

## **MINUTES**

### **KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES**

July 21, 2006

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 Jody Boeding as Board Chairperson for Fiscal Year 2007. Bruce Burditt seconded the motion. Motion passed.

Ms. Boeding appointed Doug Wolff as Vice Chairperson.

Rachael Lipman Reiber moved that the Board adopt the proposed Fiscal Year 2007 meeting schedule. Duane Anstine seconded the motion. Motion passed.

#### **Outstanding Service Award**

The Chairperson recognized Casey Kidder as the Outstanding Service Award recipient for the second period of 2006.

#### **Public Comment**

There were no public comments.

#### **Approval of Minutes**

It was moved by Doug Wolff and seconded by Lynn Jenkins that the minutes of the May 19, 2006 and June 21, 2006 meetings be approved as submitted. Motion passed.

## **Executive Director's Report**

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck provided a summary report on current issues, including: the status of the KITS project, the upcoming Joint Committee on Pensions, Investments and Benefits meeting and new KPERS publications on the Strategic Plan and Strategic Progress. Mr. Deck responded to questions.

## **Investment Operations**

The Chairperson recognized Vince Smith, Chief Investment Officer. Mr. Smith reviewed the May 31, 2006 Performance Report. He reported that the Retirement System had a total return of 11.6 percent (not annualized) for the fiscal year-to-date and 4.0 percent for the calendar year to date. Mr. Smith also reviewed preliminary investment performance through June and responded to questions.

## **Investment Committee Report**

The Chairperson recognized Jarold Boettcher Chairperson of the Investment Committee. Mr. Boettcher provided a report on the Committee meeting of July 20, 2006.

Mr. Boettcher made a motion that the Board begin the RFP process to investigate whether KPERS should expand its Alternative Investment program, and establish a Procurement Negotiating Committee consisting of Glenn Deck, Vince Smith and Bob Schau. Michael Braude seconded the motion. Motion passed.

Mr. Boettcher made a motion that the Board authorize staff and AEW Capital Management, L.P. 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. Duane Anstine seconded the motion. Motion passed.

Mr. Boettcher made a motion that the Board authorize staff and AEW Capital Management, L.P. to proceed with the disposition of 1726 M Street in Washington DC, under the terms discussed. Rachael Lipman Reiber seconded the motion. Motion passed.

Mr. Boettcher made a motion that the Board authorize staff and AEW Capital Management, L.P. to implement the FY 2007 asset management plans for the period through September 30, 2006, as discussed. Rachael Lipman Reiber seconded the motion. Motion passed.

Mr. Boettcher made a motion that the Board waive the diversification limit in the Nomura-managed portfolio as defined in Section 8, part A(1)(Diversification) of the Investment Policy for the instance described. Bruce Burditt 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 20<sup>th</sup>.

### **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 21<sup>st</sup>.

Doug Wolff made a motion that the Board approve the recommended FY 2007 salary increases for unclassified personnel. Duane Anstine seconded the motion. Motion passed.

### **Retirement System Operations**

The Chairperson recognized Judy Lambert, Member Services Officer. Ms. Lambert provided the July operations report including information that pension inceptions were up 11 percent for the fiscal year following a 15 percent increase in the preceding year.

### **Monthly Financial Report**

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

### **Employer Affiliations**

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer, who summarized the employer affiliations for Optional Group Life Insurance, several school consolidations and the legislation that authorizes the Kansas Commission on Peace Officers' Standards and Training to make application for KP&F.

Doug Wolff moved that the Board approve the 2006 affiliation of entities list. Jerry Boettcher seconded the motion. Motion passed.

### **Board Governance Manual Update**

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon provided a report on additional or revised policy recommendations made after an internal audit of board statutory compliance. Ms. McKinnon reviewed the recommendations and responded to questions. Staff will revise the proposed amendments based on the Board discussion and bring the item back to the Board at the September Board meeting for further consideration.

### **Appointment of Hearing Officer**

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the request for administrative appeal of Katherine Breen.

Doug Wolff 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 Kathleen Breen. Lon Pishny seconded the motion. Motion passed.

### **William Sheldon Appeal**

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the Board's options for the Motion for Reconsideration in the William Sheldon appeal.

Rachel Lipman Reiber made a motion that the Board deny William Sheldon's Motion for Reconsideration of the Board's Final Order affirming KPERS denial of Mr. Sheldon's disability application. Michael Braude seconded the motion. Motion passed.

### **Actuarial Valuation Report**

The Chairperson recognized Pat Beckham, Milliman Inc. Ms. Beckham made a presentation on the December 31, 2005 Actuarial Valuation Report and responded to questions.

Doug Wolff made a motion that the Board approve the December 31, 2005 Actuarial Valuation Report and adopt the actuary's recommended change to the Judges retirement age assumption. Duane Anstine seconded the motion. Motion passed.

### **Retirement Plan Design Review**

The Chairperson recognized Glenn Deck, Executive Director who made a presentation entitled "Retirement Plan Design Review". Mr. Deck was assisted by the System's actuary Pat Beckham of Milliman, Inc. Mr. Deck and Ms. Beckham responded to Board questions.

### **Old Business**

There was no old business.

### **New Business**

There was no new business.

### **Board Evaluation**

The Board briefly discussed the meeting and status of several Board matters. There were no follow-up actions for staff.

The meeting adjourned at 2:00 p.m.