

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

March 18, 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

Guests attending the meeting were Terry Jochems, President and Betty Morgan, Past President of KNEA Retired and 9 members of the association.

Employee Outstanding Service Award

The Chairperson recognized Kelly Renfro with the Employee Outstanding Service Award for the first period of 2005.

Public Comment

There was no public comment.

Approval of Minutes

It was moved by Liz Miller and seconded by Jody Boeding that the minutes of the meeting of January 21, 2005, 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. He commended KPERS staff for their participation in Project Topeka.

Mr. Deck provided a brief summary of the major legislative items including the operating budget, death and disability plan, technical issues, and the alternative retirement plan. He previewed the major issues to be considered in the Board meeting and responded to questions.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer.

Mr. Woodard provided the January 31, 2005 Performance Report. He reported that the Retirement System had a total return of 8.1 percent (not annualized) for the fiscal year-to-date and -1.3 percent for the calendar year to date. Mr. Woodard also reviewed preliminary numbers for February and March.

Mr. Woodard provided an Unclaimed Property Fund investment 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 March 17, 2005. Mr. Boettcher invited comments and responded to questions.

Mr. Boettcher recognized Bob Schau, who reviewed the recommended real estate transactions and responded to questions.

Mr. Boettcher made a motion that the Board authorize AEW Capital Management to proceed with the analysis and due diligence of the subject properties noted in this month's deal log. Final authority to consummate an investment in any of these properties is contingent upon receipt of satisfactory recommendations from staff and the System's consultant, and delivery of a final due diligence report. Bruce Burditt seconded the motion. Motion passed.

Jarold Boettcher made a motion that the Board authorize staff to proceed in implementing a \$35 million investment in Fortress Residential Investment Deutschland L.P. under the terms discussed. Bruce Burditt seconded the motion. Motion passed.

Jarold Boettcher provided a report on the recommended sale of Legg Company and he and Rob Woodard responded to questions.

Jarold Boettcher made a motion that the Board direct staff to effect the sale of KPERS equity interest in Legg Company, per the terms discussed. Jody Boeding seconded the motion. Motion passed. (Bruce Burditt abstained.)

Jarold Boettcher discussed the recommended international equity manager structure.

Jarold Boettcher made a motion that the Board establish a Procurement Negotiating Committee, consisting of Glenn Deck, Rob Woodard and Scott Peppard, for the purpose of managing a Request for Proposal process designed to identify potential All Country World ex-US Index active equity managers,

per the terms discussed. Marjorie Lee Webb seconded the motion. Motion passed.

Death and Disability Fund

The Chairperson recognized Glenn Deck, Executive Director who provided a report on the legislative status of the death and disability fund legislation and the financial status of the fund under the two employer contribution options currently being considered.

Mr. Deck recognized Dan Skwire of Milliman USA. Mr. Skwire presented preliminary results of the June 30, 2004 death and disability fund valuation report. He reviewed recommendations and responded to questions.

Audit Committee Report

The Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report on the Committee meeting of March 17th.

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 February 25th and responded to questions.

Liz Miller made a motion that the Board adopt the recommended Board Policy Manual. Jarold Boettcher seconded the motion. Marjorie Lee Webb made a motion to table the motion. The motion to table died for lack of a second. The original motion passed. (Marjorie Lee Webb abstained.)

Member Operations

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the monthly member services operations report including the receipt of July retirement applications, current pre-retirement seminars and DA workshops for new DAs, transition to the new third party death and disability benefits administrator, and the start of annual statement mailings. Ms. Lambert responded to questions.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the February 28, 2005 financial statements.

Life Insurance Customer Service Survey

The Chairperson recognized Mary Beth Green, Planning and Research Officer. Ms. Green provided a report on a life insurance customer service survey conducted by Minnesota Life Insurance Company.

Overall, the survey responses were very positive and indicated that responding employers were satisfied with Minnesota Life's customer service.

Employer Council Appointments

The Chairperson recognized Mary Beth Green, Planning and Research Officer. Ms. Green reviewed the proposed Employer Council appointments and responded to questions.

Liz Miller made a motion that the Board appoint the recommended candidates for the specified terms to the Employer Council. Jody Boeding 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 Bryan Murphy.

Liz Miller 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 Bryan Murphy. Jarold Boettcher seconded the motion. Motion passed.

Old Business

There was no old business.

New Business

There was no new business.

The meeting adjourned at 11:05 a.m.