

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

May 20, 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
 Jody Boeding
 Jarold Boettcher
 Lynn Jenkins
 Don Steffes
 Marjorie Lee Webb
 Doug Wolff

Declaration of Appreciation

Jarold Boettcher moved that the Declaration of Appreciation for Liz Miller be approved. Jody Boeding seconded the motion. Motion passed.

Public Comment

Guests attending the meeting were Terry Jochems, President and Betty Morgan, Past President of KNEA Retired and two members of the association who presented Marjorie Lee Webb with a token of their appreciation for her service to retired educators.

Approval of Minutes

It was moved by Jody Boeding and seconded by Doug Wolff that the minutes of the meeting of March 18, 2005, be approved as submitted. Motion passed.

Approval of Election Results

Glenn Deck provided a report of the results of the Board of Trustees election and the certification of results by the Election Committee.

Jarold Boettcher moved that the Board accept the election results as certified by the Trustee Election Committee and declare L. Duane Anstine elected to the school position and Jody Boeding elected to the non-school position. Marjorie Lee Webb seconded the motion. Motion passed.

Executive Director's Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck announced the appointment by the Governor of Rachel Lipman Reiber and reappointment of Michael

Braude to the Board of Trustees. He commented on the distribution of the Board Policy Manual.

Mr. Deck reviewed the provisions of Senate Substitute for House Bill 2037, the KPERS Omnibus Bill, including the KPERS Death and Disability Plan modifications, State and School rate calculations, outlawed warrants and other KPERS related issues. 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 March 31, 2005 Performance Report. He reported that the Retirement System had a total return of 9.1 percent (not annualized) for the fiscal year-to-date and -0.4 percent for the calendar year to date. Mr. Woodard also reviewed preliminary numbers for April and May 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 May 19, 2005. Mr. Boettcher invited comments and responded to questions.

Jarold Boettcher made a motion that the Board direct staff to engage Barclay's Global Investors to provide active currency overlay management for the notional value of the BGI International Alpha Tilts portfolio, with a target of 1% active risk, per the terms discussed. Don Steffes seconded the motion. Motion passed.

Jarold Boettcher made a motion that the Board direct the Procurement Negotiating Committee to engage Payden & Rygel and Quantitative Management Associates, subject to successful contract and fee negotiations, to fulfill the System's Request For Proposals for the enhanced domestic equity mandates per the terms discussed. Jody Boeding seconded the motion. Motion passed.

Mr. Boettcher proceeded to the real estate investment report and acknowledged Bob Schau for publication of an article in PREA Quarterly.

Mr. Boettcher made a motion that the Board authorize staff to proceed in implementing a \$25 million investment in the Starwood Capital Hospitality Fund I, under the terms discussed. Marjorie Lee Webb seconded the motion. Motion passed.

Jarold Boettcher made a motion that the Board authorize AEW and staff to proceed with the disposition of building # 16 at the Kansas Commerce Center under the terms discussed. Don Steffes seconded the motion. Motion passed.

Jarold Boettcher made a motion that the Board authorize AEW and staff to proceed with the disposition of land at Commerce Plaza I & II under the terms discussed. Jody Boeding seconded the motion. Motion passed.

Jarold Boettcher made a motion that the Board authorize AEW Capital Management to proceed with the analysis and due diligence of the subject property 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. Doug Wolff seconded the motion. Motion passed. 6- yes, 1- no (Steffes)

Death and Disability Fund

The Chairperson recognized Glenn Deck, Executive Director who provided a report on the final provisions of Senate Substitute for House Bill 2037, the KPERs Omnibus Bill, for death and disability funding and plan design recommendations.

Jarold Boettcher made a motion that the modified disability plan design be adopted for KPERs disabilities occurring on or after January 1, 2006, and authorize the Retirement System's Executive Director to negotiate contract amendments resulting from the plan design modifications with Disability Consulting Group. Lynn Jenkins seconded the motion. Motion passed. 6-yes, 1- no (Webb)

Actuarial Services RFP

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reviewed the Actuarial Services agreement with Milliman USA and the timeline for a request for proposal (RFP) process.

Jarold Boettcher made a motion that the Board appoint a Procurement Negotiating Committee consisting of Glenn Deck, Rob Woodard, Leland Breedlove, and Mary Beth Green, for the purpose of developing and advertising a Request for Proposal for actuarial consulting services. A finalist or finalists will be presented to the Board for final selection and approval. Marjorie Lee Webb seconded the motion. Motion passed.

Member Operations

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided the monthly member services operations report including the receipt of July retirement applications, annual statement completion, field services seminars and workshops and responded to questions.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the April 30, 2005 financial statements.

Employer Rate Certifications

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer who provided a report summarizing the actuary's employer rate recommendations.

Jarold Boettcher moved that the Board certify employer contribution rates as specified in the letter dated May 12, 2005, from Pat Beckham, Milliman USA, and the actuary's recommended rates as summarized on the attached report. Marjorie Lee Webb seconded the motion. Motion passed.

Pre-Retirement Seminar and DA Workshop Surveys

The Chairperson recognized Mary Beth Green, Planning and Research Officer. Ms. Green provided a report on the survey results. Overall, the survey responses were very positive and indicated that responding members and employers were satisfied with the pre-retirement seminars and the DA workshops.

Review of Initial Order

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

Jarold Boettcher 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. 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 William Sheldon.

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 William Sheldon. Don Steffes seconded the motion. Motion passed.

Old Business

There was no old business.

New Business

Glenn Deck announced the July Board meeting date is July 15th and the Audit, Personnel and Investment Committees will meet on July 14th and 15th.

Marjorie Lee Webb stated that she enjoyed her service on the Board of Trustees and expressed her wish that the Board continue to focus on serving the members of the Retirement System.

The meeting adjourned at 11:00 a.m.