

## **MINUTES**

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

**November 18, 2011**

The meeting was chaired by Chairperson Ron Hagen and called to order at 10:00 a.m. on November 18, 2011, in the Retirement System Boardroom, Topeka, Kansas.

Board members present:

- Ron Hagen, Chairperson
- Michael Braude
- Ron Estes
- Chris Long (by phone)
- Terry Matlack
- Doug Mays
- Lon Pishny
- Gary Price

Mr. Hagen welcomed all participants.

Ron Hagen announced Michael Braude was retiring from the KPERS Board of Trustees effective November 18, 2011, and thanked Mr. Braude for his service to KPERS.

#### **Public Comment**

There was no public comment.

#### **Outstanding Service Award Presentation**

The Chairperson recognized Shawn Nix as the Outstanding Service Award recipient for the months of December 2011 through March 2012.

#### **Consent Agenda**

The Consent Agenda included: the Minutes of the September 16, 2011, the Minutes of the October 20-21, 2011 meeting, the Appointment of a Hearing Officer for the Ric Sibling Appeal and the Minnesota Life Contract Extension.

Lon Pishny moved that the Board of Trustees adopt the Consent Agenda. Michael Braude seconded the motion. Motion passed.

## **Executive Director's Report**

The Chairperson recognized Elizabeth Miller, Acting Executive Director. Ms. Miller reviewed the items given to the trustees. Ms. Miller reported on the KPERS Study Commission meetings held October 25-26, 2011 and November 7-8. The next meeting will be December 7 & 8 and will include reports from KPERS' actuary. The Joint Committee on Pensions, Investments and Benefits meeting will be November 21. Ms. Miller provided a summary of today's meeting topics and responded to questions.

## **Investment Operations**

The Chairperson recognized Elizabeth Miller, Acting Executive Director. Ms. Miller reviewed the September 30, 2011 Performance Report. She reported that the Retirement System had a total return of -10.3 percent (not annualized) for the fiscal year and -5.1 percent (not annualized) for the calendar year-to-date and responded to questions. Brian King, Public Equity Investment Officer reported on the equity market portfolios and performance and Julie Smith, Fixed Income Officer reported on the fixed income portfolios and performance.

## **Investment Market Risk Metrics Report**

The Chairperson recognized John Burns of Pension Consulting Alliance. Mr. Burns reviewed PCA's Investment Market Risk Metrics Report and responded to questions.

## **Legislative Agenda**

The Chairperson recognized Elizabeth Miller, Acting Executive Director. Ms. Miller reviewed the draft legislation on alternative investment restrictions and responded to questions.

Representative Steven Johnson, who was in attendance, commented on the alternative investment legislation, in answer to a question from the Board.

Lon Pishny moved that the Board of Trustees authorize staff to present the draft statutory revisions to raise the one percent restriction on net new commitments from 1% to 5% in the alternative investment statute to the Joint Committee of Pensions, Investments and Benefits for consideration in the 2012 Legislative session. Terry Matlack seconded the motion. The motion passed.

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the proposed technical amendments and responded to questions.

Lon Pishny moved that the Board of Trustees authorize staff to present the proposed draft amendments to the Joint Committee on Pensions, Investments and Benefits for consideration in the 2012 Legislative session. Michael Braude seconded the motion. The motion passed.

## **Investment Committee Report**

The Chairperson recognized Terry Matlack, Chairperson of the Investment Committee. Mr. Matlack provided a report on the Committee meeting of November 17, 2011.

Terry Matlack made the following motion:

The Board of Trustees authorize the following fixed income asset allocation as a percent of fixed income's total market value:

- PIMCO Core Plus 31.8%
- MacKay Shields 26.6%
- T Rowe Price 26.6%
- Loomis Sayles 5.0%
- Western Asset Mgmt 5.0%
- PIMCO Diversified Income 5.0%

The Board of Trustees authorize a commitment up to \$20 million to the Platinum Equity Capital Partners Fund III and authorize staff to proceed with the investment as described pending satisfactory and final review of partnership documents.

The Board of Trustees authorize a commitment up to \$70 million to the Jamestown Premier Property Fund and authorize staff to proceed with the investment as described pending satisfactory and final review of fund documents.

The Board of Trustees authorize an additional commitment of up to \$30 million to the LaSalle Property Fund contingent on the successful completion of the rollover of the AEW separate account and authorize staff to proceed with the investment as described pending satisfactory and final review of fund documents.

Ron Estes seconded the motion. The motion passed.

## **Audit Committee Report**

The Chairperson recognized Michael Braude, Chairperson of the Audit Committee. Mr. Braude provided a report on the Committee meeting of Friday, November 18, 2011.

Michael Braude moved that the Audit Committee recommend to the full Board of Trustees that it approve staff's recommended revisions along with the Committee's recommended revisions to the Board Policy Manual. Terry Matlack seconded. Motion passed.

Due to Michael Braude retiring from the Board of Trustees, Ron Hagen, Chairperson, appointed Doug Mays to be the Chairperson of the Audit Committee.

## **Deferred Compensation Plan Committee Report**

The Chairperson recognized Lon Pishny, Chairperson of the Deferred Compensation Plan Committee. Mr. Pishny provided a report on the Committee meeting of November 17, 2011.

Lon Pishny moved that the Board of Trustees authorize the Acting Executive Director and Plan Manager to work with ING to execute such contractual amendments as necessary to adopt the ING Intermediate Aggregate Stable Value Fund Strategy for the Kansas Stable Value Fund Separate Account. Doug Mays seconded the motion. The motion passed.

Lon Pishny moved that the Board of Trustees authorize the Acting Executive Director and Plan Manager to negotiate a contract for deferred compensation plan consulting services with Arnerich Massena, Inc. as discussed. Terry Matlack seconded the motion. The motion passed.

### **Personnel Committee Report**

The Chairperson recognized Gary Price, Chairperson of the Personnel Committee. Mr. Price provided a report on the Committee meeting of November 17, 2011.

### **Retirement System Operations**

The Chairperson recognized Mary Beth Green, Member Services Officer. Ms. Green reviewed the Member Services' performance report with information regarding the state's Voluntary Retirement Incentive Program. Ms. Green also reported the Fall Designated Agents workshops will be finishing December 6, 2011 and responded to questions.

### **Monthly Financial Report**

The Chairperson recognized Diana Komarek, Chief Fiscal Officer. Ms. Komarek reviewed the October 31, 2011 financial statements and responded to questions.

Chris Long left the meeting at 11:15 a.m.

### **Review of Initial Order**

The Chairperson recognized Laurie McKinnon, General Counsel. Ms. McKinnon reviewed the Initial Order in the James Wolfe appeal and responded to questions.

Lon Pishny moved that the Board of Trustees adopt the Presiding Officer's Initial Order for the James Wolfe appeal and direct the Acting Executive Director to draft the Final Order containing the Board's decision. The Final Order is to be signed by the Chairperson and served on the parties by the Acting Executive Director in accordance with the provisions of the Kansas Administrative Procedure Act. Gary Price seconded the motion. Motion passed.

### **Informational Items**

The Chairperson called the Board's attention to the informational items in the Board book.

### **Board Self-Evaluation**

The Board briefly discussed the meeting and status of several Board matters.

Meeting adjourned at 11:40 a.m.