

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

November 15, 2002

The meeting was called to order by Chairperson Bruce Burditt at 8:30 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present:

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

Don Steffes led the Board, staff and guests in the Pledge of Allegiance.

Public Comment

There was no public comment.

Approval of Minutes

It was moved by Michael Braude and seconded by Lon Pishny that the minutes of the meeting of September 20, 2002 and October 17 and 18, 2002 be approved as submitted. Motion carried.

Executive Director's Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reported on the continued improvement in various member services, the initiation of membership satisfaction surveys, and the information system needs assessment. Mr. Deck reported on the Joint Committee on Pensions, Investments and Benefits issues scheduled to be reviewed at the meeting on November 19th. Mr. Deck discussed the updated KPERS in Action brochure, which will be used in the new Legislators' packet, the annual financial report status and a Pension and Investment article on investment returns of state pension funds.

Bruce Burditt announced that any Board attendance at the Joint Committee on Pensions, Investments and Benefits meeting would be appreciated.

Member Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly operations report and reported on the Designated Agent workshops. Ms. Lambert reported on the annual statement timetable, progress on the new phone software package, additional training for staff, and plans for the upcoming tax season, and pre-retirement seminars.

Discussion was held on the taxability of the \$4,000 death benefit and providing information to the retirees on this issue.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Financial Officer. Mr. Breedlove reviewed the KPERS October 31, 2002 financial report.

Information Systems Needs Assessment

The Chairperson recognized John Oliver, Chief Information Officer. Mr. Oliver introduced Bob Marlatt of MTG Management Consultants, our primary contractor on the requirements validation project and Dr. Gary Schmidt, of Business Systems Resources, a subcontractor on the project.

Mr. Oliver and Mr. Marlatt provided a presentation on the status of the information system needs assessment project. The presentation provided an overview of the information systems issues faced by KPERS, significant findings of the KPERS Needs Assessment, a review of alternatives, the risks in a new system implementation, and MTG's recommendation.

There was Board discussion and questions on the various information system alternatives. At the January meeting another presentation will be made recommending the next steps in the process to replace the existing member information systems.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard introduced Neil Rue of Pension Consulting Alliance.

Mr. Woodard reviewed the September 30, 2002 Performance Report and provided preliminary numbers for October. He stated that the Retirement System has a total return of -8.2 percent (not annualized) for the one year period ending September 30, 2002 and -4.6 percent (not annualized) for the latest twelve months.

The Chairperson recognized Scott Peppard, Deputy Chief Investment Officer. Mr. Peppard provided the Outstanding Derivatives Exposure Report for the months ended September 31, 2002 and October 31, 2002 and the Annual Proxy Review and Disclosure Report.

Publicly Traded Securities Committee Report

Bruce Burditt recognized Liz Miller, Publicly Traded Securities Committee Chairperson. Ms. Miller provided a report of the Committee meeting held on November 14th.

Alternative Investment Committee

Bruce Burditt recognized Don Steffes, Alternative Investment Committee Chairperson. Mr. Steffes provided a report of the Committee meeting held on November 14th.

Real Estate Committee Report

Bruce Burditt recognized Marjorie Lee Webb, Chairperson of the Real Estate Committee. Ms. Webb provided a report of the Committee meeting on held November 14th. Ms. Webb recognized Bob Schau, Real Estate Investment Officer. Mr. Schau reviewed the deal log and answered questions.

Marjorie Lee Webb moved 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 or these properties is contingent upon receipt of satisfactory recommendations from staff and the System's consultant, and delivery of a final due diligence report. Jarold Boettcher seconded. Motion carried.

Bob Schau introduced Steve Walker of Lend Lease who answered questions on emerging trends and strategies in the real estate market.

Life Insurance Search

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a report on the Life Insurance Search Process and commented that the request for proposal had been issued and will close on December 2nd. Mr. Deck reviewed David Cook of Milliman USA's, recommendation for a modification of the Optional Group Life Insurance policy.

Mike Braude moved that the PNC analyze the bids received on the Optional Group Life Insurance Plan and recommend the most advantageous of the two options to the Board at its January meeting. Don Steffes seconded the motion. Motion carried.

Securities Litigation Policy

The Chairperson recognized Laurie McKinnon, Assistant Legal Counsel. Ms. McKinnon reviewed the draft Securities Litigation Policy and responded to questions.

Michael Braude moved that the Board adopt the proposed Securities Litigation Policy. Jarold Boettcher seconded the motion. Motion carried.

Appointment of Hearing Officer

The Chairperson recognized Laurie McKinnon, Assistant Legal Counsel. Ms. McKinnon reviewed the status of the administrative appeals of David Bortka and David A. Cromwell.

Michael Braude 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 David Bortka and David A. Cromwell. Vern Chesbro seconded the motion. Motion carried.

Staff responded to questions on the provisions of the KPERS statutes regarding error corrections. Staff will make a presentation at either the January or March meeting on the history and rationale for these statutory provisions.

New Employer Affiliations

The Chairperson recognized Leland Breedlove, Chief Financial Officer. Mr. Breedlove provided the New Employer Affiliations Report and responded to questions.

Don Steffes moved that the Board approve the affiliation of entities completing the requirements and waive the December 1 filing deadline for local units of government that have submitted incomplete applications. Staff has determined that all listed entities meet the IRS requirements for participating employers in a qualified governmental pension plan. Continued affiliation is contingent on each listed entity continuing to meet the requirements for participating employers in a qualified public pension fund. Lon Pishny seconded the motion. Motion carried.

Informational Items

Bruce Burditt announced that the informational item included in the Board material was the Litigation Status Report.

Old Business

There was none.

New Business

The next Board meeting is scheduled for January 17, 2003.

The Board Meeting Adjourned at 12:20 p.m.