

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

January 20, 2006

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

Board members present:

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

Public Comment

There were no public comments.

Approval of Minutes

It was moved by Duane Anstine and seconded by Jody Boeding that the minutes of the meetings of November 18, 2005 and December 22, 2005, 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: the results of the two Joint Committee on Pensions, Investments and Benefits meetings in November and December, the status of the budget request for KITS Phase III funding, and the introduction of the KPERS Technical Amendment bill (HB 2583). Mr. Deck called the Board's attention to the printed copies of the fiscal year ended 2005 Comprehensive Annual Financial Report and the Winter 2006 issue of the KPERS Papers for Retirees.

Investment Operations

The Chairperson recognized Scott Peppard, Acting Chief Investment Officer. Mr. Peppard reviewed the November 2005 Performance Report. He reported that the Retirement System had a total return of 5.6 percent (not annualized) for the fiscal year-to-date and 8.2 percent for the calendar year to date. Mr. Peppard also provided an update of investment performance for December and January.

Investment Committee Report

The Chairperson recognized Jarold Boettcher Chairperson of the Investment Committee. Mr. Boettcher provided a report on the Committee meeting of January 19, 2006.

Mr. Boettcher made a motion and Rachel Lipman Reiber seconded it that the Board authorize AEW Capital Management L.P. to proceed with the disposition of Building F in Lakehills Corporate Park, under the terms discussed. Motion passed.

Mr. Boettcher made a motion and Duane Anstine seconded it that the Board authorize the Procurement Negotiating Committee and AEW Capital Management, L.P. to engage Cushman & Wakefield to provide the separate account real estate appraisals, under the terms discussed. Motion passed.

Mr. Boettcher discussed the strategy implementation recommendation and made a motion that the Board authorize staff to terminate the domestic equity small cap portfolio managed by Capital Guardian and to modify Barclays Global Investors' existing Exhibit B of the Investment Management Agreement to add a small cap growth mandate, as set forth within the material provided. Bruce Burditt seconded the motion. Motion passed.

Annual Review – Statement of Investment Policy, Objectives and Guidelines

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

Jarold Boettcher moved and Jody Boeding seconded a motion that the Board adopt the amended Statements of Policy, Objectives and Guidelines for the Retirement System and Death and Disability Fund. Motion passed.

Strategic Business Plan

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a report on the final draft of the System's Strategic Business Plan and responded to questions. This plan establishes the System's goals and strategic initiatives in the areas of funding, investments, service, technology and communications.

Audit Committee Report

The Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report of the Committee meeting held on January 19, 2006.

Personnel Committee Report

The Chairperson recognized Lon Pishny, Acting Chairperson of the Personnel Committee. Mr. Pishny provided a report of the Committee meeting held on January 20, 2006.

Mr. Pishny moved and Jarold Boettcher seconded a motion that the Board approve the Personnel Committee's recommendations for : 1) the calendar year 2005 maximum projected incentive compensation payments to investment staff and 2) the calendar year 2006 incentive compensation plan. Motion passed.

Retirement System Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the member operations report. Ms. Lambert reported on annual statement preparation, KITS design meetings, upcoming pre-retirement seminars, and new designated agent workshops and responded to questions.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the December 31, 2005 financial statements.

New Employer Affiliations

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove summarized the 2006 Affiliation List.

Jody Boeding made a motion and Duane Anstine seconded it that the Board approve the affiliation of entities for 2006. Motion passed.

Disability Plan Update

The Chairperson recognized Mary Beth Green, Research and Planning Officer. Ms. Green provided a report on the status of the new disability plan implementation and responded to questions.

Designated Agent Workshop Survey

The Chairperson recognized Mary Beth Green, Research and Planning Officer. Ms. Green provided a report on the Designated Agent Workshop Survey process and results for workshops held in the fall of 2005.

Review of Initial Order

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

Jody Boeding moved that the Board adopt the Presiding Officer's Initial Order including the letter of January 18, 2006 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. Lynn Jenkins seconded the motion. Motion passed.

Appointment of Hearing Officer

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for an administrative appeal by Jonathan Gillespie.

Jody Boeding 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 Jonathan Gillespie. Lynn Jenkins 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.