

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

July 15, 2005

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
- Doug Wolff

Organization of the Board

Laurie McKinnon, General Counsel administered the Oath of Office to all Board of Trustee members.

Jarold Boettcher made a motion to nominate Michael Braude as Board Chairperson for fiscal year 2006. Bruce Burditt seconded the motion. Motion passed.

Mr. Braude appointed Jody Boeding as Vice Chairperson.

Jody Boeding moved that the Board adopt the revised draft Fiscal Year 2006 meeting schedule. Rachel Lipman Reiber seconded the motion. Motion passed.

Declaration of Appreciation

Duane Anstine made a motion that Resolutions of Appreciation for Don Steffes and Marjorie Lee Webb be approved. Lon Pishny seconded the motion. Motion passed.

Outstanding Service Award

The Chairperson recognized Andrea Davenport as the Outstanding Service Award recipient for the second period of 2005.

Public Comment

There were no public comments.

Approval of Minutes

It was moved by Jody Boeding and seconded by Rachel Lipman Reiber that the minutes of the meeting of May 20, 2005 be approved as submitted. Motion passed.

Executive Director's Report

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck briefly discussed the transition to the current Board of Trustees and major duties of the Board.

Mr. Deck provided a summary report on current issues, including: the status of the KITS project, RFP deadline for actuarial consulting services and updating the strategic business plan. Mr. Deck distributed a copy of the new KP&F membership guide.

Investment Operations

The Chairperson recognized Rob Woodard, Chief Investment Officer. Mr. Woodard announced that effective April 1, 2005, the alternative investment and non-core real estate benchmark returns had been restated to reflect a change in the methodology of aging new investments. In addition, Mr. Woodard reviewed recent personnel announcements from two of the System's investment managers, and announced that in September a comprehensive review of the investment strategy for the Treasurer's Unclaimed Property Fund would be presented to the Investment Committee.

Mr. Woodard reviewed the May 31, 2005 Performance Report. He reported that the Retirement System had a total return of 8.8 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 through June and July.

Investment Committee Report

The Chairperson recognized Jarold Boettcher Chairperson of the Investment Committee. Mr. Boettcher provided a report on the Committee meeting of July 14, 2005. Rob Woodard, Chief Investment Officer reviewed the international equity manager selection process.

Mr. Boettcher made a motion that the Board direct the Procurement Negotiating Committee to engage Acadian Asset Management and Alliance/Bernstein Institutional Management, subject to successful negotiations, to provide international equity management services to the System, per the terms and under the conditions discussed. Jody Boeding seconded the motion. Motion passed.

Mr. Boettcher made a motion that the Board authorize staff and AEW Capital Management and affiliates to implement the FY 2006 real estate separate account asset management plans as discussed. Bruce Burditt seconded the motion. Motion passed.

Mr. Boettcher made a motion that the Board authorize staff to proceed in implementing a \$25 million investment in the Aetos Capital Asia Fund II, under the terms discussed. Jody Boeding seconded the motion. Motion passed.

Rob Woodard summarized the portable alpha strategy recommendation and responded to Board questions.

Mr. Boettcher made a motion that the Board direct staff to implement the portable alpha strategy (utilizing the Nomura portfolio) per the terms discussed. Lon Pishny seconded the motion. Motion passed.

Personnel Committee Report

The Chairperson recognized Doug Wolff, Chairperson of the Personnel Committee. Mr. Wolff provided a report of the Committee meeting held on July 14th.

Doug Wolff made a motion that the Board adopt the Personnel Committee's recommendations for FY 2006 salary increases and expense payments for the Retirement System's unclassified personnel. Duane Anstine seconded the motion. Motion passed.

Retirement System Operations

The Chairperson recognized Renae Forque, Assistant Member Services Officer. Ms. Forque provided the July operations report including the status of the 1,400 July retirements being processed, field services representation at the Judge's conference, continued participation in the KITS project and implementation of 2005 legislation.

Monthly Financial Report

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

KP&F Affiliation for Fire Marshal's Office Investigators

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer, who summarized the legislation.

Rachel Lipman Reiber moved that the Board approve the 2005 affiliation of the Office of the State Fire Marshal to the Kansas Police and Firemen's Retirement System. Jody Boeding seconded the motion. Motion passed.

Optional Group Life Affiliations

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer, who summarized the Optional Group Life Insurance 2005 affiliation list.

Jody Boeding moved that the Board approve the Optional Group Life Insurance affiliation of entities list for July 1, 2005. Lon Pishny seconded the motion. Motion passed.

Audit Committee Report

The Chairperson recognized Bruce Burditt, Chairperson of the Audit Committee. Mr. Burditt provided a report of the Committee meeting held on July 15th.

Appointment of Hearing Officer

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for administrative appeals of Cindy Meyer and Anthony Kotich.

Jody Boeding 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 Cindy Meyer and Anthony Kotich. Lon Pishny seconded the motion. Motion passed.

Actuarial Valuation Report

The Chairperson recognized Pat Beckham, Milliman Inc. Ms. Beckham made a presentation on actuarial basics and presented the December 31, 2004 Actuarial Valuation Report.

Lynn Jenkins left the meeting at 11:55 a.m.

Jody Boeding made a motion that the Board approve the December 31, 2004 Actuarial Valuation Report. Bruce Burditt seconded the motion. Motion passed.

Old Business

There was no old business.

New Business

The meeting adjourned at 12:05 p.m.