

Approved: Feb. 11, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on February 8, 1993 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Leah Robinson, Legislative Research Department
Scott Rothe, Legislative Research Department
Norm Furse, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Ms. Ruth A. Schrum, Appointee to the Kansas Public Employees' Retirement System Board of Trustees

Others attending: See attached list

The Chairman announced that the purpose of the meeting today would be to conduct a hearing on the appointment of Ruth A. Schrum to the Kansas Public Employees' Retirement System Board of Trustees. He called attention to a memorandum by Alan Conroy, Kansas Legislative Research Department, detailing the abolishment of the current Board of Trustees of KPERS, the composition and qualifications of the soon to be reconstituted Board, and the appointment of Ms. Schrum to the current Board rather than the new Board. (Attachment 1) A statement of substantial interests for individuals whose appointment to state office is subject to Senate confirmation (Attachment 2) and a Senate confirmation questionnaire (Attachment 3) were distributed to Committee members. The Chairman introduced Ms. Schrum who distributed and reviewed personal background material outlined in Attachment 4 and then stood for questions.

The Chairman reviewed statutory requirements of the newly constituted KPERS Board of Trustees (Attachment 5), and asked whether Ms. Schrum believed she fulfilled the requirements outlined in Section (3) (e) of **SB 526** (at least five years' experience in the field of investment management or analysis, actuarial analysis or administration of an employee benefit plan). Ms. Schrum stated that she has 25 years of experience in real estate and that she owns, sells, and manages real estate in residential, commercial, and farm properties. In answer to a question regarding Section (3) (f) which states that "no person shall serve on the board if such person has knowingly acquired a substantial interest in any nonpublicly traded investment made with moneys of the fund," Ms. Schrum stated that she owns apartment complexes, commercial office buildings and farm property in Riley County, and that no partnerships are involved. She noted that her husband is also an owner of her business.

Ms. Schrum noted that she has been appointed only to the Public Disclosure Commission, the Kansas Public Employees Retirement System Board of Trustees, and the Board of Regents.

In answer to Senator Morris, Ms. Schrum stated that there were no scheduling conflicts between the KPERS Board of Trustees and the Board of Regents.

In answer to Senator Vancrum, Ms. Schrum stated that she retains her membership in the Retired Teachers' Association, is a life member of NEA, and joins KNEA annually. She stated that none of these organizations has appeared before the KPERS Board to request enhanced benefits since her tenure on the Board. In answer to a question, she stated that she could remain objective and could act as a representative of the public if a teachers' organization requested enhanced benefits.

At Senator Karr's request, Ms. Schrum reviewed some of the activities of the KPERS Board of Trustees

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 8, 1993.

within the last eight months to improve investment efforts, including a change in the real estate holding management, a review of the production of domestic equity, domestic fixed income, and international fixed equity by a consultant company, the hiring of a new investment manager and actuary, and staff review of investment and property managers. Ms. Schrum mentioned that the lawsuits involving direct placements are numerous and have been difficult, but the Board hears a monthly report on progress made. She noted that settlements have been sufficient to cover the cost of litigation thus far. Senator Karr commended the Board and the new executive director for their intensive work over the last twelve months to change the direction and solve some problems of the Board.

In answer to the Chairman, Ms. Schrum stated that she had served as the chairman of the subcommittee reviewing the leasing arrangements of the Capitol Towers Building while serving on the KPERS Board of Trustees.

Senator Kerr queried whether there was any place in the retirement fund for direct placement investments. Ms. Schrum answered that she believes there is, for the purpose of economic development, if investigated closely. When asked how fiduciary responsibilities are balanced with the people who expect the retirement fund to provide income, Ms. Schrum answered that balance is achieved by making certain that there is a good return on investments.

Ms. Schrum told members that she is not seeking any public nomination for positions on any boards and that she probably would not seek confirmation to the newly constituted KPERS Board of Trustees because of other obligations. In answer to Senator Brady, Ms. Schrum stated that she has made the Governor aware of her plans to not serve next year, but indicated that she believes she would provide valuable service until June 30, 1993. She told the Committee that she is the first teacher to serve on the KPERS Board but, by statute (section (1) [2]), one member of the newly reconstituted Board "shall be a member of the retirement system who is in school employment..." and that person would not stand for Senate confirmation. She noted that the election, which will take place this spring, will cost the state \$80,000.

For clarification, the Chairman stated that Ms. Schrum was appointed to the current Board in May of 1992 and her appointment expires June 30, 1993. According to Senate Rule 56, if the Committee does not return a report on nomination in twenty legislative days after nomination, the appointment is considered returned to the Senate without recommendation on the twenty first day. If the Senate takes no action, the appointee continues to serve until June 30, 1993. He told the Committee that the confirmation will be taken under consideration and action will taken at a later date. The meeting was adjourned at 11:40 A.M.

The next meeting is scheduled for February 9, 1993.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: Feb. 8, 1993

[illegible]

FEB 0 1993

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

300 S.W. 10th Avenue
Room 545-N -- Statehouse

Phone 296-3181

February 2, 1993

TO: Senator August Bogina, Jr.

Office No. 120-S

RE: Confirmations

Your office requested information concerning the confirmations process for the Ways and Means Committee. In particular, you requested information on the confirmation of Ruth A. Schrum to the Kansas Public Employees Retirement System (KPERS) Board of Trustees.

First, the specific appointment of Ms. Schrum to the KPERS Board of Trustees. The 1992 Legislature changed the KPERS Board of Trustees effective July 1, 1993. The new Board will be composed of nine members, four appointed by the Governor, one appointed by the President of the Senate, one appointed by the Speaker of the House, two elected by the KPERS membership (including retirants), and the State Treasurer. The six appointed trustees (the Governor's four and the two of the legislative leadership) are subject to Senate confirmations and are also subject to background qualifications to be appointed. The six appointed trustees must have at least five years' experience in the field of investment management or analysis, actuarial analysis, or administration of an employee benefit plan. In addition the 1992 Legislature put several restrictions on the new trustees and their spouses to prevent any potential financial conflict of interest prior to, while serving on or after the KPERS Board. Finally, all new trustees (appointed, elected, or named) shall be subject to an investigation by the Kansas Bureau of Investigation to include criminal history record information, including arrest and conviction data, criminal intelligence information, and information relating to criminal and background investigations as necessary to determine the qualifications of such trustee.

The 1992 Legislature provided the following concerning the timing of the new KPERS Board of Trustees:

"On July 1, 1993, the Board of Trustees of the Kansas Public Employees Retirement System, as such board existed on June 30, 1993, is hereby abolished. On July 1, 1993, there is hereby established a new Board of Trustees of the Kansas Public Employees Retirement System. Such board established on July 1, 1993 shall consist of nine members"

SWAM

Feb. 8, 1993

Attachment 1

It appears that Ms. Schrum's appointment to the KPERS Board will be **only** until June 30, 1993. The Governor may appoint her to the new KPERS Board after July 1, 1993, but she will then be subject to the qualifications requirements, the financial conflict of interest limitations, and a criminal background check by the Kansas Bureau of Investigation. The statutes that apply to the current Board of Trustees **do not** require any minimum qualifications only that the Governor make the appointment and the person be confirmed by the Senate.

I should also note that the 1992 Legislature provided the following responsibility to the Joint Committee on Pensions, Investments, and Benefits shall:

"(3) consider and make recommendations to the standing Committee on Confirmations of the Senate relating to members of the Board of Trustees of the Kansas Public Employees Retirement System appointed pursuant to K.S.A. 74-4905 and amendments thereto."

Norm may also want to review the issue of which Senate Committee should review and make recommendations on the appointment. However, it is important to note that Ms. Schrum's appointment is to the old Board of Trustees and not the soon to be reconstituted Board.

A person considered for the current Board of Trustees could be knowledgeable in two broad areas, investments and retirement benefits. The KPERS total portfolio currently has a value in excess of \$4.7 billion. Investments include such areas as domestic and international equities, domestic and international fixed incomes, real estate, and limited partnerships. The Board deals with benefits issues and administration of benefits to almost 40,000 retirants and over 122,000 active and inactive members.

I would be pleased to detail some specific areas that might be of interest to you in your questioning of the nominee if you think that would be helpful. If the Ways and Means Committee receives other confirmation candidates the fiscal staff would be pleased to provide a short summary of the position and required qualifications, and the responsibilities of the agency involved to assist you in your deliberations. In general, you as Chair have great latitude concerning the focus of the confirmations process in the Ways and Means Committee.

If I may be of further assistance, please let me know.



Alan D. Conroy
Chief Fiscal Analyst

93-4640/AC



FILED

MAY 14 1992

BILL GRAVES
SECRETARY OF STATE

KANSAS COMMISSION ON GOVERNMENTAL STANDARDS AND CONDUCT

STATEMENT OF SUBSTANTIAL INTERESTS FOR INDIVIDUALS WHOSE

APPOINTMENT TO STATE OFFICE IS SUBJECT TO SENATE CONFIRMATION

INSTRUCTIONS. This statement (pages 1 through 4) must be completed by each person whose appointment to a state position is subject to Senate confirmation (K.S.A. 46-247 and 46-248). Failure to complete and return this statement may result in a fine of \$10 per day for each day it remains unfiled. Also, any individual who intentionally fails to file as required by law, or intentionally files a false statement, is subject to prosecution for a class B misdemeanor.

Please read the "Guide" and "Definition" section provided with this form for additional assistance in completing sections "C" through "G". If you have questions or wish assistance, please contact the Commission office at 109 West 9th, Topeka, KS or call 913-296-4219.

A. IDENTIFICATION:

PLEASE TYPE OR PRINT

S C H R U M R U T H A N N A

Last Name

First Name

MI

S C H R U M M E I L E L W O O D

Spouse's Name

7 2 0 M I D L A N D

Number & Street Name, Apartment Number, Rural Route, or P.O. Box Number

M A N H A T T A N K A N S A S 6 6 5 0 2

City, State, Zip Code

9 1 3 ** 5 3 9 ** 3 9 2 8

Home Phone Number

9 1 3 ** 5 3 9 ** 3 9 2 8

Business Phone Number

B. APPOINTED POSITION SUBJECT TO SENATE CONFIRMATION:

B O A R D O F T R U S T E E S

List Name of Agency, Commission or Board

K P E R S

Position

* The last four digits of your social security number will aid in identifying you from others with the same name on the computer list. This information is optional.

* 4 5 2 6

OWNERSHIP INTERESTS: List any corporation, partnership, proprietorship, trust, joint venture and every other business interest, including land used for income in, which either you or your spouse has owned within the preceding 12 months a legal or equitable interest exceeding \$5,000 or 5%, whichever is less. If you or your spouse own more than 5% of a business, you must disclose the percentage held. Please insert additional page if necessary to complete this section.

If you have nothing to report in Section "C", check here ____.

BUSINESS NAME AND ADDRESS	TYPE OF BUSINESS	DESCRIPTION OF INTERESTS HELD	HELD BY WHOM	PERCENT OF OWNERSHIP INTERESTS
1. <i>Lanplighter Apartments</i>	<i>Apartment Rentals</i>	<i>100%</i>	<input type="checkbox"/> You <input type="checkbox"/> Spouse <input checked="" type="checkbox"/> <i>100%</i> Jointly	
2. <i>Schrum Rentals</i> <i>Commercial</i>	<i>Commercial Buildings</i>	<i>100%</i>	<input type="checkbox"/> You <input type="checkbox"/> Spouse <input checked="" type="checkbox"/> <i>100%</i> Jointly	
3. <i>ERR Real Estate</i> <i>Henry Wanser</i> <i>agent</i>	<i>Farm</i>	<i>33 1/3%</i>	<input checked="" type="checkbox"/> <i>1/3</i> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	
4.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	
5.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	
6.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	
7.			<input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Jointly	

D. GIFTS OR HONORARIA: List any person or business from whom you or your spouse either individually or collectively, have received gifts or honoraria having an aggregate value of \$500 or more in the preceding 12 months.

If you have nothing to report in Section "D", check here ____.

NAME OF PERSON OR BUSINESS FROM WHOM GIFT RECEIVED	ADDRESS	RECEIVED BY:
1.		
2.		
3.		

E. RECEIPT OF COMPENSATION: List all places of employment in the last calendar year, and any other businesses from which you or your spouse received \$2,000 or more in compensation (salary, thing of value, or economic benefit conferred on in return for services rendered, or to be rendered), which was reportable as taxable income on your federal income tax returns.

1. YOUR PLACE(S) OF EMPLOYMENT OR OTHER BUSINESS IN THE PRECEDING CALENDAR YEAR. IF SAME AS SECTION "B", CHECK HERE ____.
If you have nothing to report in Section "E"1, check here ____.

	NAME OF BUSINESS		ADDRESS	TYPE OF BUSINESS
1.				
2.				

2. SPOUSE'S PLACE(S) OF EMPLOYMENT OR OTHER BUSINESS IN THE PRECEDING CALENDAR YEAR.
If you have nothing to report in Section "E"2, check here ____.

	NAME OF BUSINESS		ADDRESS	TYPE OF BUSINESS
1.				
2.				

F. OFFICER OR DIRECTOR OF AN ORGANIZATION OR BUSINESS: List any organization or business in which you or your spouse hold a position of officer, director, associate, partner or proprietor at the time of filing, irrespective of the amount of compensation received for holding such position. Please insert additional page if necessary to complete this section.
If you have nothing to report in Section "F", check here ____.

	BUSINESS NAME AND ADDRESS		POSITION HELD	HELD BY WHOM
1.	<i>Landlords of Manhattan, Inc.</i>		<i>President</i>	<i>Ruth Schrum</i>
2.				
3.				
4.				
5.				

- G. **RECEIPT OF FEES AND COMMISSIONS:** List each client or customer who pays fees or commissions to a business or combination of businesses from which fees or commissions you or your spouse received an aggregate of \$2,000 or more in the preceding calendar year. The phrase "client or customer" relates only to businesses or combination of businesses. In the case of a partnership, it is the partner's proportionate share of the business, and hence of the fee, which is significant, without regard to expenses of the partnership. An individual who receives a salary as opposed to portions of fees or commissions is generally not required to report under this provision. Please insert additional page if necessary to complete this section.
- If you have nothing to report in Section "G", check here ____.

	NAME OF CLIENT / CUSTOMER	ADDRESS	RECEIVED BY
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			

H. **DECLARATION:**

I, Ruth A. Schrum, declare that this statement of substantial interests (including any accompanying pages and statements) has been examined by me and to the best of my knowledge and belief is a true, correct and complete statement of all of my substantial interests and other matters required by law. I understand that the intentional failure to file this statement as required by law or intentionally filing a false statement is a class B misdemeanor.

5-8-92
Date

Ruth A. Schrum
Signature of Person Making Statement

NUMBER OF ADDITIONAL PAGES ____.

Return your completed statement to the Secretary of State, State House, Topeka, Kansas 66612.

SENATE CONFIRMATION QUESTIONNAIRE
APPOINTMENTS BY GOVERNOR JOAN FINNEY

Name: Ruth A. Schrum

Home Address: 720 Midland

City, State, Zip Code: Manhattan, Kansas 66502

Home Phone: 913 / 539-3928

Business Address: 720 Midland

City, State, Zip Code: Manhattan, Kansas 66502

Business Phone: 913 / 539-3928

Date of Birth: 3-22-23 Place of Birth Kansas

Party Affiliation Democratic KBI Check (Yes/No) _____

Appointed as: Trustee, KPERS Board

Effective May 1, 1992 for the 4 term
ending 4/30/96 Succeeding Mrs. Entikis

Salary _____ Statutory Authority 74-4905

Statutory Requirements _____

1. EDUCATION:
High School Randolph Rural High School Randolph, Kansas
Year Graduated 1941

Postsecondary	Degree, etc.	Dates
<u>Kansas State University</u>	<u>B.S. Secondary Educ.</u>	<u>1965</u>
<u>Kansas State University</u>	<u>M.S. Secondary Curr.</u>	<u>1970</u>
<u>Kansas State University</u> <u>Manhattan, Ks.</u> <u>66502</u>	<u>MS (Special Masters</u> <u>Building administrator</u>	<u>1981</u>

SWAM
Feb. 8, 1993
Attachment 3

2. MEMBERSHIP IN BUSINESS, TRADE AND PROFESSIONAL ORGANIZATIONS DURING PAST 10 YEARS:

Dates	Name	Location
<u>19-89-1992</u>	<u>Landlords of Manhattan, Inc.</u>	<u>Manhattan, Ks. 66502</u>
<u>Ltd. 1965-1992</u> <u>member.</u>	<u>National Education Assoc.</u>	<u>Washington, D.C.</u>
<u>1965-1992</u>	<u>NREA</u>	<u>Topeka, Kansas</u>

3. HAVE YOU EVER BEEN ELECTED OR APPOINTED TO ANY PUBLIC OFFICE IN KANSAS? Yes No
If so, please list dates and offices held.

Date	Office
<u>1991</u>	<u>Chairman of Public Disclosure Commission</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

4. HAVE YOU EVER BEEN EMPLOYED BY OR HELD A POSITION OR OFFICE WITH ANY FEDERAL, FOREIGN STATE, OR LOCAL GOVERNMENTAL ENTITY OR AGENCY? NO
If so, please list dates and offices held:

<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

5. HAVE YOU BEEN A REGISTERED LOBBYIST OR EMPLOYED A REGISTERED LOBBYIST AT ANY TIME DURING THE PAST 5 YEARS? NO
If you were a registered lobbyist, did you receive any compensation?
List groups you represented or for which you employed a lobbyist:

<u> </u>
<u> </u>
<u> </u>

6. EXPERIENCE OR INTERESTS WHICH QUALIFY YOU FOR THE OFFICE TO WHICH YOU HAVE BEEN APPOINTED:

a member of Kappa organization since retiring from 26
years of teaching in the State of Kansas. I presently manage
my own rental business and have a knowledge of investments.
Have served as ch. of Public Disclosure Commission 1991 and have
served on numerous ^{public} boards and private boards.

7. SUMMARY OF BUSINESS OR PROFESSIONAL EXPERIENCE: _____

26 years in teaching
7 years accounting clerk with Farm Bureau Mutual Ins.

8. HAVE YOU EVER BEEN A MEMBER OF THE ARMED FORCES OF THE UNITED STATES? no
If so, please list dates of service, branch of service and date and type of discharge:

9. HAVE YOU EVER BEEN ARRESTED, CHARGED OR HELD BY FEDERAL, STATE OR OTHER LAW ENFORCEMENT AUTHORITIES FOR VIOLATION OF ANY FEDERAL LAW, STATE LAW, COUNTY OR MUNICIPAL LAW, REGULATION OR ORDINANCE (EXCLUDING TRAFFIC VIOLATIONS FOR WHICH A FINE OF \$100 OR LESS WAS IMPOSED)? no

10. DISPOSITION OF ANY INTERESTS THAT MIGHT HAVE PRESENTED A POTENTIAL CONFLICT OF INTEREST FOR THIS POSITION.

Return to: Mary Holladay
Appointment Secretary
Office of the Governor
2nd Floor, State Capitol
Topeka, KS 66612

Ruth A. Schrum
Signature

RUTH A SCHRUM

720 Midland
Manhattan, Kansas 66502

POSITION: Member, Board of Trustees
Kansas Public Employees Retirement System

EDUCATION: Randolph Rural High School (Diploma)
Central Business College, Kansas City, Missouri
Kansas State University, Manhattan, Kansas BS 1965
Secondary Education
Kansas State University, Manhattan, Kansas MS 1970
Education (Curriculum)
Kansas State University, Manhattan, Kansas Special MS
in Building Administration 1981

WORK EXPERIENCE:

Farm Bureau Mutual Ins. Co. - 7 years Accounting Dept.
Taught in the following schools - 26 years
Talmage Elementary School, Talmage, Kansas 1965-66
Chapman Junior High, Chapman, Kansas 1966-69
Fort Riley Junior High, Fort Riley 1969-91
Anderson Real Estate Company, Manhattan 1981-93
Salesperson license #SP00010608
Business owner-SCHRUM RENTALS - Direct management
of residential, commercial, and farm properties 1970-93

POLITICAL APPOINTMENTS: STATE

Chairperson of the Kansas Public Disclosure
Commission (Law Change) Feb. 1991-July 1991
KANSAS PUBLIC EMPLOYEES RETIREMENT
SYSTEM May 1992-93
BOARD OF REGENTS Jan. 1993

CIVIC MEMBERSHIPS:

Member of Manhattan Chamber of Commerce
Life member of the Riley County Historical Society
Memorial Hospital Auxiliary (served on the organizing
board and president in 1958) Life member
Landlords of Manhattan, Inc.
Associated Landlords of Kansas
Manhattan Arts Council

PROFESSIONAL MEMBERSHIPS:

National Education Association (LFE) (NEA)
Kansas National Education Association - 26 years KNEA
Kansas Association of Realtors, Inc.
Manhattan Multiple Service (Real Estate)
Manhattan Real Estate Board

SWAM
Feb. 8, 1993
Attachment 4

RUTH A. SCHRUM

Page 2

PROFESSIONAL MEMBERSHIPS (continued):

National Association of Realtors
Junction City Retired Teachers Association - Vice President
Kansas Retired Teachers Association

RELIGION:

St. Luke's Lutheran Church, Manhattan, Kansas
Active voting member and Chairperson of the Education
Committee and have served on the Stewardship
Board (1990-92)

Political Party - Kansas Democratic Party
National Democratic Party

Telephone - (913) 539-3928 (Home)
(913) 537-5112 (Business)

STATEMENT:

Serving on the Board of Trustees of KPERS is very challenging. One must constantly keep in mind the fiduciary asset responsibilities of a board member. As a retired school teacher and a member of the Retirement System, the board duties are sincerely and seriously taken by me. I have studied, asked questions, sought answers, so that I could exercise good judgment, care, skill, in voting and decision making concerning the prudent investment of funds. Recognizing that I am a public servant in this capacity as a member of the Trustees, reminds me of the fact that I have served in the capacity as a teacher for some 26 years. Thus, it gives me satisfaction and pride to serve the public again.

I am aware that KPERS exists for the present and future retirement, disability, and survivors benefits to participating employees and their beneficiaries. The Board's duty is investing prudently those funds.

The Board of Trustees has reviewed the operation of KPERS and has established criteria for the Board, staff, investment advisors, consultants, and all those with a direct interest. Controls are in place.

I appreciate this opportunity to visit with you, and thank you for your consideration.

This certificate is made this 1st day of May, 1992, by the Chief Clerk and Speaker of the House of Representatives.

JANET E. JONES
Chief Clerk of the House of
Representatives of the State of Kansas
MARVIN WM. BARKIS
Speaker of the House of
Representatives of the State of Kansas
PAT SAVILLE
Secretary of the Senate of
the State of Kansas
PAUL E. BURKE, JR.
President of the Senate of
the State of Kansas

Governor's line-item veto overridden (see Messages from the Governor).

CHAPTER 218

Senate Bill No. 526

(Amended by Chapter 321)

AN ACT concerning the Kansas public employees retirement system: creating a new board of trustees; prescribing certain investment practices and standards; creating a joint committee on pensions, investments and benefits; amending K.S.A. 74-4905, 74-4906, 74-4906, as amended by section 2 of this bill, 74-4907 and 74-4908 and K.S.A. 1991 Supp. 46-1118, 74-4909, 74-4920 and 74-4921 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. On and after July 1, 1993, K.S.A. 74-4905 is hereby amended to read as follows: 74-4905. (a) ~~There shall be a board of trustees which~~ On July 1, 1993, the board of trustees of the Kansas public employees retirement system, as such board existed on June 30, 1993, is hereby abolished. On July 1, 1993, there is hereby established a new board of trustees of the Kansas public employees retirement system. Such board established on July 1, 1993, shall consist of ~~seven~~ nine members appointed by the governor, subject to confirmation by the senate as provided in K.S.A. 75-4315b. Each member shall serve for a term of four years. If a vacancy occurs on the board, the governor shall appoint a person to fill the vacancy for the remainder of the unexpired term in the same manner that appointments for regular terms are made, as follows:

(1) Six appointed members, four appointed by the governor subject to confirmation by the senate as provided in K.S.A. 75-4315b and amendments thereto, one appointed by the president of the senate and one appointed by the speaker of the house of representatives;

SUAM
Feb. 8, 1993
Attachment 5

2, by the Chief

of
State of Kansas

State of Kansas

if

f

SECTION.

the creating a new
standards; creating
ending K.S.A. 74-
74-4907 and 74-
1921 and repealing

as:

1905 is hereby
it be a board
trustees of the
board existed
1993, there is
Kansas public
on July 1, 1993,
the governor,
in K.S.A. 75-
for years. If a
appoint a per-
expired term
for terms are

governor sub-
S.A. 75-4315b
sident of the
he house of

(2) *two retirement system members elected by the members and retirants of the system as provided in subsection (12) of K.S.A. 74-4909 and amendments thereto. Of the two retirement system members elected pursuant to this subsection, one shall be a member of the retirement system who is in school employment as provided in K.S.A. 74-4931 et seq. and amendments thereto and one shall be a member of the retirement system other than a member who is in school employment. For purposes of this subsection, retirement system means the Kansas public employees retirement system, the Kansas police and firemen's retirement system and the retirement system for judges; and*

(3) *the state treasurer.*

(b) All members of the board as provided in subsection (a)(1) and (a)(2) shall serve four-year terms, except that of the members first appointed by the governor, two shall be appointed for two-year terms and the member appointed by the speaker of the house of representatives shall be appointed for a two-year term. The governor shall designate the term for which each of the members first appointed shall serve. All members appointed to fill vacancies in the membership of the board and all members appointed to succeed members appointed to membership on the board shall be appointed in like manner as that provided for the original appointment of the member succeeded. All members appointed to fill vacancies of a member of the board appointed by the governor, the president of the senate or the speaker of the house of representatives shall be appointed to fill the unexpired term of such member. All vacancies on the board by a member elected by the members and retirants of the system shall be filled as provided by rules and regulations adopted as provided in subsection (12) of K.S.A. 74-4909 and amendments thereto.

(b) (c) The board shall elect one of its members as a chairperson of the board at its annual meeting each year the first regular meeting held on or after July 1, 1993, and at each annual meeting thereafter from the members of the board. The chairperson shall preside over meetings of the board and perform such other duties as required by the board.

(e) (d) The chairperson shall appoint another board member as vice-chairperson, and the vice-chairperson shall perform the duties of chairperson in the absence of the chairperson or upon the chairperson's inability or refusal to act.

(e) The six members appointed pursuant to subsection (a)(1) shall have had at least five years' experience in the field of investment management or analysis, actuarial analysis or administration of an employee benefit plan.

(f) No person shall serve on the board if such person has knowingly acquired a substantial interest in any nonpublicly traded investment made with moneys of the fund. Any such person who knowingly acquires such an interest shall vacate such member's position on the board and shall be guilty of a class A misdemeanor. For purposes of this subsection, "substantial interest" means any of the following:

(1) If an individual or an individual's spouse, either individually or collectively, has owned within the preceding 12 months a legal or equitable interest exceeding \$5,000 or 5% of any business, whichever is less, the individual has a substantial interest in that business.

(2) If an individual or an individual's spouse, either individually or collectively, has received during the preceding calendar year compensation which is or will be required to be included as taxable income on federal income tax returns of the individual and spouse in an aggregate amount of \$2,000 from any business or combination of businesses, the individual has a substantial interest in that business or combination of businesses.

(3) If an individual or an individual's spouse holds the position of officer, director, associate, partner or proprietor of any business, the individual has a substantial interest in that business, irrespective of the amount of compensation received by the individual or individual's spouse.

(4) If an individual or an individual's spouse receives compensation which is a portion or percentage of each separate fee or commission paid to a business or combination of businesses, the individual has a substantial interest in any client or customer who pays fees or commissions to the business or combination of businesses from which fees or commissions the individual or the individual's spouse, either individually or collectively, received an aggregate of \$2,000 or more in the preceding calendar year.

(5) If an individual or an individual's spouse has received a loan from or received financing from any bank, savings and loan, credit union or any other financial institution in an amount which exceeds \$2,000, the individual has a substantial interest in that financial institution.

As used in this subsection, "client or customer" means a business or combination of businesses.

Any person who serves on the board shall fully disclose any substantial interest that such person has in any publicly traded investment made with moneys of the fund.

(g) No person who serves on the board shall be employed for a period of two years commencing on the date the person no longer serves on the board and ending two years after such date with any

organization in which moneys of the fund were invested, except that the employment limitation contained in this subsection shall not apply if such person's employment is with an organization whose stock or other evidences of ownership are traded on the public stock or bond exchanges.

(h) All members of the board named, appointed or elected to the board shall be subject to an investigation by the Kansas bureau of investigation or other criminal justice agencies. Information to be obtained during such investigation shall include criminal history record information, including arrest and conviction data, criminal intelligence information and information relating to criminal and background investigations as necessary to determine qualifications of such member. Such information shall be forwarded to the senate committee on confirmations for such committee's consideration and other than conviction data, shall be confidential and shall not be disclosed except to members and employees of the committee as necessary to determine qualifications of such member. The committee, in accordance with K.S.A. 75-4319 and amendments thereto shall recess for a closed or executive meeting to receive and discuss information received by the committee pursuant to this subsection.

(i) All of the powers, duties and functions of the board of trustees of the Kansas public employees retirement system as such board existed prior to July 1, 1993, are hereby transferred to and conferred and imposed upon the board of trustees established pursuant to this act. The board of trustees of the Kansas public employees retirement system established pursuant to this act shall be the successor in every way of the powers, duties and functions of the board of trustees existing prior to July 1, 1993, in which the same were vested prior to July 1, 1993.

Sec. 2. K.S.A. 74-4906 is hereby amended to read as follows: 74-4906. (1) The board shall hold regular meetings in Topeka, Kansas, at least once each quarter, the dates, time and place thereof to be fixed by the board. The board shall hold a regular meeting held in July of each year which meeting shall be the annual meeting and at which meeting it the board shall elect its chairman the chairperson of the board. Special meetings may be called upon written call of the chairman chairperson or by agreement of any four (4) members of the board. Notice of a special meeting shall be delivered to all other trustees in person or by registered or certified United States mail not less than seven (7) days prior to the date fixed for the meeting. Notice of any such meeting may be waived by any member either before or after such meeting and attendance at such a meeting shall constitute a waiver of notice of such meeting.