

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

January 21, 2005

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

Board members present: Michael Braude, Chairperson
 Liz Miller, Vice Chairperson
 Jody Boeding
 Jarold Boettcher
 Bruce Burditt
 Lynn Jenkins
 Marjorie Lee Webb
 Doug Wolff

Public Comment

The Chairperson welcomed Sonny Scroggins and Rev. Andrew McHenry who spoke on the situation in Sudan and requested that KPERS check their portfolio for investments in companies conducting business in Sudan and consider divesting from these companies.

Approval of Minutes

It was moved by Liz Miller and seconded by Jody Boeding that the minutes of the meeting of November 19, 2004 be approved as submitted. Motion passed.

Executive Director's Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck announced that Board Trustee Don Steffes is in Arizona for a medical procedure and that he is doing well.

Mr. Deck provided a preview of the major issues to be considered in the Board meeting. He reported on the issues of the disability plan third party administrator transition, KPERS Integrated Technology System (KITS) implementation and the comprehensive annual financial report for year ending June 30, 2004. He provided a handout of the 2005 Board of Trustee election biographies and summarized the election procedures and timetable.

Mr. Deck reported on the status of KPERS' budget request and the Joint Committee on Information Technology review of KITS. He provided a legislative report on the KPERS legislative agenda and recommendations of the Joint Committee on Pensions, Investments and Benefits. Mr. Deck responded to questions.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer.

Mr. Woodard provided the November 30, 2004 Performance Report. He reported that the Retirement System had a total return of 6.3 percent (not annualized) for the fiscal year-to-date and 9.3 percent for the calendar year to date. Mr. Woodard also reviewed preliminary numbers for December and January activity.

Mr. Woodard announced that Carter Reynolds, the System's Client Service Officer with Alliance Capital Management, has left Alliance to join Morgan Stanley Investment Management. Although Ms. Reynolds will continue to cover the KPERS account on behalf of Morgan Stanley, her departure does constitute a probationary event for Alliance. KPERS staff has notified Alliance of the probation.

Mr. Woodard recognized Scott Peppard who provided the annual proxy review and disclosure report and the annual brokerage commission recapture report and responded to questions.

Investment Committee Report

The Chairperson recognized Jarold Boettcher, Chairperson of the Investment Committee, who provided a report on the Committee meeting of January 20, 2005. Mr. Boettcher invited comments and responded to questions.

Mr. Boettcher recognized Rob Woodard, who reviewed the recommended changes to the investment portfolio report and responded to questions.

Jarold Boettcher made a motion that the Board accept all of the recommended changes to the investment portfolio, as developed following the asset/liability analysis, and as set forth within the material provided to the Board. Bruce Burditt seconded the motion. Motion passed.

Rob Woodard provided the real estate recommendation report and responded to questions.

Jarold Boettcher made a motion that the Board authorize staff to proceed in implementing a \$25 million investment in the RREEF America III under the terms discussed. Bruce Burditt seconded the motion. Motion passed.

Annual Review – Statement of Investment Policy, Objectives and Guidelines Report

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard provided the Annual Review – Statement of Investment Policy, Objectives and Guidelines Report for the Retirement System, Treasurer's Unclaimed Property Fund, the Kansas Endowment for Youth Fund and the Death and Disability Fund and responded to questions.

Liz Miller made a motion that the Board adopt the amended Statements of Policy, Objectives and Guidelines for the Retirement System, the Treasurer's Unclaimed Property Fund, the Kansas Endowment for Youth Fund, and the Death and Disability Fund with the caveat that in Section 7, item C (regarding the restriction on the cash equivalent purchases of bank obligations), the word "both" be added so that the phrase reads "rated below both A-1 and P-1 by Moody's Investors Services and Standard & Poor's Corporation", and that the words "Split-rated are allowed" be removed. Jarold Boettcher seconded the motion. Motion passed.

Disability 3rd Party Administrator

The Chairperson recognized Mary Beth Green, Planning and Research Officer. Ms. Green provided a report on the 3rd party disability administrator transition and responded to questions.

Information Systems Quality Assurance Contractor

The Chairperson recognized John Oliver, Chief Information Officer, who provided a report on the process of recommending an information systems quality assurance contractor and responded to questions.

Liz Miller made a motion that the Board authorize staff to contract with L.E. Wechsler Ltd for project quality assurance services on the KPERS Integrated Technology System (KITS) project, subject to the final approval of the contractor by the State's Chief Information Technology Officer. Jody Boeding seconded the motion. Motion passed.

Audit Committee Report

The Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report on the Committee meeting of January 20th.

Board Governance Committee Report

The Chairperson recognized Bruce Burditt, Chairperson of the Board Governance Committee. Mr. Burditt provided a report on the Committee meeting of January 4th.

Personnel Committee Report

The Chairperson recognized Doug Wolff, Chairperson of the Personnel Committee. Mr. Wolff provided a report on the Committee meeting of January 20th.

Mr. Wolff moved that the Board approve the calendar year 2004 maximum management incentive compensation payments to investment staff and approve the calendar year 2005 incentive compensation plan. Bruce Burditt seconded the motion. Motion passed.

Member Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly operations report including the delivery of benefits, transition to new 3rd party disability administrator, Infoline activities, field services and upcoming activities of 1099R's and annual statements.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the December 31, 2004 financial statements.

New Employer Affiliations

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove summarized the 2005 Affiliation List. Liz Miller made a motion that the Board approve the 2005 affiliation of entities list. Jarold Boettcher seconded the motion. Motion passed.

Designated Agent Workshop Survey

The Chairperson recognized Mary Beth Green, Planning and Research Officer and Dianna Berry, Public Service Administrator III. Ms. Berry provided the designated agent workshop report, an update on pre-retirement seminars, and plans for "new" designated agent seminars and KP&F designated agent workshops.

Ms. Green presented a report on the Designated Agent Workshop Survey process and results. Overall, the survey responses were very positive and indicated that responding members were satisfied with the designated agent workshops.

Appointment of Hearing Officer

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for administrative appeals by Steven Watts and Sue Dutton.

Liz Miller moved that staff be authorized to contract with the Office of Administrative Hearings for assignment of hearing officers, for the purpose of hearing the administrative appeals of Steven Watts and Sue Dutton. Jody Boeding seconded the motion. Motion passed.

Litigation Status Report

The Chairperson recognized Laurie McKinnon, General Counsel.

Liz Miller made a motion that the Board recess into executive session from 11:05 until 11:15 to consult with the board's counsel concerning litigation and to include Glenn Deck, Executive Director, Laurie McKinnon, General Counsel and Kevin Hancock, Staff

Attorney in the executive session for the purpose of aiding the Board in its discussions. Jerry Boettcher seconded the motion. Motion passed.

The Board returned to regular meeting at 11:15 a.m.

Liz Miller moved that the Board accept counsel's recommendation with regard to the Dahn v. KPERS case. Marjorie Webb seconded the motion. Motion passed.

Old Business

There was no old business.

New Business

There was no new business.

The meeting adjourned at 11:20 a.m.