

MINUTES

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

November 21, 2008

The meeting was called to order by Chairperson Lon Pishny at 9:32 a.m. in the Retirement System Boardroom, Topeka, Kansas.

Board members present: Lon Pishny, Chairperson
 Duane Anstine
 Jody Boeding
 Michael Braude
 John Edmonds (by phone)
 Tammy Edwards
 Rachel Lipman Reiber
 Doug Wolff

Public Comment

There were no public comments.

Outstanding Service Award

The Chairperson recognized Amy Whitmer as the Outstanding Service Award recipient for the fourth period of 2008.

Approval of Minutes

It was moved by Doug Wolff and seconded by Michael Braude that the minutes of the September 18, 2008, and October 16 & 17, 2008, 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 the upcoming Joint Committee meeting topics preview and various service and technology accomplishments. Mr. Deck also reported that due to the Joint Committee schedule and current investment markets he recommended delaying the legislative proposal on alternative investments to the 2009 interim.

Retirement System Operations

The Chairperson recognized Mary Beth Green, Member Services Officer. Ms. Green provided the September and October operations report. Ms. Green reviewed member service performance, the results of customer service surveys, and responded to questions.

Monthly Financial Report

The Chairperson recognized Leland Breedlove, Chief Fiscal Officer. Mr. Breedlove reviewed the preliminary October 31, 2008 financial statements and responded to questions.

Investment Operations

The Chairperson recognized Robert “Vince” Smith, Chief Investment Officer. Mr. Smith reviewed the September 30, 2008 Performance Report. He reported that the Retirement System had a total return of -10.3 percent (not annualized) for the fiscal year-to-date and -15.8 percent for the calendar year-to-date and responded to questions.

Mr. Smith reported that the Treasurer’s Unclaimed Property Fund required rebalancing as a result of the moves in the equity markets. Staff expects to execute the rebalancing prior to the next Board meeting. Mr. Smith reported that a security in the System’s securities portfolio has defaulted. Staff is monitoring the situation and will update the Trustees on the status at the next meeting.

Asset/Liability Implementation Update

The Chairperson recognized Robert “Vince” Smith, Chief Investment Officer. Mr. Smith updated the Trustees on implementation efforts to date and responded to questions.

Investment Committee Report

The Chairperson recognized Michael Braude, Chairperson of the Investment Committee. Mr. Braude provided a report on the Investment Committee meeting of November 20, 2008.

Michael Braude made a motion that the Board authorize a commitment up to \$20 million to Pine Brook Partners. L.P. and authorize staff to proceed with the investment as described, pending satisfactory and final review of partnership documents. Doug Wolff seconded the motion. Motion passed 7-1 (Edmonds-no).

Michael Braude made a motion that the Board authorize a commitment up to \$25 million to Square Mile Partners Fund III and to authorize staff to proceed with the investment as described, pending satisfactory and final review of partnership documents. Doug Wolff seconded the motion. Motion passed 7-1 (Edmonds-no).

Michael Braude made a motion that the Board authorize staff to direct KPERS’ separate account investment managers currently holding securities on the KPERS Active Business Operations Meeting Divestment Criteria List to 1) search for substitute securities to replace those holdings with and 2) if a suitable replacement security is found to replace the holding or if a replacement cannot be found to liquidate the holdings by no later than June 30, 2009. Jody Boeding seconded the motion. Motion passed.

Michael Braude made a motion that the Board authorize a search for a qualified Core Plus Fixed Income manager under the terms discussed. Doug Wolff seconded the motion. Motion passed.

Michael Braude made a motion that the Board authorize a search for up to 3 managers to actively manage the REIT allocation. Doug Wolff seconded the motion. Motion passed.

Michael Braude made a motion that the Board authorize staff to utilize State Street, Credit Suisse, Barclays Global Investors and/or Russell Investments for future transition management assignments. Tammy Edwards seconded the motion. Motion passed.

Deferred Compensation Committee Report

The Chairperson recognized Rachel Lipman Reiber, Chairperson of the Deferred Compensation Committee. Ms. Lipman Reiber provided a report of the Committee meeting of November 20, 2008.

Rachel Lipman Reiber made a motion that the Board direct staff to work with Segal Advisors to 1) review the fourth quarter performance of the ING VP Intermediate Bond Fund and the Fidelity VIP Contrafund; and 2) if the fourth quarter performance indicators for those two funds are consistent with their third-quarter indicators, perform a formal investment option review as provided by the Plan's Investment Policy and fund search for possible alternative investment options. Jody Boeding seconded the motion. Motion passed

Rachel Lipman Reiber made a motion that the Board accept the recommendation of ING to reduce the annualized overperformance target used in the Stabilizer crediting rate formula from 1.25% to .75% in response to current market conditions. The .75% overperformance target will remain in effect until the Board approves a further revision. Michael Braude seconded the motion. Motion passed.

Audit Committee Report

The Chairperson recognized John Edmonds, Chairperson of the Audit Committee. Mr. Edmonds provided a report of the Committee meeting of November 21, 2008.

Review of Initial Order

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the Board's options for taking action on the initial order in the Craig Bailey appeal.

Doug Wolff made a motion that the Board adopt the Presiding Officer's Initial Order for the Craig Bailey appeal 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. Tammy Edwards seconded the motion. Motion passed.

Long-Term Retirement Funding Presentation

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck reviewed the long-term funding presentation for the next Joint Committee on December 2nd and responded to questions.

Death and Disability Funding

The Chairperson recognized Glenn Deck, Executive Director. Mr. Deck made a presentation on Death and Disability Funding and responded to questions.

Member Portal Demonstration

This item was deferred to the January 2009 Board meeting.

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. Staff was directed to follow-up on PCA's attendance at the Board meeting and was given feedback on Board and Committee presentations.

The meeting adjourned at 12:30 p.m.