



**COLORADO
PERA**
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**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
BOARD MEETING MINUTES
1300 Logan Street
Denver, CO 80203
September 19, 2003**

Trustees Present: James Casebolt, Board Chair, Mark Anderson, Vice Chair, Sara Alt, Donna Bottenberg, Terry Campbell, F. Elizabeth Friot, Joanne Hill, Patricia Kelly, Richard Lansford, Amy Nichols, Scott Noller, Marcus Pennell, Gloria Santistevan-Feedback, Douglas Windes.

Trustees Absent: (There is one vacant seat.)

Staff Present: Lana Calhoun, Rob Gray, Katie Kaufmanis, Kevin Kester, Amber Malley, Kim Natale, Jennifer Paquette, Greg Smith, John Spielman, Meredith Williams.

James Casebolt, Board Chair, called the meeting to order at 9:00 a.m.

Approval of Agenda

James Casebolt, Board Chair, moved that: "*the Board agenda be approved as published.*" The motion was approved.

Approval of July 18, 2003 Board Meeting Minutes

By motion of Donna Bottenberg and second by Scott Noller, the July 18, 2003 Board Meeting Minutes were approved as published.



Public Comment

James Casebolt, Board Chair, then recognized the guests in attendance and requested that each guest introduce himself or herself and announce whether or not they intended to address the Board. W.D. Al Washburn, PERA retiree, addressed the Board and requested that alternatives other than adjusting the 3 1/2% COLA be considered to improve the current actuarial shortfalls. Mr. Casebolt thanked Mr. Washburn for his comments and expressed the commitment of the Board to uphold their fiduciary duty and act only in the best interest of all members and benefit recipients.

Monthly Reports

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee met earlier in the day and approved the July 16, 2003 Executive Committee minutes, reviewed the July 31, 2003 Unaudited Financial Statements and the August 31, 2003 Budget Reports, and reviewed the agenda for the September Board meeting. Mr. Anderson also updated the Board regarding a meeting held with the Fire and Police Pension Association regarding future communication and interaction between the Associations and relayed a discussion concerning the evaluations of the Board retreat as well as the possibility of rescheduling the retreat (usually held in July) to the fall. Mr. Casebolt then discussed the standing Committee assignments and stated that Donna Bottenberg had volunteered to sit on the Shareholder Responsibility Committee. Mr. Anderson, Board Vice Chair, moved that, *“the standing committees be approved by the Board as published with the addition of Donna Bottenberg on the Shareholder Responsibility Committee.”* The motion was approved.

Mr. Casebolt then presented a proclamation, which was unanimously adopted by the Board, which read as follows,

PROCLAMATION CONCERNING J. KIM NATALE

Whereas, J. Kim Natale has had an exemplary and distinguished 30-year career in public education with the Jefferson County School District, and

Whereas, J. Kim Natale served 17 years as a Trustee on the Board of the Colorado Public Employees' Retirement Association (Colorado PERA), and



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Whereas, J. Kim Natale served as Vice Chair of the Board of Trustees of Colorado PERA from July 1995 through June 1999, and as Chair of the Board of Trustees of Colorado PERA from July 1999 through June 2003, and

Whereas, through Kim's enthusiasm, sincerity, professionalism, personal dedication, fairness, selfless and untiring efforts, he earned the respect, confidence and esteem of members of the Colorado PERA Board, staff and members of public retirement industry organizations, and

Whereas, Kim has served PERA's membership with dignity, vision, loyalty, dedication and integrity, and has provided valuable counsel to the PERA Board and staff, and

Whereas, Kim has been selected as PERA's Deputy Executive Director of Support Services effective August 11, 2003 and therefore was required to leave the Board;

Now, therefore, be it resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognizes and thanks J. Kim Natale for his dedicated and conscientious service to the Board of Colorado PERA, his many contributions and accomplishments during his 17 years serving as a member of the Board of Trustees, and wish him much success in his new position as a member of Colorado PERA staff, and

Resolved that a copy of this Proclamation be placed in the official minutes of the September 19, 2003 PERA Board of Trustees meeting.

Submitted by James Casebolt, Board Chair
Colorado Public Employees' Retirement Association
September 19, 2003

Executive Director Report

Meredith Williams, PERA Executive Director, commented on the day's meeting and recent activities and responded to Trustee's questions.

Mr. Williams then reviewed statistics on membership and the financial status of the fund, and provided updates to the Board regarding current events including the status of the Denver Public School Retirement System merger, the progression of the accounting system conversion, recent member correspondence, activities involving the Legislative Audit Committee, the Council of Institutional Investors meeting, the progress of the 401(k) RFP, legislative developments, and activities occurring with pension systems in other jurisdictions.

Mike Coffman joined the meeting at 10:08 a.m.



Member Appeal

Tonna G. Pallas, former spouse of Wayne A. Pallas

The Board proceeded to hear an administrative appeal presented by Hillary Greer Fike, Legal Counsel for Tonna G. Pallas. In accordance with the requirements of due process pursuant to PERA Rule 2.20, Gloria Santistevan-Feedback, who was previously involved in Ms. Pallas' appeal, left the meeting. Additionally, Executive Director Meredith Williams and Amy Nichols, Trustee, did not participate. James Casebolt, Board Chair, recused himself from the hearing.

Pursuant to C.R.S. § 24-51-213, Petitioner's Counsel requested that the hearing be held in executive session due to the confidential nature of the member information to be presented. In accordance with the authority granted in C.R.S. § 24-6-402(3)(b), the Board voted unanimously to grant Ms. Greer Fike's request and hold the hearing in closed executive session at 10:08 a.m. In addition to the Trustees, Christopher J. W. Forrest, PERA Legal Counsel, Hillary Greer-Fike, Petitioner's Legal Counsel, Greg Smith, General Counsel, Diane Ahonen, PERA Manager of Legal Services, Adam Franklin, PERA Staff Attorney and Amber Malley, Senior Legal Administrative Assistant, remained in the room. Brief summaries of the Petitioner's and PERA staff's positions were provided by the respective Counsel and the matter was submitted to the Board for deliberation. Each Trustee participating in deliberations had before them a complete record of the proceedings including, but not limited to, all relevant communication submitted by either party, the proposed Findings of Fact, Conclusions of Law submitted by each party, the Findings of Fact, Conclusions of Law entered by the panel, and a transcript of the proceedings before the panel. Christopher J. W. Forrest, PERA Counsel, Hillary Greer Fike, Petitioner's Counsel, Diane Ahonen, PERA Manager of Legal Services and Adam Franklin, PERA Staff Attorney, left the room during the Board's deliberations.

At the conclusion of the deliberations, the Board returned from executive session at 10:37 a.m. and Trustee Patricia Kelly moved that, *"based upon the arguments of counsel and a review of the full record, I move to adopt the record in this matter and to deny the appeal to the Board and uphold and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Pallas' request to designate her as an irrevocable option 2 cobeneficiary."* The motion was seconded by Scott Noller and passed.

Only those Trustees who participated in the deliberation process voted. James Casebolt, Amy Nichols, and Gloria Santistevan-Feedback abstained.



"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 Tonna G. Pallas."

Mark Anderson, Board Vice Chair

Monthly Reports (Continued)

Market and Portfolio Update

Jennifer Paquette, Deputy Executive Director of Investments, provided a market and portfolio review and responded to Trustees' questions. Ms. Paquette commented on her staff's continued advancement in aligning PERA's investments with established asset class benchmarks. Ms. Paquette then introduced discussion regarding current media attention to the Janus Funds. After discussion regarding PERA's continued offering of the Janus Funds in the 401(k) plan, Dick Lansford, PERA Trustee, moved that, *"the Investment Advisory Committee be vested with the obligation to meet expeditiously and investigate the propriety of the continuation of Janus in the 401(k) Plan and to make a timely recommendation at or before the October Board meeting"* and direct the *"Investment Advisory Committee notify 401(k) Plan participants via the Investor newsletter and Web site concerning the developments at the Janus Funds."* This motion was seconded by Amy Nichols and passed.

Northern Trust Performance Update

Ravi Gautham, Scott Winkates and Allan Brodie of Northern Trust, provided a total fund review including information regarding PERA's fund performance and an investment risk analysis.

The Board recessed for lunch at 12:40 p.m.

Committee Reports

Benefits Committee Report

At 1:20 p.m., the Board reconvened with a report by Donna Bottenberg, Benefits Committee Chair, wherein she advised the Board that the Committee was in the process of conducting an analysis of PERA life insurance programs. Ms. Bottenberg then informed the Board that the



Committee also reviewed the progress of the 401k vendor selection, the health insurance and prescription drug coverage contracts, that the Committee would be reviewing the continuation of a PERA publication entitled "PERA-MEDIC", and stated that the Customer Service Center continued to exhibit excellence in customer service demonstrated by quicker call response times and a decrease in customer complaints.

Investments Committee Report

Patricia Kelly, Investments Committee Chair, discussed a presentation made to the Committee by the President of Ennis Knupp and updated the Board on activities that the Investment Department continues to be engaged in including their continued activities to achieve compliance with Board directives regarding asset class benchmarks.

Budget and Salary Committee Report

Terry Campbell, Budget and Salary Committee Chair, reported that the Committee reviewed the Trustee education budget and policy. Mr. Campbell then stated that the Committee heard from Kim Natale, PERA Deputy Executive Director of Support Services, regarding the current budgeting process and informed the Board that the Committee would be convening on October 9, 2003 to finalize the proposed budget for dissemination to the Board in preparation for adoption of the 2004 budget at the November Board meeting. Mr. Campbell then discussed the Committee's progress in its review of PERA's executive compensation and evaluation methods and stated that the Committee would keep the Board apprised of its progress with the evaluation process.

Audit Committee Report

Joanne Hill, Audit Committee Chair, informed the Board that the Committee heard comments regarding risks and current issues affecting PERA, requested that the General Counsel conduct an analysis of possible policy conflicts in PERA's Board Governance Manual, and circulated a document prepared by Internal Audit which further explains account information contained in the Comprehensive Annual Financial Report. Ms. Hill then stated that at the November Committee meeting, Committee members would be reviewing the Audit Plan, hear updates on risks associated with the DPSRS merger, conduct an analysis of best practices, review the reports distributed to the Committee by Internal Audit, and conduct private meetings with the General Counsel and Internal Auditor. Ms. Hill then discussed the Committee's review of the Trustee education policy and budget, and after Board discussion presented the following motion on behalf of the Audit Committee, *"that the Board revise the current Trustee*



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educational budget to \$15,000 annually for the first two years of a Trustee's term and reduce it to \$12,000 for each two years thereafter. This change is adopted with the current policy provision that a Board member may ask for an exemption from the Board if necessary to meet his or her educational needs." The motion was approved.

General Counsel Update

Greg Smith, PERA General Counsel, reviewed the activities and issues involving the Legal Department. Mr. Smith introduced discussion regarding the seating of Administrative Review Panels. After discussion, Scott Noller moved that, *"the Board approve the following method by which Administrative Review panels are established: The Board of Trustees will be divided into three groups based on experience on the board and experience with administrative reviews. One member of each group shall be selected by lottery to form a panel. Alternates will be selected from the largest group."* The motion was seconded by Dick Lansford and approved unanimously. Mr. Smith then discussed the proposed resolution to update the signature authority for Colorado PERA. The resolution is below:

RESOLUTION

by the Board of Trustees of Public Employees' Retirement Association of Colorado

Subject: Authority of Executive Director and/or any Deputy Executive Director to take action on behalf of PERA and to execute any and all documents and instruments on behalf of PERA

WHEREAS, the Board of Trustees ("Board") of the Public Employees' Retirement Association of Colorado ("PERA") has the responsibilities, duties and authorities as set forth in the PERA Statutes (C.R.S. §§ 24-51-101, *et seq.*);

WHEREAS, C.R.S. § 24-51-205(6)(a) authorizes the Board to delegate any of its responsibilities, duties and authorities as set forth in the PERA Statutes to the Executive Director of PERA or designated agents of PERA;

WHEREAS, C.R.S. § 24-51-207(1) states that the Trustees of the Board shall be held to the standard of conduct of a fiduciary in the discharge of their functions; and

WHEREAS, the Board believes that it is prudent in carrying out the Board's responsibilities, duties and authorities to authorize the Executive Director and/or any Deputy Executive Director of PERA to execute, on behalf of PERA, any and all documents and instruments in all matters and transactions relating to any business of PERA, including but not limited to any security, investment, investment agreement, contract or other document;



NOW, THEREFORE, BE IT RESOLVED, that Meredith Williams, Executive Director; and/or Kim Natale, Deputy Executive Director of Support Services; Lana P. Calhoun, Deputy Executive Director of Benefits; and Jennifer Paquette, Deputy Executive Director of Investments, be and are hereby authorized to execute, on behalf of PERA, any and all documents and instruments in all matters and transactions relating to any business of PERA, including without limitation, to hold, manage, control, improve, partition, invest, reinvest, sell, exchange, grant, convey, deliver, assign, transfer, lease, option, mortgage, pledge, borrow, contract, bargain, agree, purchase, assign, endorse, transfer, pay, make, execute and/or deliver on behalf of PERA any monies, security instrument, guarantee, application, representation, affidavit, letter, statement, warranty, waiver, receipt, release, assignment, transfer, note, certificate, stock, bond, investment, investment agreement, contract and/or other document, instrument or undertaking.

Gloria Santistevan-Feedback made a motion to accept the above resolution. The motion was seconded by Mike Coffman and passed.

Mr. Smith then presented a resolution to the Board which, upon adoption, authorizes the Deputy State Treasurer, Dick Murphy, to take action on behalf of State Treasurer, Mike Coffman, in his absence. The resolution was presented to the Board as follows:

RESOLUTION

by the Board of Trustees of Public Employees' Retirement Association of Colorado

Subject: Authority of Deputy State Treasurer, Dick R. Murphy, to take action on behalf of the State Treasurer, Mike Coffman, in his absence.

WHEREAS, the Board of Trustees ("Board") of the Public Employees' Retirement Association of Colorado ("PERA") has the responsibilities, duties and authorities as set forth in the PERA Statutes (C.R.S. §§ 24-51-101, *et seq.*);

WHEREAS, as set forth in PERA Statute (C.R.S. § 24-51-203), the State Treasurer shall hold a seat on the PERA Board of Trustees;

WHEREAS, C.R.S. § 24-36-102(2) provides in pertinent part that the State Treasurer may appoint "one deputy permitted by law";

WHEREAS, State Treasurer, Mike Coffman, has requested to delegate to the Deputy State Treasurer, Richard R. Murphy, authority to act on his behalf as a member of the PERA Board of Trustees when he is absent due to other official duties;



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WHEREAS, Deputy State Treasure, Dick R. Murphy, has acknowledged and accepted this delegation;

WHEREAS, State Treasurer Mike Coffman and Deputy State Treasurer Dick R. Murphy have acknowledged that upon acceptance of this delegation and approval by the Board of Trustees, Deputy State Treasurer Murphy is subject to the provisions of C.R.S. § 24-51-207, and shall act as a fiduciary to the plan members and benefit recipients as specified in C.R.S. § 24-51-207;

WHEREAS, it has been the long standing practice of PERA to allow the delegation of the State Treasurer's authority and responsibilities as a Trustee on the PERA Board of Trustees, and;

WHEREAS, the Board believes that it is prudent in carrying out the Board's responsibilities, duties and authorities to authorize the Deputy State Treasurer to execute, on behalf of Mike Coffman, any and all actions on behalf of the State Treasurer in all matters and transactions relating to any business of the PERA Board of Trustees in the State Treasurer's absence;

NOW, THEREFORE, BE IT RESOLVED, that Dick R. Murphy, Deputy State Treasurer, by the adoption of this motion, is hereby authorized to act, on behalf of the State Treasurer, Mike Coffman, regarding any and all matters relating to any business of the PERA Board of Trustees. All actions taken by Dick R. Murphy, Deputy State Treasurer, on behalf of Mike Coffman, State Treasurer, shall be deemed the official vote of the State Treasurer seat of the PERA Board of Trustees.

After discussion, Amy Nichols made a motion to adopt the above resolution. This motion was seconded by Douglas Windes and was approved.

General Counsel Greg Smith requested the Board go into executive session to address pending and threatened litigation involving PERA. Pursuant to Colorado Revised Statutes § 24-6-402(3)(b), a motion was made to go into executive session at 2:00 p.m., which was approved unanimously. In addition to the Trustees and the General Counsel, the Executive Director, the three Deputy Executive Directors present, the Director of Communications, the Director of Government Relations and the Legal Administrative Assistant remained present for the closed executive session.

The executive session concluded at 2:33 p.m.



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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 James Casebolt.

James Casebolt, Chair

DPSRS Merger Update

Greg Smith, PERA General Counsel, provided an update to the Board regarding the current activities surrounding the PERA/DPSRS merger and provided a projected time line for the project. Mr. Smith then advised the Board of the applicable termination dates for the merger stating that the unrestricted termination date is July 1, 2004 and the conditional termination date is December 31, 2004.

Board Vacancy

Greg Smith, General Counsel, introduced discussion regarding the vacant position on the Board of Trustees for a School Category Trustee. Mr. Smith presented alternative courses of action to the Board and, at the conclusion of discussion, an ad-hoc committee comprised of the School Category Trustees of the Board with Gloria Santistevan-Feedback as Committee Chair and Mr. Smith as the staff advisor was formed. The charge of the ad-hoc committee was identified as developing an appropriate announcement of the vacancy, determining appropriate dissemination of the announcement and conducting an initial screening of applicants for the purpose of providing finalist candidates for consideration by the Board as a whole. The Committee will report to the Board in October regarding its activities and progress.

The Board recessed for a short break at 3:10 p.m. and resumed the meeting at 3:26 p.m.

Legislative Report and Actuary RFP Timeline

Rob Gray, PERA Director of Government Relations, with the assistance of William Fornia and Dave Slishinsky, Buck Consultants, presented information regarding PERA's funding status, the cost associated with particular components of the current benefit structure, the impact various changes in benefits could potentially have on the funded status of the plan, and responded to questions from Trustees. Discussion commenced regarding the implications of the funding status and the potential impact on PERA's liabilities by benefit structure modifications and Greg Smith, PERA



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General Counsel, advised the Board regarding legal implications associated with benefit changes. Extensive discussion ensued regarding the alternatives, legal issues, and the political issues presented.

The Board directed staff to prepare additional information concerning benefit structure modifications for further review and discussion at the October Board Meeting.

Other Business

Scott Noller, Chair of the Shareholder Responsibility Committee, advised the Board that due to a family emergency the Shareholder Responsibility Committee meeting had been cancelled and would be rescheduled. He stated that he would provide a report to the Board regarding the Committee's activities at the October 17, 2003 Board meeting.

Board Meeting Dates for 2003

October 17
November (20), 21

With no further business to discuss, Chair James Casebolt adjourned the meeting at 5:23 p.m.

Respectfully submitted by

Amber Malley
Senior Administrative Assistant, Legal Services Division

James Casebolt, Chair

Meredith Williams, Executive Director