential legislative issues for consideration in the 2004 legislative package. Mr. Deck announced that at the October meeting staff will provide in-depth presentations on these topics.

### **Review of Initial Order**

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon outlined the Board's options with regard to the Initial Order.

Bruce Burditt moved that the Board recess into executive session to discuss the Presiding Officer's Initial Order in the Marcia G. Cooper appeal from 12:03 p.m. to 12:08 p.m. Jarold Boettcher seconded the motion. Motion passed.

The meeting reconvened at 12:08 p.m. Lon Pishny moved that the executive session be extended until 12:13 p.m. Bruce Burditt seconded the motion. Motion passed.

The meeting reconvened at 12:13 p.m. Bruce Burditt 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. Jarold Boettcher seconded the motion. Motion passed 6-1. Marjorie Lee Webb - no.

### **Appointment of Hearing Officer**

The Chairperson recognized Scott Sexton, Staff Attorney. Mr. Sexton reviewed the request for an administrative appeal by Patricia Murray.

Bruce Burditt 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 Patricia Murray. Don Steffes seconded the motion. Motion passed.

### **Personnel Committee Report**

The Chairperson recognized Jarold Boettcher, Chairperson of the Personnel Committee. Mr. Boettcher reported that the Personnel Committee met on Thursday, September 18<sup>th</sup> and considered various personnel matters.

Bruce Burditt moved that the Board recess into executive session to discuss the personnel matters from 12:20 p.m. to 12:30 p.m. Lon Pishny seconded the motion. Motion passed.

The meeting reconvened at 12:30 p.m.

Jarold Boettcher moved that the Board approve the Personnel Committee's recommendation to approve the FY 2004 Management Incentive Compensation Plan for unclassified investment staff and investment staff salary adjustments. Bruce Burditt seconded the motion. Motion passed.

### **Informational Items**

Michael Braude announced that the only informational item included in the Board material was the litigation status report.

### **Old Business**

There was no old business.

### **New Business**

Michael Braude announced that the next scheduled Board meeting is the Board's Planning and Educational Session on October 16 and 17, 2003.

The meeting adjourned at 12:35 p.m.