



**COLORADO
PERA**
Record of Proceedings

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
BOARD MEETING MINUTES
January 17, 2003**

Trustees Present: J. Kim Natale, Board Chair, James Casebolt, Vice Chair, Mark Anderson, Edward Bohac, Donna Bottenberg, Terry Campbell, Mike Coffman, F. Elizabeth Friot, Patricia Kelly, Richard Lansford, Amy Nichols, Scott Noller, Gloria Santistevan-Feedback.

Trustees Absent: Julie Coleman, Joanne Hill. (There is one vacant seat.)

Staff Present: Ron Baker, Norman Benedict, Steve Brown, Lana Calhoun, Kevin Carpenter, Jake Fennell, Rob Gray, Karl Greve, Bill Koski, David Maurek, Jennifer Schreck, Greg Smith, Jane Stanfield, John Spielman, Meredith Williams.

Approval of Agenda

The agenda was approved with no additions. The Chair announced that PERA had again been awarded the Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report by the Government Finance Officers Association. The Certificate of Achievement is the highest form of recognition in the area of public employee retirement plan accounting and financial reporting, and its attainment represents a significant accomplishment.

PERA's 2001 annual report has been judged by an impartial panel to meet the high standards of the program, including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story...."

This represents the 17th consecutive year that PERA's annual report has been so honored. The annual report represents the output of the entire PERA operation and staff. The Chair recognized Karl Greve, PERA's Director of Accounting, and Katie Kaufmanis, PERA's Director of Communications, and their staffs for their role in leading the PERA accountability effort.



Approval of November 15, 2002 Board Meeting Minutes

The November 15, 2002 Board Meeting Minutes were approved with the addition of Trustee Bohac's reason for voting against the purchase service credit rate change.

Public Comment

Former Trustee Gary Kasson provided the Board with a letter stating his desire to be reappointed to his Board seat if he should secure employment with a State Division employer before the next Trustee election.

There was no public comment.

Economic Overview

Dr. Allen Sinai, Chief Global Executive and President, Decision Economics, Inc., was introduced by Norm Benedict, PERA Deputy Executive Director of Investments. Dr. Sinai gave his annual economic presentation to the Board and responded to questions.

Fiduciary Workshop

Greg Smith, PERA General Counsel, led the required annual fiduciary workshop. He was assisted by Constance M. Hiatt, Partner, Hanson Bridgett Marcus Vlahos Rudy, LLP.

Strategic Planning Items

Cash Management Program Initiative

Karl Greve, PERA Director of Accounting and Strategic Initiative Chair, and Bill Koski, Director of Fixed Income, were available for questions from the Board on the Cash Management Report that was distributed and presented in November 2002.



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Jim Casebolt moved that the Board approve the Short-Term Investment Policy as presented in the Cash Management Strategic Initiative Report. The motion was seconded by Mark Anderson and passed.

Technology Policy Initiative

Kevin Carpenter, PERA ISD Manager, and Ron Baker, PERA ISD Manager, the Chairs of the Technology Policy Initiative, presented the final report of the strategic plan for Information Technology. After the presentation they responded to questions. This item was for Board information and will appear as an action item on the February agenda.

Monthly Reports

Executive Committee Report

James Casebolt reported that the Executive Committee met earlier in the day and approved the November 15, 2002 Executive Committee minutes, reviewed the November 30, 2002 Unaudited Financial Statements, the November 30, 2002 Budget Reports, and the current status of the strategic initiatives. The Committee also reviewed the status of the 2003 Board Elections. The Committee reviewed the agenda for the January meeting.

Executive Director Report

Meredith Williams, PERA Executive Director, commented on the day's meeting, reviewed recent activities and responded to Trustee's questions. He reviewed statistics on membership and the financial status of the fund. He noted that the Colorado Investment Report contained in Trustees' folders was a revision of the former Colorado Report and had been sent to Legislators. Other items contained within the folders included presentations made to the House and Senate Finance Committees and at the Ambassador training sessions. He also stated that the process of screening applications for the Deputy Executive Director of Investments position was underway. Deputy Treasurer Ben Stein requested staff to track and report to the Board monthly on the purchase of service credit in 2003.

Market and Portfolio Update

Norm Benedict, Deputy Executive Director of Investments, provided a market and portfolio review and responded to Trustees' questions. He



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stated that the transition out of equities and into fixed income was occurring with positions being reduced in the Small Cap and S&P 500 portfolios. He said that staff had rebalanced the S&P 400, 500 and 600 portfolios in December. Additions were also made to the mortgage and emerging markets sectors of the Fixed Income portfolio. Staff is working with Mercer to move the high yield section of the Fixed Income portfolio (\$180 million) to an external manager.

Legislative Report

Rob Gray, Director of Government Relations, reviewed the status of Senate Bills 98 and 101. He discussed a proposed amendment to SB 98 that would allow for an exemption to the 10-year purchase limit for new affiliates. The Board agreed that the amendment should allow a window of three years from affiliation date for new affiliates, or three years from the date of the signing of the bill for current affiliates. Hearings on both SB 98 and 101 are scheduled for January 28 in the Senate Finance Committee.

Mr. Gray noted that the early retirement incentives proposed by the Governor would cost PERA an estimated \$210 million. Chair Natale stated that the purchase of non-covered service credit should be allowed only at full actuarial cost plus a contribution to the Health Care Trust Fund.

Mr. Gray discussed the sunset of the critical shortage provision for classified school employees on June 30 of this year. The Board was in agreement that this provision should sunset. Mr. Gray said that the bill to allow the affiliation of the Denver Public Schools had not yet been introduced.

General Counsel Update

Greg Smith, PERA General Counsel, reviewed activities and issues involving the Legal Department. He introduced the new staff attorney Jennifer Schreck. He updated the Board on the recent Council of Institutional Investors meeting. He also stated that he was working on the development of a new rule that would prevent the manipulation of highest average salary through the use of accumulated leave. The draft rule would be forwarded to the Benefits Committee.

Under Colorado Revised Statutes § 24-6-402(3)(b), the Board went into executive session. The Board voted unanimously to go into closed executive session. In addition to the Trustees and the General Counsel, the Executive Director, the three Deputy Executive Directors, and the directors of Communication and Government Relations, and the Manager of Strategy and Innovation participated in the closed session.



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"By my signature below, I certify that the only issues discussed by the members of the Board during the closed executive session were pending and threatened litigation involving PERA," Board Chair Kim Natale.

J. Kim Natale, Chair

Proxy Policy Approval

Mark Anderson, Chair of the Shareholder Responsibility Committee, presented this item. This policy was originally presented at the November 2002 meeting.

Ed Bohac moved that the Board adopt the proposed amendments to the PERA Shareholder Responsibility Committee Proxy Policy as distributed. Terry Campbell seconded the motion, which passed.

Board of Trustees Vacancy

Greg Smith, PERA General Counsel reviewed the status of the Board seat previously held by Gary Kasson. Donna Bottenberg moved that the seat remain vacant until the May election. Gloria Santisteven-Feedback seconded the motion that passed.

Board Meeting Schedule Publication

Greg Smith, PERA General Counsel, explained the statutory requirement for posting all PERA Board and Committee meetings.

Amy Nichols moved that all notice of public meetings of the PERA Board of Trustees or Committees of the Board be publicly posted in the entrance lobby of the PERA building at 1300 Logan Street, Denver, Colorado, and on the PERA Web site in accordance with Section 24-6-402(2)c C.R.S. Gloria Santistevan-Feedback seconded the motion, which passed.

Board Evaluation Sub-Committee Report

The Chair reviewed the responses to the Board Self-Evaluation. Recommendations of the Subcommittee include the following:



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- Hold a fiduciary workshop annually
- Hold a workshop to assist Board members in understanding PERA's system of internal controls
- Continue to improve investment reporting to the Board
- Continue to develop succession planning efforts for both staff and trustees
- Priorities for 2003 are investment risk management, planning, board information and reporting, executive director evaluation, and succession planning.

Other Business

It was noted that a presentation on investing and terrorism would be presented to the Investment Committee in February.

Trustee Bohac requested that mailings that are sent to active members be sent to Retiree Trustees' homes as well.

Board Meeting Dates for 2003

February (20), 21
March 21
April (17), 18
May 16
July 16 – 18 (Annual Retreat)
September (18), 19
October 17
November (20), 21

With no further business to discuss, Chair Kim Natale adjourned the meeting at 4:45 p.m.

Respectfully submitted by

Katie Kaufmanis
Director of Communications



J. Kim Natale, Chair

Meredith Williams, Executive Director