

Minutes of Meeting

June 11, 2002



HIGHWAY & TRANSPORTATION EMPLOYEES' & HIGHWAY PATROL RETIREMENT SYSTEM

**HIGHWAY AND TRANSPORTATION EMPLOYEES'
AND
HIGHWAY PATROL RETIREMENT SYSTEM**

**Minutes of Meeting
JUNE 11, 2002**

TABLE OF CONTENTS

Approval of Minutes	1
Consent Agenda	2
Report from Investment Consultant, (Asset Consulting Group)	
For Quarter ended March 31, 2002 and Interim ASAP Report	
As of April 30, 2002 – by Mr. Bill Milnes.....	2
Report from Alliance Capital Management (Large Cap Growth) –	
by Mr. Chris Morgan and Mr. John Fogarty.....	3
Report from UMB Investment Advisors –	
by Mr. Jim Moffett and Mr. Don Smith	4
Report of Financial Statements – March 2002 & April 2002.....	4
Legislation.....	4
Request to Continue Governmental Pension Consultant Agreement	5
Status of Custody Services Search.....	5
Future Meeting Dates	5
Results of Election of Retirement Board Members	6
Resolution Expressing Appreciation to Mr. Larry Thompson	
For Outstanding Service To The Highway and Transportation	
Employees’ And Highway Patrol Retirement System.....	8
June 1, 2002 Retirement and Survivor Benefits	
Missouri Department of Transportation	9
Missouri State Highway Patrol	10
Authorization to Pay Annuity to Survivors of	
Deceased Non-Retired Members Requesting A Reduced Annuity	10
Membership Information	
Benefit Payments and Member Data – March 2002 and April 2002	10
Retirements under the Provision of “80 and Out” – May 1, 2002	11
Vote to Close Meeting	11
Executive Session	11
Disability Requests	11
Adjourn	11

**HIGHWAY AND TRANSPORTATION EMPLOYEES'
AND HIGHWAY PATROL RETIREMENT SYSTEM**

BOARD OF TRUSTEES' MEETING

TUESDAY, JUNE 11, 2002

1:00 p.m.

**Missouri Department of Transportation Hearing Room
Jefferson City, Missouri**

MEMBERS PRESENT: Mr. James Anderson, Vice Chairman
W. L. "Barry" Orscheln
Representative Jim O'Toole
Colonel Roger D. Stottlemyre
Mr. Larry J. Thompson
Mr. William H. Shaw

MEMBERS ABSENT: Mr. Bill McKenna, Chairman
Senator Steve Stoll
Mr. Henry Hungerbeeler
Major Ed Bliefnick

STAFF PRESENT: Mr. Norm Robinson, Executive Director
Ms. Susie Dahl, Assistant Executive Director
Ms. Lois Wankum, Executive Secretary
Mr. Rich Tiemeyer, Chief Counsel

GUESTS PRESENT: Mr. Bill Milnes, Asset Consulting Group
Mr. Chris Morgan, Alliance Capital Management
Mr. John Fogarty, Alliance Capital Management
Mr. Jim Moffett, United Missouri Bank
Mr. Don Smith, United Missouri Bank

A regularly scheduled meeting of the Highway and Transportation Employees' and Highway Patrol Retirement System was held on Tuesday, August 13, 2002, at the Missouri Department of Transportation Hearing Room in Jefferson City, Missouri. The meeting was called to order by Vice-Chairman Anderson pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

APPROVAL OF MINUTES

Upon motion duly made and seconded, the Highway and Transportation Employees' and Highway Patrol Retirement System Board of Trustees unanimously approved the minutes of the May 2, 2002 retirement board meeting. The Vice-Chairman and Executive Director were authorized and directed to sign and certify said minutes and to file same in the office of the Executive Director.

CONSENT AGENDA

In order to make the most efficient use of Retirement Board meeting time and to ensure the Retirement Board members are well informed on issues requiring their action, the Executive Director prepares and submits to the Retirement Board members, in advance of their meeting, items on the Retirement Board meeting agenda. Those items considered by the staff to be of a routine or non-controversial nature are placed on the consent agenda. During the meeting, items may be removed from the consent agenda at the request of any one Retirement Board member. The items not removed from the consent agenda are approved with a single motion and unanimous vote by a quorum of the members.

Minutes reflecting approval of items on the consent agenda are singly reported herein and intermingled with minutes reflecting action on related subjects that were openly discussed. Reference to "consent agenda" is made in each minute approved via the process described in the paragraph above. Minutes reflecting action on items removed from the consent agenda and openly discussed reflect the open discussion and vote thereon.

Upon motion duly made and seconded, the Consent Agenda items were approved.

* * * * *

REPORT FROM INVESTMENT CONSULTANT, (ASSET CONSULTING GROUP) FOR QUARTER ENDED MARCH 31, 2002 AND INTERIM ASAP REPORT AS OF APRIL 30, 2002 – by Mr. Bill Milnes

Mr. Bill Milnes, Asset Consulting Group, presented the Investment Performance Review Report for the period ended March 31, 2002.

- Overall Performance: Market value of the assets was \$1.365 billion.
- Asset Allocation:
 - 61.5% Equity (including 11.5% international)
 - 34.9% fixed income (including domestic and cash)
 - 2.6% real estate
- Large cap US Stocks outperformed bonds during the quarter (S&P 500 at 0.3%; Lehman Aggregate Index at 0.1%)
- Domestic Stocks (including large, mid, and small cap equities) outperformed the S&P 500 (0.5% vs. 0.3%).
 - Fixed Income composite also outperformed the Lehman Gov't/Credit Index, 0.2% vs -0.5%.
- Large cap growth equities underperformed the S&P 500 while large cap value equities outperformed the S&P Index. (Russell 1000 Growth Index at -2.6%; Russell 1000 Value Index at 4.1%, and S&P 500 at 0.3%).
 - UMB's S&P 500 Fund matched the S&P 500 Index as expected.
 - Alliance underperformed the Russell Growth Index (Alliance at -4.6% vs. Russell Growth Index at -2.6%).
 - Wellington underperformed the Russell 1000 Value Index for the quarter at 1.7% vs. 4.1%.

- Mid cap value equities represented by the Russell Mid Cap Index outperformed the Mid Cap Growth Index (4.2% vs. -1.8%) and underperformed the Mid Cap Value Index (4.2% vs. 7.9%) during the quarter.
 - Artisan matched the Mid Cap Growth Index at -1.8%
 - Rothschild's return of 9.2% handily beats the Russell Mid Cap return of 7.9%.
- Small growth significantly underperformed small value during the quarter (Russell 2000 Growth Index at -2.0% vs. Russell 2000 Value Index at 9.6%)
 - Rothschild underperformed the Small Value Index (8.8% vs. 9.6%).
- International stocks outperformed US equities during the quarter (EAFE at 0.6% vs. S&P 500 at 0.3%)
 - UMB Worldwide Fund lagged the EAFE Index for the quarter (UMB at -0.4% vs. the EAFE at 0.6%).
- Bonds were generally flat for the quarter. UMB returned 0.8% in the Stabilized Fixed Income Account, outperforming the Lehman Intermediate Aggregate Index at 0.3%. The new intermediate fixed income allocation, managed by UMB, underperformed the Index at -0.1% for the quarter. The core bond allocation managed by Rockwood, returned 0.2% compared to the Lehman Aggregate at 0.1%.

Mr. Milnes also provided the Interim ASAP report, for the period ending April 30, 2002, to the Board regarding investment activity and asset allocation.

Colonel Stottlemire indicated his concern regarding Wellington's underperformance. Mr. Robinson informed the Board he and Ms. Dahl were also concerned and a conference call is set for June 12th. Mr. Robinson stated he would call the Investment Committee after the conference call to determine what action should be taken by the Board.

The Board thanked Mr. Milnes for his report.

**REPORT FROM ALLIANCE CAPITAL MANAGEMENT (LARGE CAP GROWTH) –
by Mr. Chris Morgan and Mr. John Fogarty**

Mr. John Fogarty provided the Board with a review of their portfolio and investments as of May 31, 2002.

Mr. Chris Morgan informed the Board of a recent lawsuit filed against Alliance Capital Management because of losses through Enron. Mr. Morgan indicated Enron stock is not in our portfolio.

The Board thanked Mr. Morgan and Mr. Fogarty for their reports.
