



**COLORADO
PERA**
Record of Proceedings

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
BOARD MEETING MINUTES
1300 Logan Street
Denver, CO 80203
February 20, 2004**

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, Sandra Mills, Dick Murphy, Amy Nichols, Scott Noller, Marcus Pennell, Gloria Santistevan-Feedback, Douglas Windes.

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 9:58 a.m.

Approval of Agenda

Terry Campbell moved and Sara Alt seconded that, "*the Board agenda be approved as published.*" The motion was approved.

Approval of January 16, 2004 Board Meeting Minutes

Scott Noller moved that "*the January 16, 2004, Board Meeting Minutes be approved as published.*" The motion was seconded by Patricia Kelly 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 January 16, 2004 Executive Committee meeting minutes, reviewed the December 31, 2003 Unaudited Financial Statements and the January 31, 2004 Budget Reports, discussed the Board photograph and reviewed the agenda for the February Board meeting.

James Casebolt, Board Chair, then stated that July 14th–16th or October 7th-9th, 2004 are the dates being considered for the 2004 Board Retreat. At the conclusion of discussion, a general consensus was reached to hold the 2004 Board Retreat from July 14th-16th.

Mr. Casebolt concluded the Executive Committee report by providing information to Board members regarding upcoming educational conferences involving international travel.

Executive Director Report

Meredith Williams, PERA Executive Director, reviewed statistics on membership and the financial status of the fund. Mr. Williams then commented on changes in the PERA Care program, new GASB Reporting requirements, agenda items to be discussed later in the meeting and at the March 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 discussed risk associated with the portfolio and stated that staff is assessing potential ways to look at investment risk for presentation to the Board on a regular basis.



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 providing a brief update on Federal Legislation. Mr. Gray then informed the Board that SB 04-132, which would suspend MatchMaker contributions, reduce the interest credit on member contribution accounts, and change the due date for contributions to be submitted to PERA had been introduced to the Senate and was on the Second Reading Calendar.

Mr. Gray then stated that Senator Dave Owen will sponsor a bill to address benefit and contribution changes. Mr. Gray noted that Senator Owen would like PERA to consider a change in the period used to calculate Highest Average Salary (HAS) from 3 years to 5 years, for employees hired on or after July 1, 2005. Mr. Gray stated that in most cases, a retirement benefit calculated using a 5-year HAS would be approximately 96 percent of the benefit that would be paid under a 3-year HAS. The consensus of the Board was that it did not want the HAS period for new hires to be changed to 5 years.

Trustee Joanne Hill left the meeting at 11:55 a.m.

Mr. Gray relayed information regarding a meeting that was held with Governor Owens earlier in the week regarding the defined contribution plan option issue. Mr. Gray stated that he felt the meeting was productive and that the goals in establishing a defined contribution option continue to be to protect the defined benefit plan, install a sound structure for the defined contribution choice, and allow PERA to offer a defined contribution plan option. Mr. Gray stated that items that were discussed with the Governor's office included the group that would be eligible for the defined contribution plan option, contribution rates, PERA's being able to offer one of the defined contribution options and education and enrollment to allow for informed decision-making by employees offered the choice between the defined benefit and defined contribution options. The possibility of applying the option to all new state employees hired in 2006 and later was discussed.

At the conclusion of Mr. Gray's report, extensive Board discussion ensued regarding the defined contribution option and the appropriate payment toward PERA's unfunded liability. At the conclusion of discussion, James Casebolt, Board Chair, expressed that consensus among the Board was for staff to continue with discussions regarding PERA's proposed legislation.



The Board recessed for lunch at 12:30 p.m. and reconvened at 1:03 p.m.

General Counsel Report

Greg Smith, PERA General Counsel, discussed his attendance at the National Association of Public Pension Attorneys (NAPPA) Conference stating that domestic partnerships had been a topic of discussion. Mr. Smith then informed the Board of his appointment as Co-Chair on an Opt-out Analysis Task Force. Mr. Smith then discussed current activities in the Legal Department including the number of scheduled and potential Administrative Reviews and the number of Domestic Relations Orders processed to date this year.

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), James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of at least two-thirds of the members present to go into executive session at 1:15 p.m. In addition to the Trustees and the General Counsel, the Executive Director, the three Deputy Executive Directors, the Director of Communications, the Manager of Strategy and Innovation, and the Legal Administrative Assistant remained present for the closed executive session.

The executive session concluded at 1:26 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 pending and threatened litigation involving PERA," Board Chair James Casebolt.

James Casebolt, Chair

Portfolio Benchmark Recommendations

Jennifer Paquette, PERA Deputy Executive Director, Investments, introduced Richard Ennis and Brian Birnbaum of Ennis Knupp. Mr. Ennis and Mr. Birnbaum presented information to the Board regarding PERA's portfolio benchmarks stating that benchmarks should accurately capture the style characteristics of a portfolio.

Trustee Joanne Hill rejoined the meeting at 1:32 p.m.

At the conclusion of Mr. Ennis and Mr. Birnbaum's presentation, Gloria Santistevan-Feedback moved *"that the following portfolio benchmarks be adopted as of the close of business March 31, 2004: Turner Mid Cap*



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Growth – Russell Mid Cap Growth Index; Alliance Enhanced EAFE – MSCI EAFE Index; Alliance Active – MSCI All Country World Ex-U.S. Index; Bank of Ireland – MSCI EAFE Index; Baring - MSCI All Country World Ex-U.S. Index; UBS – MSCI All Country World; Ex-U.S. Index; Delaware – MSCI All Country World Ex-U.S. Index; Deutsche – MSCI All Country World Ex-U.S. Index; Schroder – MSCI Emerging Markets Index; Schroder Small Cap – S&P Citi Extended Market EuroPacific Index; Fixed Income Core – Lehman Aggregate; Emerging Markets – Lehman Emerging Single B and Better; and that all other equity portfolio and fixed income portfolio benchmarks be maintained, as described in the Ennis Knupp Portfolio Benchmark Recommendations, February 20, 2004.” This motion was seconded by Marcus Pennell and passed unanimously.

Total Expense Report

Jennifer Paquette, Deputy Executive Director, Investments, provided information to the Board regarding expenses for 2003. Ms. Paquette first reported expenses for the whole organization and then focused on expenses relating to the management of PERA's investment portfolio.

Employer Affiliation

Lana Calhoun, Deputy Executive Director, Benefits, provided information to the Board regarding the process whereby employers become affiliated with PERA. Ms. Calhoun discussed factors that influence an employer's decision to come into PERA, marketing efforts and other reasons organizations consider affiliation with PERA. She also reviewed current affiliation and disaffiliation activities in 2003 and 2004.

Human Resources Metrics Report

David Maurek, PERA Manager of Strategy and Innovation, presented information to the Board regarding components of PERA's human resources. Mr. Maurek provided an overview of metrics and then provided statistical information and discussed PERA's recruitment, hiring, training, retention, and succession planning processes.

At the conclusion of Mr. Maurek's report, the Board recessed for a short break at 2:27 p.m.



Other Business

The Board reconvened at 2:40 p.m. David Maurek, PERA Manager of Strategy and Innovation, announced that, due to unexpected challenges with the electronic Board Self-Evaluations, he would be distributing hard copy documents for Board members to complete and return to him at their earliest convenience.

Kim Natale, PERA Deputy Executive Director, Support Services, provided a brief update regarding the activities surrounding the current Board election.

DPSRS Merger/Boulder County Affiliation

State Treasurer Mike Coffman, PERA Trustee, joined the meeting at 2:45 p.m. State Treasurer Coffman addressed the Board regarding his concerns relating to the amortization period for the unfunded liability, the legislative proposal that is being drafted with regard to benefit and contribution changes, communications that PERA is providing its members regarding the current funding status of the Fund, the merger of DPSRS and the affiliation of Boulder County.

James Casebolt, Board Chair, questioned Mike Coffman in an attempt to provide the Board with additional clarification and factual reference regarding Mr. Coffman's assertions. Discussion ensued regarding State Treasurer Coffman's concerns and contentions.

State Treasurer Coffman left the meeting at 3:30 p.m. After State Treasurer Coffman's departure, the Board continued to discuss topics raised during earlier discussions.

Other Business

David Maurek, PERA Manager of Strategy and Innovation, presented information to the Board regarding the 401(k) fee structure. Mr. Maurek provided a history of PERA's 401(k) fees and presented a proposed 401(k) fee structure to the Board for their review. Mr. Maurek then responded to questions from Trustees regarding the impact of the fees on the membership and the process by which new 401(k) fee structures are adopted. After discussion, at the request of Patricia Kelly, James Casebolt, Board Chair, requested that Mr. Maurek present the proposed fee structure to the Board for action at the March Board Meeting.

Denver Public Schools Retirement System (DPSRS) Merger Update



Greg Smith, PERA General Counsel, advised the Board that the Denver Public Schools merger efforts are progressing. Mr. Smith stated that the Merger Agreement had not yet been signed but he anticipated that a signed Agreement would be available to present to the Board at the March Board Meeting.

Personnel Policies

Pursuant to Colorado Revised Statutes § 24-6-402(3)(b)(I), Meredith Williams, PERA Executive Director, in open session, requested that the Board go into executive session at 4:00 p.m., to address employment and personnel matters specific to him as well as Mr. Williams' personnel authority going forward with regard to the executive staff. 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 5:26 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 as well as his personnel authority going forward with regard to executive staff," Board Chair James Casebolt.

James Casebolt, Chair

Once in open session, Patricia Kelly, moved *"to authorize James Casebolt, Board Chair, to finalize negotiations regarding Meredith Williams' contract, as Executive Director of PERA, which shall be for a period of three years and shall include first, a yearly increase which shall be equivalent to the average increase for all PERA staff contingent upon satisfactory performance, retroactive to and beginning January 1, 2004; second, a ninety-day notice under the Rollover Provision; third, termination with or without cause will require a simple majority vote of nine members of the Board of Trustees, and, in the case of a termination without cause, Mr. Williams' will be provided with thirty-days notice and compensation for notice period plus an additional five-months of compensation; and all other benefits to be consistent with, and no better than, the benefits received by other employees."* The motion was seconded by Terry Campbell and passed. Donna Bottenberg abstained from discussion and voting regarding Mr. Williams' compensation.



Other Business

James Casebolt, Board Chair, introduced discussion regarding whether the Board felt that economist Allen Sinai should be invited back to speak to the Board. By vote of the Trustees, it was decided that a presentation from Allen Sinai would be valuable and should be scheduled.

Mr. Casebolt then requested that those Trustees that have an interest in attending the conference sponsored by the Bank of Ireland submit their request to him as soon as possible. Mr. Casebolt then advised the Board that generally a senior person who has not traveled internationally in their career is chosen to attend. Mr. Casebolt then relayed other invitations that had been received including two from the Institute for Fiduciary Education entitled Market Makers and International Investing for Pension Professionals as well as an invitation for the World Pension Forum. Mr. Casebolt stated that information regarding the invitations will be posted on the PERA Board website and Trustees interested in attending should advise him at their earliest convenience.

2004 Board Meeting Dates

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 5:33 p.m.

Respectfully submitted by

Amber Malley
Senior Administrative Assistant, Legal Services Division

James Casebolt, Chair



Meredith Williams, Executive Director