



**COLORADO
PERA**
Record of Proceedings

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
BOARD MEETING MINUTES
1300 Logan Street
Denver, CO 80203
January 16, 2004**

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

Trustees Absent: Joanne Hill.

Staff Present: Lana Calhoun, Rob Gray, Katie Kaufmanis, Amber Malley, David Maurek, 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

Marcus Pennell moved and Scott Noller seconded that, "*the Board agenda be approved as published.*" The motion was approved.

Approval of December 12, 2003 Board Meeting Minutes

Dick Lansford moved that, "*the December 12, 2003, Board Meeting Minutes be approved as published.*" The motion was seconded by Sara Alt and passed.



Public Comment

James Casebolt, Board Chair, recognized the guests in attendance and requested that each guest introduce himself or herself. After brief introductions and statements of purpose for attending the meeting by the guests, the regular Board meeting began.

Monthly Reports

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee met earlier in the day and approved the December 12, 2003 Executive Committee meeting minutes, reviewed the November 30, 2003 Unaudited Financial Statements and the December 31, 2003 Budget Reports, and reviewed the agenda for the January Board meeting.

Executive Director Report

Meredith Williams, PERA Executive Director, reviewed statistics on membership and the financial status of the fund. Mr. Williams then commented on the very good portfolio results for 2003, the excellent level of service that the Customer Service Center continues to provide to members, agenda items to be discussed later in the meeting and at the February Board meeting and activities occurring at pension systems in other jurisdictions.

Market and Portfolio Update

Jennifer Paquette, Deputy Executive Director of Investments, provided a market and portfolio review and information regarding the economic outlook. Ms. Paquette then stated that staff continues to move PERA's investments towards established asset class targets, announced that Christopher Reilly had been selected as PERA's Director of Alternative Investments and responded to a Trustee question regarding research on hedge funds as an investment area for PERA.

General Counsel Report

Greg Smith, PERA General Counsel, reviewed expenses incurred by the Legal Department in 2003. Mr. Smith then discussed clarification received by the Legal Department regarding the application of the Windfall



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Elimination Provision from the Social Security Administration. Mr. Smith stated that the Provision had not been applied consistently by Social Security offices and that the clarification received could affect thousands of PERA members. Mr. Smith then informed the Board that staff was formulating a plan for advising members regarding the correct application of the Provision and ensuring that consistent information is being communicated by PERA and Social Security.

Mr. Smith then 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 by Patricia Kelly and seconded by Scott Noller to go into executive session at 10:05 a.m., and was approved unanimously. In addition to the Trustees and the General Counsel, the Executive Director, the three Deputy Executive Directors, the Director of Communications, the Director of Government Relations, the Manager of Strategy and Innovation, and the Legal Administrative Assistant remained present for the closed executive session.

The executive session concluded at 10:27 a.m.

"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

The Board recessed for a break at 10:28 a.m. and reconvened at 10:38 a.m.

Legislative Report

Rob Gray, PERA Director of Government Relations, with the assistance of Bob Kirscht, PERA contract lobbyist, provided the Board with an update regarding current legislative activities.

Mr. Gray began his update by informing the Board that a bill to suspend MatchMaker contributions, reduce the interest credit on member contribution accounts, and change the due date for contributions to be submitted to PERA would be carried by Senator Arnold and Representative Young. Mr. Gray stated he anticipates it will be introduced next week.

Mr. Gray then discussed PERA's annual meeting with the House and Senate Finance Committees which was held on Thursday, January 15, 2004. Discussion items included PERA's actuarial status, investment



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returns, legislative proposals, and the effect of the change in the contribution due date on school districts.

Mr. Gray then stated that Senator Dave Owen is considering PERA's request to sponsor a bill to address benefit and contribution changes. Mr. Gray noted that Senator Owen has inquired about the possibility of increasing the employee contribution rates. Mr. Gray assured Senator Owen that the package proposed by the PERA Board had been structured to evenly distribute the burden among PERA's various constituent groups.

Mr. Gray relayed information regarding Representative Harvey's sponsorship of a bill that will provide for defined contribution plan expansion for state employees. Groups identified for possible inclusion in this bill are the high turnover, high-salary, and state employee positions in higher education that will become exempt positions if the constitutional amendment removing them from the State personnel system passes. Mr. Gray stated that no bill had been drafted at this time.

Mr. Gray then provided an update on a bill that will allow institutions of higher education to adopt an alternative personnel system (HB 04-1011). The bill has been amended to include a provision to allow the participating institutions to have the option of putting the new hires of the alternative system in PERA, in an Optional Retirement Plan (ORP), or allow an individual choice. Mr. Gray stated that there had been some discussion regarding whether or not retirement issues should be included in the bill and discussed the implications of this bill on PERA and on faculty.

Mr. Gray updated the Board on a bill, SB 04-090, that would allow PERA to keep information regarding private equity, private debt and timber investments confidential until the transaction is completed if PERA determines that disclosing such information would jeopardize the value of its investment.

Mr. Gray then discussed a bill that would empower the State to set up a retirement health savings trust. Mr. Gray stated that PERA would work to ensure that any member contribution to this plan would be subject to PERA contributions.

Mr. Gray then presented information regarding a bill Senator Mark Hillman is planning to introduce on behalf of State Treasurer Mike Coffman. The first provision of the bill might specify that the State Treasurer is a fiduciary for Colorado taxpayers in addition to the PERA membership. The second provision would require the State Auditor's Office to study the actuarial impact on PERA of any legislation proposing a benefit increase or decrease and report this information to the legislature. Mr. Gray stated that the bill is not yet drafted. Extensive discussion ensued regarding the roles and fiduciary duties of the State Treasurer and State Auditor on the PERA Board. At the conclusion of discussion, James Casebolt, Board Chair,



stated that a consensus had been reached among a large majority of Trustees that the Board would strongly oppose this proposal should a bill be introduced.

The Board recessed for lunch at 11:38 p.m. and reconvened at 12:18 p.m.

Asset Class Benchmarks

Jennifer Paquette, PERA Deputy Executive Director of Investments, presented information to the Board regarding PERA's asset class benchmarks. Ms. Paquette discussed PERA's current asset class benchmarks and presented recommendations provided by Ennis Knupp, Mercer and staff. Ms. Paquette, with the assistance of Jim Liptak, PERA Director of Equities, then responded to questions from Trustees regarding the effect of modifying PERA's asset class benchmarks on PERA's asset allocation.

At the conclusion of Ms. Paquette's presentation, Dick Lansford moved, *"that the following asset class benchmarks be adopted or affirmed as of the close of business March 31, 2004: Domestic Equities – Wilshire 5000; International Equities – MSCI All Country World Ex-U.S.; Fixed Income – Lehman Universal; Alternatives – Wilshire 5000 plus 300 basis points; Timber – NCREIF Timber; Cash – 90-Day T-Bill; Total Fund – Policy Benchmark.* This motion was seconded by Douglas Windes and passed unanimously.

Investment Consultant Selection

Gloria Santistevan-Feeback, Investment Consultant Subcommittee Chair, stated that the Subcommittee participated in a conference call on Sunday, January 11, 2004, reviewed nine proposals and selected Ennis Knupp, Pension Consulting Alliance, Inc., and Watson Wyatt Investment Consulting, Inc., as the firms to be considered for appointment as PERA's investment consultant by the Board. David Maurek, PERA Manager of Strategy and Innovation, stated that the three finalists had been informed that they would have thirty minutes for their presentation and that they should address the question, "Why should the PERA Board hire us..."

The Board heard presentations from Neil Rue and Sarah Bernstein of Pension Consulting Alliance, Inc.; Howard Crane, Mary Kerrigan and Bill Dewalt, of Watson Wyatt Investment Consulting, Inc.; and Richard Ennis and Brian Birnbaum of Ennis Knupp. At the conclusion of the presentations and discussion by the Board, Patricia Kelly moved and Gloria Santistevan-Feeback seconded, *"that Ennis Knupp be identified as Colorado PERA's choice for its new investment consultant, and that staff begin contract*



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negotiations with this firm in order to expedite this decision.” The motion was approved unanimously.

Committee Reports

Benefits Committee

Donna Bottenberg, Benefits Committee Chair, stated that the Benefits Committee had met at 8:30 a.m. and had two motions to bring before the Board for consideration. Ms. Bottenberg stated that, *“The Benefits Committee recommends, and I move, that the Board adopt the changes to the PERA 401(k) Plan document that were shown in Tab B of the January 16, 2004, Benefits Committee Agenda which was transmitted to each Trustee via the Board Web site on January 9, 2004, and that these changes be effective March 1, 2004.”* This motion was approved.

Ms. Bottenberg then advised the Board that, *“The Benefits Committee recommends, and I move, that the Board accept the 401(k) Investment Advisory Committee recommendation, shown in Tab C of the January 16, 2004 Benefits Committee Agenda which was transmitted to each Trustee via the Board Web site on January 9, 2004, and approve the Grantham, Mayo, Van Otterloo & Company (GMO) Growth Fund as the Growth Domestic Equity Category Fund for PERA’s 401(k) plan effective March 1, 2004.”* This motion was also approved.

The Board recessed for a break at 3:09 p.m. and reconvened at 3:21 p.m.

Salary and Budget Committee Recommendation

Pursuant to Colorado Revised Statutes § 24-6-402(3)(b)(I), Meredith Williams, PERA Executive Director, in open session, requested the Board go into executive session to address employment and personnel matters specific to him. James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of at least two-thirds of the members present. In addition to the Trustees, Amber Malley, Legal Senior Administrative Assistant, remained present for the closed executive session.

The executive session concluded at 4:10 p.m.

“By my signature below, I certify that the only issues discussed by the members of the Board during the closed executive session were employment and personnel matters specific to Meredith Williams, Executive Director,” Board Chair James Casebolt.



James Casebolt, Chair

Once in open session, Terry Campbell, Salary and Budget Committee Chair, moved, *“to authorize the Evaluation Subcommittee to offer a contract to Meredith Williams, as Executive Director of PERA, first a compensation contract signing bonus of \$10,000, a base salary of \$225,000 for the first year of a three year contract, retroactive to and beginning January 1, 2004, and to provide the opportunity for the following adjustments contingent upon satisfactory performance; \$230,000 the second year of the contract, \$235,000 upon the third year of the contract and all other benefits to be consistent with, and no better than, the benefits received by other employees.”* The motion was seconded by Amy Nichols and passed unanimously. Donna Bottenberg abstained from discussion and voting regarding Mr. Williams' compensation.

Other Business

Jennifer Paquette, Deputy Executive Director of Investments, informed the Board that staff had been in the process of conducting a review of Janus Funds, MFS Institutional Investment Advisors, Inc. and TCW Asset Management Company. Ms. Paquette stated that the decision had been made to terminate PERA's relationship with the three managers. The decision to terminate was based on a need to reduce equities and increase fixed income assets as well as manager specific issues.

David Maurek, PERA Manager of Strategy and Innovation, informed the Board that the Board Self-Evaluation would be made available for completion online on Tuesday, January 21, 2004. Mr. Maurek then provided brief instructions to Trustees for completing the survey and stated that he anticipated reporting the results of the survey to the Board at the February Board Meeting.

Meredith Williams, PERA Executive Director, informed the Board that information regarding PERA's Alternative Investments Portfolio had been published on the PERA Website.

Securities Litigation Policy

Scott Noller, Chair of the Shareholder Responsibility Committee, presented the Securities Litigation Policy to the Board for their consideration. Mr. Noller stated that the adoption of the policy would allow the Legal Department to respond to potential litigation matters in a timely manner.



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Mr. Noller moved that, *“The Shareholder Responsibility Committee recommends, and I move, that the Board accept the Securities Litigation Policy, shown as tab F of the January 16, 2004, Board Meeting Agenda which was transmitted to each Trustee via the Board Web site on January 9, 2004, and approve the securities litigation process effective January 16, 2004.”* The motion passed.

Denver Public Schools (DPSRS) Merger Update

Greg Smith, PERA General Counsel, advised the Board that the Denver Public Schools merger efforts are progressing. Mr. Smith informed the Board that the Denver Public Schools Retirement System (DPSRS) and Denver Public Schools (DPS) Boards had passed motions similar to the one passed by the PERA Board of Trustees at the December Board Meeting which empower the three merger teams to proceed with the Merger. Mr. Smith then stated that the teams had been working to finalize the terms of post-merger insurance coverage although at this time no finalized agreement had been attained.

Board Meeting Schedule Publication

Greg Smith, PERA General Counsel, informed Trustees that in accordance with § 24-6-402(2)(c), once a year the Board must declare in open session where the agendas for the 2004 Board Meetings and Committee Meetings will be posted. Patricia Kelly 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.”* This motion was seconded by Scott Noller and passed.

2004 Board Meeting Dates

February 20
March (18) 19
April 16
May (20) 21
July 14-16 – Annual Planning Meeting
September (16) 17
October 15
November (18) 19



With no further business to discuss, Chair James Casebolt adjourned the meeting at 4:33 p.m.

Respectfully submitted by

Amber Malley
Senior Administrative Assistant, Legal Services Division

James Casebolt, Chair

Meredith Williams, Executive Director