

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

January 19, 2007

The meeting was called to order by Chairperson Jody Boeding at 9:00 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present:

- Jody Boeding, Chairperson
- Doug Wolff, Vice Chairperson
- Duane Anstine
- Michael Braude
- Bruce Burditt
- Lynn Jenkins
- Lon Pishny
- Rachel Lipman Reiber

Outstanding Service Award

The Chairperson presented Melva Janke the Outstanding Service Award for the third period of 2006. Ms. Janke was unable to attend November 2006 meeting when the award was announced.

Public Comment

There were no public comments.

Approval of Minutes

It was moved by Doug Wolff and seconded by Rachel Lipman Reiber that the minutes of the November, 2006 meeting be approved as submitted. Motion passed.

Executive Director's Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a summary report on current issues, including: a KITS update, Judy Lambert's upcoming retirement, status of the Board self-evaluation items and current news clips and media reports. Mr. Deck called the Board's attention to the printed copies of the fiscal year ended 2006 Comprehensive Annual Financial Report and responded to questions.

Legislative Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided the legislative agenda and other KPERs issues report and responded to questions.

Doug Wolff made a motion that the Board support the final plan design bill approved for introduction by the Joint Committee on Pensions, Investments and Benefits and support the Joint Committee bill to transfer the administration of the State Deferred Compensation Program to KPERS. Lon Pishny seconded the motion. Motion passed.

Investment Operations

The Chairperson recognized Vince Smith, Chief Investment Officer. Mr. Smith reviewed the November 30, 2006 Performance Report. He reported that the Retirement System had a total return of 9.6 percent (not annualized) for the fiscal year-to-date and 14.7 percent for the calendar year to date. Mr. Smith also reviewed preliminary investment performance through December and responded to questions.

Mr. Smith recognized Scott Peppard, Deputy Investment Officer, who provided the annual proxy review and disclosure report.

Annual Review – Statement of Investment Policy, Objectives and Guidelines

The Chairperson recognized Vince Smith, Chief Investment Officer. Mr. Smith provided the annual review of changes in the Statement of Investment Policy, Objectives and Guidelines.

Doug Wolff moved and Michael Braude seconded that the Board adopt the amended Statements of Policy, Objectives and Guidelines for the Retirement System, the Treasurer's Unclaimed Property Fund and the Death and Disability Fund. Motion passed.

Investment Committee Report

The Chairperson recognized Michael Braude, Acting Chairperson of the Investment Committee. Mr. Braude provided a report on the Committee meeting of January 18, 2007.

Audit Committee Report

The Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report of the Audit Committee meeting on January 18th.

Personnel Committee Report

The Chairperson recognized Lon Pishny, Chairperson of the Personnel Committee. Mr. Pishny provided a report of the Personnel Committee meeting on January 19th.

Mr. Pishny moved and Duane Anstine seconded that the Board approve the Personnel Committee's recommendations for: 1) the creation of an unclassified Deputy Member Services Officer position, 2) the calendar year 2006 maximum projected incentive

compensation payments to investment staff and 3) the calendar year 2007 incentive compensation plan. Motion passed.

Retirement System Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the operations report including information on the 26 Designated Agent workshops held in the fall with 1,200 designated agents attending. Ms. Lambert reported on the KITS project that went live on January 3rd and responded to questions.

The Chairperson thanked Ms. Lambert for her nearly 38 years of service to KPERS.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the December 31, 2006 financial statements.

New Employer Affiliations

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove summarized the 2007 affiliation list.

Doug Wolff made a motion that the Board approve the affiliation of entities completing the requirements for 2007. Bruce Burditt seconded the motion. Motion passed.

Appointment of Hearing Officer

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for the administrative appeal of Kathleen Ann Hachmeister.

Doug Wolff moved that staff be authorized to contract with the Office of Administrative Hearings for assignment of a hearing officer, for the purpose of hearing the administrative appeal of Kathleen Ann Hachmeister. Lon Pishny seconded the motion. Motion passed.

Review of Initial Order

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the initial order on the Kathryn Stucker appeal and presented the Board's options.

Doug Wolff moved that the Board adopt the Presiding Officer's Initial Order and direct the Executive Director to draft a final order containing the Board's decision. The final order is to be signed by the Chairperson and served on the parties by the Executive Director in accordance with the provisions of the Kansas Administrative Procedure Act. Lon Pishny seconded the motion. Motion passed.

Review of Consulting Services

The Chairperson recognized Vince Smith, Chief Investment Officer who provided a briefing on the history of the Pension Consulting Alliance and EnnisKnupp contracts, services provided and cost and responded to questions. Discussion was held by the Board members and staff .

Bruce Burditt moved that because the KPERS Board of Trustees is concerned about the state of communications between Pension Consulting Alliance and the investment staff and the KPERS Board of Trustees, the Executive Director and Chief Investment Officer are hereby instructed to place PCA on probation immediately for general consulting services and take action necessary to resolve this situation. Michael Braude seconded the motion. Motion passed.

FY 2008 Board and Committee Meeting Schedule

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a report and responded to questions.

Lon Pishny made a motion that the Board adopt the proposed Fiscal Year 2008 meeting schedule and that the October 2007 meeting be held in Hutchinson, Kansas. Michael Braude seconded the motion. Motion passed.

Old Business

There was no old business.

New Business

There was no new business.

Board Evaluation

The Board briefly discussed the meeting and status of several Board matters. There were no follow-up actions for staff.

The meeting adjourned at 11:25 a.m.