

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

October 19, 2001

The meeting was called to order by Chairperson Jarold Boettcher at 9:00 a.m., at the Sternberg Museum, Hays, Ks.

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

Jerry Boettcher introduced Vic and Betty Jacobs, KPERS members from Hays, who were in attendance. There was no public comment.

Approval of Minutes

It was moved by Bruce Burditt and seconded by Michael Braude that the minutes of the September 21, 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.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard advised the Board that a bond within the Treasurer's Unclaimed Property fund high yield account managed by Loomis Sayles was in default. The Company who had issued the bond, Exodus Communications, recently filed Chapter 11 bankruptcy. The issue was sold and the loss realized has been reflected in the August and September Performance Reports.

Mr. Woodard reviewed the August Performance Report, and the investment activity in September and currently in October.

Scott Peppard briefly reviewed the monthly Derivatives Exposure Report and responded to questions.

Asset/Liability Study Implementation

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard recommended that, given the current volatility and uncertainty, the Board delay formal implementation of the new strategic allocation adopted in September. The Board requested this item be placed on the agenda of the April 2002 regularly scheduled Board meeting for review.

Mr. Woodard reviewed the changes in value among the various asset classes and the applicable policy guidelines regarding rebalancing and the risk budget. Within this discussion, staff made recommendations for several structural changes involving managers and mandates.

Following discussion, Bruce Burditt moved that the Board authorize staff to make the recommended changes, including the dismissal of managers, as discussed, to realign the portfolio within existing allocations and risk guidelines. Lon Pishny seconded the motion. Motion carried. Liz Miller requested that future recommendations regarding manager terminations and changes in mandates be made available to the Board, in writing, prior to discussion.

Real Estate Committee Report

The Chairperson recognized Marjorie Lee Webb, Chairperson of the Real Estate Committee who gave a report on the committee meeting held on Thursday, October 18th.

Ms. Webb made a motion 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. Tim Shallenburger seconded the motion. Motion carried.

Ms. Webb moved that the Board authorize staff to acquire regional retail exposure through an internally managed REIT portfolio, as discussed. Lon Pishny seconded the motion. Motion carried.

Ms. Webb recognized Steve Walker, Lend Lease Real Estate Investments, who briefly reviewed trends in the real estate market.

Actuarial Valuation Report as of December 31, 2000

The Chairperson recognized Pat Beckham, Milliman USA, who presented the December 31, 2000 Actuarial Valuation Report and responded to questions.

Bruce Burditt moved that the Board adopt and recommend employer contribution rates as specified in the December 31, 2000 Valuation Report. Mike Braude seconded the motion. Motion carried.

Long-Term System Funding

The Chairperson recognized Glenn Deck who presented the Long-Term System Funding: Strategic Overview Report. This report discussed the long-term funding challenges for the System and some of the options for the Board and Legislature to consider in improving the System's funding. Mr. Deck and Rob Woodard responded to questions from the Board.

Appointment of Hearing Officer

The Chairperson recognized Laurie McKinnon, Assistant General Counsel, who reviewed the status of the administrative appeal of Philip S. Epp.

Bruce Burditt moved and Mike Braude a motion that staff be authorized to contract with the Office of Administrative Hearings for assignment of a hearing officer, for purposes of hearing the administrative appeal of Philip S. Epp. Motion carried.

Death and Disability Program Funding Status

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck presented a report on the status of the Death and Disability Program and responded to questions.

Retirement System Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert reported on the DA workshops and member service activities for September and responded to questions.

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove gave the KPERS September financial report in addition to reports on The Senior Services Fund and the Treasurers Unclaimed Property Fund.

Personnel Committee Report

The Chairperson recognized Lon Pishny, Chairperson of the Personnel Committee who gave a report on the committee meeting on October 19th. Mr. Pishny announced that the Personnel Committee would have a recommendation on the Executive Director's evaluation at the November Board Meeting.

Informational Items

The Chairperson recognized Glenn Deck, Executive Director, who reviewed two upcoming reports for the Joint Committee on Pensions, Investments, and Benefits on October 23rd and 24th and responded to questions.

Lon Pishny thanked the Board for attending the meeting in Hays.

Jerry Boettcher recognized Representatives Eber Phelps and Dan Johnson who thanked KPERS for holding the Board meeting in Hays.

The next Board Meeting and Committee Meetings will be held on November 15th and 16th.

Rob Woodard announced the Publicly Traded Securities Committee and the Alternative Investment Committee Meeting date of November 15th.

The Board Meeting adjourned at 1:00 p.m.