

## **MINUTES**

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

September 21, 2001

The meeting was called to order by Chairperson Jarold Boettcher at 8:30 a.m., in the Retirement System Boardroom, Topeka, Kansas, with a moment of silence to commemorate the September 11<sup>th</sup> World Trade Center tragedy.

Board members present:

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

#### **Public Comment**

There was no public comment.

#### **Approval of Minutes**

It was moved by Bruce Burditt and seconded by Michael Braude that the minutes of the July 20, 2001 meeting be approved as printed. Motion carried.

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

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reviewed the Board agenda and provided a brief summary of the recent activities and accomplishments of the Retirement System.

#### **Asset/Liability Study**

Rob Woodard, Chief Investment Officer, introduced Alan Perry with Milliman USA. Mr. Perry presented the final report of the Asset/Liability study. Mr. Perry, Rob Woodard, Pat Beckham with Milliman USA and Alan Emkin with Pension Consulting Alliance responded to a number of Board member questions on the study. Mr. Woodard concluded the presentation by reviewing the various options that the Board has for strategic allocation targets and the implementation plan and timetable if the Board adopts the recommended Portfolio B.

Following discussion, Bruce Burditt moved that the Board accept Portfolio C. Motion died for lack of a second.

Liz Miller moved that the Board accept the recommendation of staff and adopt the asset allocation embedded in Portfolio B. Michael Braude seconded the motion. Motion carried.

Rob Woodard announced that staff would develop an implementation plan and present it to the Board at the October Board meeting.

### **Experience Study**

The Chairperson recognized Pat Beckham, Milliman USA. Ms. Beckham presented the 2001 Triennial Experience Study for the System.

Bruce Burditt moved that the Board adopt the actuarial assumptions recommended in the 2001 Triennial Experience Study conducted by Milliman USA. Lon Pishny seconded the motion. Discussion ensued. Motion carried.

The Board recessed at 11:45 a.m. to attend a Remembrance Ceremony at the State Capitol Grounds and have lunch.

The Board reconvened in the Boardroom at 1:00 p.m.

### **Investment Operations**

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard reviewed the July Performance Report, and the investment activity and impact on the System's investment portfolio resulting from the World Trade Center tragedy on September 11th. He announced that none of KPERS investment managers had been directly affected by the disaster.

Mr. Woodard introduced Cheri Woolsey, as KPERS new Fixed Income Investment Manager. He also announced Pareto Partners have been placed on probation due to changes in senior management and that The Boston Company intends to merge with Standish Ayer and be called Standish Mellon.

### **Litigation Status**

The Chairperson 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 Michael Braude that at 1:20 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 1:40 p.m., in the Retirement

System Boardroom. Motion carried. The Chairperson directed that Glenn Deck, Executive Director; Joan Hancock, General Counsel; Laurie McKinnon, Assistant 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 1:40 p.m.

Bruce Burditt moved that the Board authorize the attorneys to pursue an appeal of the clerk's September 7, 2001 order in the Home Savings case. Marjorie Lee Webb seconded the motion. Motion carried.

### **Investment Operations Continued**

Rob Woodard briefly reviewed the monthly Derivatives Exposure Report and the Alternative Investment Report and responded to questions.

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

The Chairperson recognized Liz Miller, Chairperson of the Publicly Traded Securities Committee who gave a report on the committee meeting on September 20<sup>th</sup>.

### **Alternative Investment Committee Report**

The Chairperson recognized Vern Chesbro, Chairperson of the Alternative Investment Committee who gave a report on the committee meeting on September 20<sup>th</sup>.

### **Audit Committee Report**

The Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee who gave a report on the committee meeting on September 20<sup>th</sup>.

Don Steffes left the meeting and did not participate further.

### **Personnel Committee Report**

The Chairperson recognized Lon Pishny, Chairperson of the Personnel Committee who gave a report on the committee meeting on September 20<sup>th</sup>.

Mr. Pishny moved that that the Board adopt the policy that the Management Incentive Compensation Plan be designed to accomplish the goals of 1) attracting and retaining key unclassified personnel, 2) encouraging outstanding short-term and long-term performance, and 3) providing for succession planning in key positions. Further, the Executive Director be directed to annually develop a Plan that accomplishes these goals

to be submitted to the Board for its approval. Liz Miller seconded the motion. Motion carried.

Lon Pishny moved that the Board adopt the Executive Director's recommendations for the Fiscal Year 2002 Management Incentive Compensation Plan for the Retirement System's unclassified personnel as amended by the Personnel Committee. Michael Braude seconded the motion. Motion carried.

Mr. Pishny announced that the Personnel Committee would meet on the morning of the next Board meeting on October 18<sup>th</sup> to evaluate the Executive Director.

### **Appointment of Hearing Officer**

The Chairperson recognized Laurie McKinnon, Assistant General Counsel. Ms. McKinnon reviewed the status of Administrative Appeals by Thomas J. Jordan and Richard J. Garofano.

Bruce Burditt moved that the staff be authorized to contract with the Office of Administrative Hearings for assignment of a hearing officer, for the purpose of hearing the administrative appeals of Thomas J. Jordan and Richard J. Garofano. Vern Chesbro seconded the motion. Motion carried.

### **FY 2003 Budget Report**

The Chairperson recognized Glenn Deck, Executive Director, who reviewed the proposed 2003 budget package as well as the 2003 enhancement package and responded to member's questions.

Bruce Burditt moved that the Board approve the Retirement System's fiscal year 2003 proposed budget and that staff be directed to forward the proposed budget to the Budget Division. Lon Pishny seconded the motion. Motion carried.

### **Proposed Legislation for 2002 Legislative Session**

Glenn Deck, Executive Director, provided a brief summary of the proposed 2002 Legislative Session. Mr. Deck introduced Jack Hawn, Deputy Executive Director, who reviewed the individual proposed legislative items.

Bruce Burditt moved the Board adopt the proposed legislative program for the 2002 Legislative Session and direct staff to communicate this program to the appropriate legislative committees. Vern Chesbro seconded the motion. Motion carried.

Mr. Deck added updated information regarding the death and disability fund moratorium and responded to member's questions.

## **Retirement System Operations**

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove gave the financial report for the first two months of the fiscal year.

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert reported on the steady growth in membership over the last ten years. She also reported on lump sum payment statistics, withdrawal and infoline activity, including declining busy signal statistics, the reorganization of Member Services Division, as well as future plans for a voice response system. Ms. Lambert responded to member's questions.

## **Informational Items**

Glenn Deck, Executive Director, reported on the Joint Committee on Pensions, Investments, and Benefits held on August 21<sup>st</sup>. He also presented current Retiree and Active Member Location maps as well as a Designated Agent Workshop schedule.

The Board Meeting adjourned at 2:50 p.m.