

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

May 19, 2006

The meeting was called to order by Vice Chairperson Jody Boeding at 8:40 a.m., in the Retirement System Boardroom, Topeka, Kansas.

Board members present:

- Jody Boeding, Vice Chairperson
- Jarold Boettcher
- Bruce Burditt
- Lynn Jenkins
- Lon Pishny
- Rachel Lipman Reiber
- Doug Wolff

Guests attending the meeting were seven members of the KNEA Retired Association.

Public Comment

The Vice Chairperson recognized Sonny Scroggins who spoke on the Sudan divestment issue and urged the Board to extract all funds invested in that country. Mr. Scroggins provided a handout of his prepared remarks for the official record and asked the Board several questions regarding the System's current investments in companies with links to Sudan and the Board's position on the Sudan divestment issue.

Investment Committee Report

The Vice Chairperson recognized Jarold Boettcher Chairperson of the Investment Committee. Mr. Boettcher provided a report on the Committee meeting of May 18, 2006 and responded to questions regarding the Sudan divestment issue.

Mr. Boettcher reported that the Investment Committee had discussed this issue and the Trustees, as individuals, abhor the situation in Sudan. However, as Trustees they must consider many other factors, including: current Kansas and federal statutes, the Board's fiduciary responsibilities to manage the System's assets for the exclusive benefit of its members and the potential fiscal impact of divestment. With the assistance of staff and the System's investment consultants, the Board will continue to carefully study this complex issue.

The Vice Chairperson recognized Allan Emkin, Pension Consulting Alliance, who commented on how other state pension systems are addressing the Sudan divestment issue and responded to questions.

Mr. Boettcher recognized Bob Schau who provided the real estate investment report.

Jarold Boettcher moved 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 property 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.

Approval of Minutes

It was moved by Rachel Lipman Reiber and seconded by Lon Pishny that the minutes of the meeting of March 17, 2006, be approved as submitted. Motion passed.

Executive Director's Report

The Vice Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a report on current operations including: the production of annual statements, the status of the KITS project and his appointment to the State's 457 plan oversight committee. Mr. Deck provided a legislative report including: the FY 2007 budget request, the KPERS technical amendment bill and other KPERS related legislation including: working after retirement, KSRS retiree minimum benefit, supplemental disability benefits and the 457 Plan interim study. Mr. Deck responded to questions.

Investment Operations

The Vice Chairperson recognized Vince Smith, Chief Investment Officer. Mr. Smith reviewed the March 2006 Performance Report. He reported that the Retirement System had a total return of 12.6 percent (not annualized) for the fiscal year-to-date and 4.9 percent for the calendar year to date. Mr. Smith and Allan Emkin of Pension Consulting Alliance responded to questions.

The Vice Chairperson recognized Laurie McKinnon. Ms. McKinnon provided an update of the Board of Trustees' Resolutions and responded to questions.

Jarold Boettcher moved that the Board adopt three separate resolutions, each consistent with the wording of the suggested resolutions submitted by staff, granting power of attorney to certain staff members, as stated therein, to execute documents on behalf of the System related to authorized investment transactions. Lon Pishny seconded the motion. Motion passed.

Audit Committee Report

The Vice Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report on the Audit Committee meeting of May 18, 2006.

Personnel Committee Report

The Vice Chairperson recognized Doug Wolff, Chairperson of the Personnel Committee. Mr. Wolff provided a report on the Personnel Committee meeting of May 18, 2006.

Jarold Boettcher moved that the Board approve the amended Master Investment Incentive Plan and the amended Calendar Year 2006 Incentive Investment Plan. Rachel Lipman Reiber seconded the motion. Motion passed.

Basic and Optional Group Life Rates and Options

The Vice Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a report on the claims experience, rate proposals and portability coverage proposal from Minnesota Life and responded to questions.

Bruce Burditt moved that the Board authorize the Executive Director to negotiate and execute a new three year agreement with Minnesota Life that incorporated the recommended rates and provisions for the basic and optional life insurance plans. Lon Pishny seconded the motion. Motion passed.

Retirement System Operations

The Vice Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the member operations report. Ms. Lambert reported on pension inceptions, benefit payments as well as information about other types of contacts with members and responded to questions.

Monthly Financial Report

The Vice Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the April 30, 2006 financial statements.

Employer Rate Certification

Leland Breedlove, Chief Investment Officer provided a report summarizing the actuary's employer rate recommendations for FY 2007 and FY 2008.

Lynn Jenkins moved that the Board certify employer contribution rates as specified in the report. Lon Pishny seconded the motion. Motion passed.

Review of Initial Order

The Vice Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the initial orders on the William Sheldon and Joan O'Dell appeals and presented the Board's options.

Jarold Boettcher moved that the Board adopt the Presiding Officer's Initial Orders and direct the Executive Director to draft final orders containing the Board's decisions. The final orders are 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. Rachel Lipman Reiber seconded the motion. Motion passed.

Appointment of Hearing Officer

The Vice Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the appeal of Verlyn White.

Jarold Boettcher 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 Verlyn White. Lon Pishny seconded the motion. Motion passed.

William Munck Appeal

The Vice Chairperson recognized Laurie McKinnon, General Counsel, who recommended that the Board recess into executive session to discuss settlement options in *Munck v. KPERS*.

Jarold Boettcher moved that the Board recess into executive session to discuss settlement options in *Munck v. KPERS* for 10 minutes from 10:30 a.m. to 10:40 a.m. and that Glenn Deck, Executive Director, Laurie McKinnon, General Counsel, and Kathleen Burns, Staff Attorney be included in the executive session. Lon Pishny seconded the motion. Motion passed.

The meeting reconvened at 10:40 a.m. and Jarold Boettcher made a motion that the Board provide Laurie McKinnon, KPERS' General Counsel, with the authority to approve a settlement agreement in the William Munck case. Rachel Lipman Reiber seconded the motion. Motion passed.

Retirement Plan Design Project

The Vice Chairperson recognized Glenn Deck, Executive Director who made an extensive presentation on the progress to date on the Retirement Plan Design Project. This presentation covered the System's funding status, changing demographics and various plan design options for future members. Pat Beckham, Milliman, Inc., provided comments during the presentation and she and Mr. Deck responded to questions.

Lynn Jenkins left the meeting at 12:00 p.m.

The Board recessed for a 30 minute lunch from 12:00 p.m. through 12:30 p.m..

The Board reconvened at 12:30 p.m. and the Retirement Plan Design Project presentation and Board discussion continued.

Lon Pishny left the meeting at 1:30 p.m.

Rachel Lipman Reiber left the meeting at 1:50 p.m.

Old Business

There was no old business.

New Business

There was no new business.

The meeting adjourned at 2:00 p.m.