



**COLORADO  
PERA**  
*Record of Proceedings*

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION  
BOARD MEETING MINUTES  
February 21, 2003**

***Trustees Present:*** J. Kim Natale, Board Chair, James Casebolt, Vice Chair, Mark Anderson, Edward Bohac, Donna Bottenberg, Terry Campbell, Julie Coleman, F. Elizabeth Friot, Joanne Hill, Richard Lansford, Amy Nichols, Scott Noller, Gloria Santistevan-Feedback. Patricia Kelly and Mike Coffman joined the meeting in progress. (There is one vacant seat.)

***Staff Present:*** Diane Ahonen, Ron Baker, Norman Benedict, Steve Brown, Lana Calhoun, Kevin Carpenter, Dennis Gatlin, Rob Gray, Karl Greve, Paula Gurley, Bill Koski, David Maurek, Julie Saad, Jennifer Schreck, Greg Smith, Jane Stanfield, John Spielman, Wendy Tenzyk, Meredith Williams.

**Approval of Agenda**

The agenda was approved with the addition of a meeting of the Ad Hoc Committee on the Deputy Executive Director of Investments Search at the end of the scheduled meeting and a discussion of the 110-Day Rule as it applies to the replacement of members called to active duty under Other Business.

The Chair recognized Diane Ahonen, Pointe Team Leader, Benefit Services, Dennis Gatlin, Field Education Manager, Communications, and Julie Saad, Team Leader, Insurance Division, and noted that they had recently graduated from the University of Denver Executive Leadership Program. This course is an intensive and detailed 4-month training program that is designed to put into practice the Daniel's School of Business philosophy and is designed to develop leadership skills of high-potential employees.

The Chair also routed a thank you card to the Board from Julie Coleman and a letter to Trustees thanking them for attending the January retiree meeting in Arizona.



**Approval of January 17, 2003 Board Meeting Minutes**

The January 17, 2003 Board Meeting Minutes were approved as written.

**Public Comment**

There was no public comment.

**Member Appeal**

A. Sharon P. Stone, wife of Charles J. Stone, Deceased

The Board proceeded to hear an administrative appeal by Sharon P. Stone, wife of deceased member Charles J. Stone. In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Board members who had any previous involvement in Ms. Stone's appeal left the meeting. Trustees Edward Bohac, Richard Lansford, and Gloria Santistevan-Feedback were not present for the appeal hearing. Additionally, Executive Director Meredith Williams did not participate and Vice Chair James Casebolt recused himself from the hearing.

Board member Patricia Kelly was absent from the meeting. Trustee Coffman joined the meeting during Ms. Stone's testimony.

Sharon Stone addressed the Board for nine minutes. Then Luis A. Toro, of the law firm of Senn Lewis & Visciano, presented the PERA position and responded to Ms. Stone. At the conclusion of Mr. Toro's comments, the Board voted to go into executive session with its counsel, Greg Smith, to consider the respective positions, evidence in the existing record and deliberate with regard to the final Board action to be taken on Ms. Stone's appeal.

At the conclusion of the Executive Session, Mark Anderson moved that the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Stone's request to change the option under which Mr. Stone's retirement benefits are being paid. The motion was seconded by Terry Campbell and passed. Only those Trustees involved in the deliberation process voted.

"By my signature below, I certify that the only issues discussed by the members of the Board during the closed executive session were related to the Administrative Review Appeal of Sharon Stone."



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J. Kim Natale, Chair

Trustee Patricia Kelly joined the meeting at 9:40 a.m.

### **Monthly Reports**

#### **Executive Committee Report**

James Casebolt reported that the Executive Committee met earlier in the day and approved the January 17, 2003 Executive Committee minutes, reviewed the December 31, 2002 Unaudited Financial Statements, the December 31, 2002 and January 31, 2003 Budget Reports, as well as the status of the strategic initiatives. The Committee also reviewed the progress of the 2003 Board Elections. The Committee reviewed the agenda for the February meeting.

Topics for the 2003 Board Retreat include a follow-up on the strategic planning efforts by Cortex Consulting and a review of the actuarial earnings assumption for the fund.

It was announced that Donna Bottenberg had been selected to attend the annual meeting of the Bank of Ireland.

#### **Executive Director Report**

Meredith Williams, PERA Executive Director, commented on the day's meeting, reviewed recent activities and responded to Trustee's questions. He noted that Rob Gray and he attended the annual Coalition to Preserve Retirement Security (CPRS) meeting in Washington, D.C. Mr. Gray is the treasurer of that organization. They visited the Colorado legislative delegation while in Washington, D.C. Mr. Williams stated that of the 50 states, only three were not experiencing budget shortfalls. This could have impact on the funding of public pension funds both now and in the long term.

Mr. Williams reviewed statistics on membership and the financial status of the fund, including the volume of purchase of service credit requests. He reported that the 10-business day goal of fulfilling member transactions had been severely impacted by federal legislation and the upcoming change in



the cost to purchase service credit. The turnaround time is now 12 weeks. He stated that 20 temporary employees would be hired to work on member transactions effective March 10. A detailed report on this effort will be transmitted to the Board for the March meeting.

Also for the March meeting, staff is preparing a report on the services provided by consultants, length of the relationship and costs incurred for 2002, and a multi-year timeline for taking the relationships out for re-proposal. Mr. Williams said that 96 applications for the Deputy Executive Director of Investments had been received and he briefed the Board on the status of filling the position.

### **Market and Portfolio Update**

Norm Benedict, Deputy Executive Director of Investments, provided a market and portfolio review and responded to Trustees' questions. He stated that Alternative Investments would be investing \$15 million in SunTX Fulcrum Fund and \$15 million in Jefferson Partners Fund IV through the Targeted Opportunities Program. He announced that the International Limited Partners Association meeting would be held in Denver on March 5 and 6. He noted that efforts continue to reduce the internal small cap portfolios and redirect those funds to fixed income.

### **Ad-Hoc Committee Report on Board Meeting Minutes**

Gloria Santistevan-Feedback, Chair of the Ad-Hoc Committee on Board Meeting Minutes, stated that the committee had met and reviewed the Colorado Open Meetings laws and that other minute formats were considered.

Gloria Santistevan-Feedback, chair of the Ad-Hoc Committee on Board Minutes, made the following motion:

"I hereby move that the Board approve the following changes to the section entitled 'Minutes' of the Board Operations Policy on pages 15-5 and 15-6 of the Governance Manual of the PERA Board of Directors as well as three items not found in the Board Governance Manual."

A document outlining the following modifications to the Governance Manual and suggested policy changes was distributed to all Board Members.

Paragraph 46: Modified with the addition of, "*a roll call vote with an opportunity for*" to read: "46) The Executive Director will cause the minutes of all Board meetings to be prepared, recording therein the time and place of each meeting, the names of members present, and the actions of the



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Board giving the ayes and nays upon all votes, except where the action is unanimous, and when requested, *a roll call vote with an opportunity for a member's dissent or approval with reasons*. The Executive Director will cause the minutes to be presented for approval at the next regular Board meeting.”

Paragraph 48: Modified with the addition of, *“briefly summarize discussions and presentations”* to read: “48) Both Board and committee minutes will focus on describing any actions that occurred, *briefly summarize discussions and presentations* and will provide sufficient detail to evidence the Board's due diligence in the matter.”

Paragraph 50: Modified with the addition of, *“after the minutes have been approved by the Board of Trustees”* to read: “50) Board proceedings will be recorded on audiotape. Tapes will be kept for a minimum of 60 days *after the minutes have been approved by the Board of Trustees*, after which time they will be destroyed.”

Addition of the following new section.

*Paragraph 51: “Executive session minutes will be maintained pursuant to the Open Meetings Law, C.R.S. 24-6-401.”*

## **Policies to be adhered to by staff in the preparation of the Board Minutes:**

1. Preparation of the minutes will be handled by the Office of the General Counsel.
2. The language of a motion be typed and displayed on the screen while the motion is under consideration.
3. The format of the minutes accurately reflect all of the topics addressed at the meeting. Further, the contents of the minutes should provide more factual information including the disposition of the discussion (e.g., tabled, more research, motion, etc.).

The following amendments were suggested to the motion:

Item 1 of the proposed policy guidelines: “handled” be replaced by “reviewed and maintained.”

Item 3 of the proposed policy guidelines: the word “more” be deleted.

Trustee Santistevan-Feedback accepted the friendly amendments and the motion, as modified, was seconded by James Casebolt and passed unanimously by the Board of Trustees.

**(Returned to Monthly Reports)**  
**Legislative Report**



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Rob Gray, Director of Government Relations, assisted by Bob Kirscht and Beth Minahan, PERA consultants, reviewed the status of Senate Bill 101. He discussed a proposed amendment to SB 101 that would limit any year-to-year increase in employer contribution rates to 1 percent. The announcement of the new rate for employers would occur in May, unless there are changes in assumptions, so that employers could prepare their budgets was also discussed. The Board was in agreement with these items.

Mr. Gray then reviewed possible amendments to Senate Bill 98 that include a reselection of PERA by State Defined Contribution Plan members. Conditions for allowing these members to transfer into PERA include requiring a lump sum payment to compensate for the late enrollment date, allowing the switch only during the first 30 or 60 days of each new term, making the cost to purchase time in the Defined Contribution plan the full actuarial cost, and requiring a waiting period before any PERA retirement benefits could begin. The Board was in favor of these stipulations. Staff clarified the current proposed limit on purchasing service credit as a 10-year maximum after Oct. 31, 2003, not including reinstatements, regardless of when membership began for the employee.

Senate Bill 233 regarding district attorney retirement was reviewed next. Both the Chair and the Vice Chair stated that membership in PERA should not impact the fund. The Board supported staff's recommendation on this item.

The Board then discussed purchase of service credit earned in a foreign country, a possible amendment to SB 98. The Chair said that the burden of proof to verify foreign service is with the member, and the Vice Chair stated that it is up to staff to accept or deny the documentation. The Chair asked for a show of hands that indicated that nine Trustees were neutral, three favored the item, and two were opposed to this possible amendment.

The Board then discussed Senate Bill 165, the affiliation of Denver Public Schools (DPS) with PERA. Mr. Gray announced that a new bill will be introduced due to the departure of the bill's sponsor, Sen. Tate, from the legislature. Trustee Santistevan-Feedback inquired as to whether or not the addition of DPS would require a change in representation on the Board. Greg Smith, PERA General Counsel, stated that this bill is being sponsored by DPS, and that it was inappropriate for their bill to address the composition of the PERA Board.

The Board recessed for lunch at 12:20 p.m.

At 1:05 p.m., the Board resumed discussion of the Legislative Report. Senate Bill 142, the regulation of pharmacy benefit managers (PBMs) was reviewed. Staff recommended that the Board formally oppose SB 142 and join a coalition that was being formed in opposition. Gloria Santistevan-



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Feedback moved that the Board opposed SB 142. Edward Bohac seconded the motion. It passed with Trustee Julie Coleman abstaining and noting that she wanted to talk with one of the bill's sponsors.

Rob Gray reminded the Board that legislation on the critical shortage of classified school employees is scheduled to sunset on June 30, 2003. He reviewed with the Board the current employers using the exemption. Ben Stein (in the absence of Mike Coffman) made a motion to review this legislation when the critical shortage of teacher's legislation is due for sunset in 2005. The motion died for lack of a second. Ben Stein then made a motion to extend the critical shortage of classified school employees law, including the employer contribution requirement, and allowing retirees who participate to be in the employer's healthcare plan without a subsidy, for all school districts, regardless of size. Scott Noller seconded the motion that passed.

General Counsel Greg Smith briefed the Board on a piece of legislation not yet introduced that is being promoted by the venture capital and private equity community that would provide for confidentiality of PERA records dealing with private equity, venture capital and timber investments.

Questions from the Trustees on legislative items included the proposed pay day shift to July 1 for state employees and proposed early retirement incentives. Under the proposed legislation for the pay day shift, employees would always be paid for June work on July 1. This would not impact retirement, since retirement is based on the last day on the job. Rob Gray said that there had been no activity on the state's part regarding the early retirement incentives.

## **Committee Reports**

### **Audit Committee**

Joanne Hill, Audit Committee Chair, said that the Audit Committee had refined the risk assessment process, reviewed the Board Education Policy and a waiver of education requirements in the Board Governance Manual. The Chair requested that language in items 17 and 18 (on page 24-4) regarding the Education Policy be revised and finalized at the March Board meeting. Patricia Kelly made a motion, and Joanne Hill seconded, to postpone the finalization of the Board Education Policy until the March meeting. Other items discussed at the Audit Committee meeting included the Board self-assessment and the evaluations of the General Counsel and the Director of Internal Audit. Ms. Hill noted that the committee is spending more time on risk assessment and working to identify areas of potential risk.

### **Benefits Committee**



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Donna Bottenberg, Benefits Committee Chair, made a motion to accept the 401(k) Investment Advisory Committee recommendations to:

- Terminate the Morgan Stanley Institutional Mid Cap Portfolio and initiate a search for a new Value Domestic Equity Fund,
- Terminate the Janus Enterprise Fund, and
- Require Northern Trust to drop the use of the Short-Term Extendable Portfolio and use only the Short-Term Investment Fund.

The motion passed.

Trustee Bottenberg also moved to accept the Benefits Committee recommendations to adopt the 401(k) Plan Document changes that were presented to the Committee at its February 20, 2003 meeting. The motion passed.

Trustee Bottenberg also stated that the Benefits Committee considered a policy recommendation regarding the treatment of accrued leave payments for PERA purposes. In order to give Trustees sufficient opportunity to review the policy, no Board action was requested. The Benefits Committee will bring a recommendation for approval to the Board at the March meeting.

### **Investments Committee**

Julie Coleman, Chair of the Investments Committee, reviewed the previous day's meeting. She said that Deutsche Asset Management had reviewed the risk of terrorism in the international portfolios and had concluded that risk of that type was low. Ben Stein inquired as to the Committee's direction after hearing from various entities on the terrorist topic. Mark Anderson stated that the representatives from the international money managers felt that this type of risk was assessed in evaluation the investors do.

The Committee also reviewed draft asset allocation and investment performance report formats. Trustee Coleman noted that staff had recommended, and the Committee had endorsed, investment of \$90 million each in Pareto Partners and Seix Investment Advisors through the outsourcing of the High Yield Fixed Income portfolio.

### **Shareholder Responsibility Committee**

Mark Anderson, Shareholder Responsibility Committee Chair, briefed the Board on the recent Council of Institutional Investors meeting. He stated that the Committee had recommended to staff that the Shareholder Responsibility Committee Charter, the Proxy Voting Policy and the Committee Policy be posted on the PERA Web site.

The Committee reviewed information on the Corporate Library and recommended membership at the \$1,200 per year level. The Legal



Department will be establishing guidelines for assessing literature options in this arena.

### **Strategic Planning Items**

#### **Technology Policy Initiative**

Kevin Carpenter, PERA ISD Manager, and Ron Baker, PERA ISD Manager, the Chairs of the Technology Policy Initiative, were available to respond to questions from the Board. The policy was presented to the Board at the January meeting. Scott Noller made a motion to approve the Technology Strategy Policy. The motion was seconded by Julie Coleman and passed.

### **Board Election Update**

Greg Smith, PERA General Counsel, reviewed activities and issues involving the Board election. He said that many election packets had been taken out but few had been returned. The deadline for nomination petitions to be returned is March 3, 2003.

### **Other Business**

Trustee Bohac brought to the Board a suggested change in policy regarding the 110-day limit for retirees to work after retirement when they are filling a position created by someone called to active military duty. Meredith Williams said that staff would develop language for a legislative change and seek sponsors. Edward Bohac moved, and Richard Lansford seconded, a motion to seek legislation to allow retired members to work over the 110-day limit if they were filling a position vacated by involuntary military mobilization. The Board will review the final draft of this proposal in March. The motion passed.

David Maurek, Manager of Strategy and Innovation, requested Board members to document their attendance at the Real Estate Workshop held the previous day for inclusion in their Board Education file.

### **Board Meeting Dates for 2003**

March 21



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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 2:28 p.m.

Respectfully submitted by

Katie Kaufmanis  
Director of Communications

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J. Kim Natale, Chair

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Meredith Williams, Executive Director