



**COLORADO
PERA**
Record of Proceedings

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
BOARD MEETING MINUTES
1300 Logan Street
Denver, CO 80203
March 19, 2004**

Trustees Present: James Casebolt, Board Chair, Sara Alt, 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.

Trustees Absent: Mark Anderson, Vice Chair, Donna Bottenberg

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

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

Approval of February 20, 2004 Board Meeting Minutes

Sara Alt moved that "*the February 20, 2004, Board Meeting Minutes be approved as published.*" The motion was seconded by Patricia Kelly and passed.



Other Business

James Casebolt, Board Chair, announced that PERA had been awarded the Certificate of Achievement for Excellence in Financial Reporting for its Popular Annual Financial Report by the Government Financial Officers Association. Mr. Casebolt stated that the Certificate of Achievement is the highest form of recognition in the area of public employee retirement plan accounting and financial reporting and that its attainment represents a significant accomplishment.

Mr. Casebolt then stated that this is the first time that PERA has submitted this report for consideration and extended his thanks to Karl Greve, PERA Director of Accounting and Katie Kaufmanis, PERA Director of Communications and their staffs for their role in leading the PERA accountability effort.

Public Comment

James Casebolt, Board Chair, recognized the guests in attendance.

Monthly Reports

Executive Committee Report

James Casebolt, Board Chair, reported that the Executive Committee met earlier in the day and approved the February 20, 2004 Executive Committee meeting minutes, reviewed the January 31, 2004 Unaudited Financial Statements and the February 29, 2004 Budget Reports. The Committee also reviewed operations at PERA, discussed plans for the 2004 Board Retreat, evaluated recent requests for international travel for the Board and reviewed the agenda for the March Board meeting.

Mr. Casebolt then stated that the 2004 Board Retreat will be held July 14th–16th at the Loews Hotel in Denver and requested that Trustees who had topics that they would like addressed at the Retreat communicate those to him or Meredith Williams, PERA Executive Director.

Mr. Casebolt concluded the Executive Committee report by requesting that the Evaluation Subcommittee meet briefly following the Board meeting to approve Mark Anderson's travel to Ireland for the annual meeting with the Bank of Ireland. Mr. Casebolt then stated that the following Trustees have been selected to attend the following educational conferences: Gloria Santistevan-Feedback, Ireland, Bank of Ireland; Scott Noller, Ireland, Institute for Fiduciary Education; and Dick Lansford, Hong Kong and Shanghai for World Pension Forum.



Executive Director Report

Meredith Williams, PERA Executive Director, reviewed statistics on membership and the financial status of the fund. Mr. Williams then commented on recent legislative activities, the success of the 401(k) Plan transition, the DPSRS Merger, activities occurring at pension systems in other jurisdictions and agenda items to be discussed later in the meeting and at the April Board meeting.

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 current activities occurring in the Equities, Fixed Income, Real Estate and Alternative Investment Departments and stated that her staff continues to monitor Alliance Capital. Ms. Paquette concluded her report by informing the Board of staffing changes in the Alternative Investments Department and announcing that she was hiring a Senior Investment Manager who would be responsible for assisting her with total fund oversight.

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 information regarding the status of SB 04-90, stating that the House of Representatives had passed the bill and it had been sent to Governor Owens for action.

Mr. Gray then stated that SB 04-94 had been approved by the House Business Affairs and Labor Committee and would be sent next to the House of Representatives for consideration.

Mr. Gray then presented information to the Board regarding the projected funded ratio of the State and School Division through 2030 with and without the passage of the 2004 proposed legislative package. The same projection was presented for the Municipal Division.

Mr. Gray next relayed information regarding a meeting that was held with Governor Owens' office earlier in the week regarding the defined contribution plan option issue. Mr. Gray stated that issues that continue to be under discussion include contribution rates and the allocation of a



**COLORADO
PERA**

*Record of Proceedings
Page 4*

portion of contributions toward PERA's unfunded liability, PERA's ability to offer a defined contribution option, and education and enrollment to allow for informed decision-making by employees offered the choice between the defined benefit and defined contribution options. Mr. Gray stated that PERA anticipated that they would be contacted by the Governor to continue discussions early the following week. Meredith Williams, PERA Executive Director, then addressed the Board regarding his observations and views regarding the defined contribution plan option and the meetings with the Governor's office. At the conclusion of Mr. Williams' address, extensive Board discussion ensued regarding the elements of the defined contribution option and the appropriate payment toward PERA's unfunded liability

Mr. Gray then updated the Board regarding SB 04-132. Mr. Gray stated that Senator Ken Arnold would like to get SB 04-132 moving again to ensure that it can be considered in a timely enough manner by the full Senate and the House of Representatives. Mr. Gray then requested direction from the Board regarding their view on including additional legislative proposals approved by the Board including, for members hired on or after July 1, 2005, no full retirement benefits at age 50 with 30 years of service, and annual post-retirement increases of 3 percent or the actual change in the consumer price index, whichever is lower, as well as the reallocation of 0.08 percent of salary of future employer contributions to the PERA pension trust fund rather than to the PERA Health Care Trust Fund. Board discussion ensued regarding the consequences of including these elements in SB 04-132.

At the conclusion of discussion, James Casebolt, Board Chair, expressed that consensus among the Board was for staff to continue negotiations with the Governor's Office regarding the defined contribution legislation. Mr. Casebolt also stated that the Board would provide staff with the latitude to include the three aforementioned provisions in SB 04-132, if necessary.

Joanne Hill joined the meeting at 10:50 a.m.

The Board recessed for a break at 10:53 a.m. and reconvened at 11:08 a.m.



General Counsel Report

Greg Smith, PERA General Counsel, informed the Board that the Legal Department, at the direction of the Audit Committee, had conducted an extensive policy review comparing policies adopted by the Board that are currently reflected in the Board Governance Manual with those reflected in prior Board meeting minutes. Mr. Smith stated that upon completion of his review, there are no apparent policy deviations.

Mr. Smith then stated that it was his recommendation that the annual fiduciary training, which historically has been conducted in March, be moved to the Board retreat to allow newly elected Trustees to participate in the training. Mr. Smith then provided an update to the Board, and presented the following resolution regarding the merger of the Boulder County Retirement Savings Plan with PERA's Voluntary Investment Program:

RESOLUTION

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

**Subject: Merger of Boulder County Retirement Savings Plan
with PERA's Voluntary Investment Program**

WHEREAS, under the provision of Title 24, Article 51, Part 3, Colorado Revised Statutes, as amended, any political subdivision within the state of Colorado or any public agency created by the state or any of its political subdivisions may apply to the Board of Trustees of the Colorado Public Employees' Retirement Association for affiliation with PERA; and

WHEREAS, the County of Boulder, State of Colorado, by and through the Board of County Commissioners of Boulder County, resolved to apply for affiliation with PERA, and upon PERA's acceptance of such affiliation all Boulder County employees shall be added as new employees to the PERA defined benefit plan as of April 1, 2004; and

WHEREAS, the Board of County Commissioners of Boulder County further resolved to merge Boulder County's current 401(k) plan, known as the Boulder County Retirement Savings Plan, with the Voluntary Investment Program which is a 401(k) plan established and administered by PERA in accordance with Title 24, Article 51, Part 14, Colorado Revised Statutes.

BE IT RESOLVED by the Board of Trustees of the Public Employees' Retirement Association that:



COLORADO PERA

Record of Proceedings
Page 6

SECTION 1. PERA consents to and accepts the merger of the Boulder County Retirement Savings Plan into PERA's Voluntary Investment Program.

SECTION 2. PERA accepts fiduciary responsibility for the Boulder County Retirement Savings Plan assets upon receipt of such assets by PERA's Voluntary Investment Program fund and accepts the trustee appointment as successor Trustee.

Patricia Kelly moved *"that the Board adopt the resolution regarding the Merger of the Boulder County Retirement Savings Plan with PERA's Voluntary Investment Program."* Scott Noller seconded the motion and it passed.

Mr. Smith then informed the Board that, through an Administrative Review, it had come to PERA's attention that there are PERA affiliated employers who may not be complying with statute regarding the operation of optional retirement plan (ORP) programs. Mr. Smith stated that staff would conduct an audit to determine the extent of the problem and report their findings to the Board at the conclusion of the investigation.

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 11:28 a.m. In addition to the Trustees and the General Counsel, the Executive Director, the three Deputy Executive Directors, the Director of Government Relations, 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 11:37 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

DPSRS Merger Update

Greg Smith, PERA General Counsel, provided an update to the Board regarding current activities surrounding the DPSRS Merger. Mr. Smith stated that the deadline for DPSRS to provide a legal opinion opining that



no provision of the Merger Agreement constitutes a violation of the TABOR Amendment had been extended to June 15, 2004 and that the parties continued to discuss the actuarial calculation methodology for costing the merger.

Board Election Update

Greg Smith, PERA General Counsel, informed the Board that three candidate packets had been received for the vacant State Category seat and five candidate packets had been received for the two vacant School Category seats. Mr. Smith stated that background checks had been completed on all eight candidates and requested that the Board consider a motion directing staff to proceed with the election. At the conclusion of Mr. Smith's update, Patricia Kelly moved "*that the Board direct staff to conduct elections for one seat in the State Category and two seats in the School Category and to include in that election the following slate of candidates: State Category: Tamela Long - Department of Public Safety; Brent Voge - Department of Revenue; Mike Serlet - Department of Natural Resources. School Category: Susan Beeman - Pueblo #60; Amy Nichols - Aurora Public Schools; Sandra Mills - Fort Morgan S.D. RE-3; David Williamson - Boulder Valley School District; James Farrell - Douglas County School District.*" This motion was seconded by Scott Noller and passed.

Committee Reports

Benefits Committee

Douglas Windes, PERA Trustee, stated that the Benefits Committee had met the day before and had two action items to bring before the Board for consideration. Mr. Windes stated that the committee had reviewed the 401(k) fee structure and that "*The Benefits Committee recommends, and I move, that the Board approve the 401(k) fee structure as presented to the full Board at the February 20, 2004, Board Meeting and as shown in Tab B of the March 18, 2004, Benefits Committee Agenda which was transmitted to each Trustee via the Board Web site on March 12, 2004, with an effective date of April 1, 2004.*" Brief discussion ensued regarding the ability to adjust the fee structure and the impact of the new fees on the membership. At the conclusion of discussion, the motion passed unanimously.

Mr. Windes then stated that the Benefits Committee had discussed the impact of allowing the use of the health care premium subsidy for dental, vision, and long term care coverage. Mr. Windes then stated "*The Benefits Committee recommends, and I move, that the Board authorize the staff to obtain an actuarial study to determine the impact on the Health Care Trust*



Fund of allowing the use of the health care premium subsidy for dental, vision, and long term care coverage.” The motion passed with seven Trustees voting in favor and five Trustees voting against.

Board Self-Evaluation

James Casebolt, Board Chair, stated that responses to the 2004 Board Self-Evaluation had been received. Mr. Casebolt distributed a preliminary Board Evaluation Summary but stated that he would prefer to review the complete responses with the Evaluation Subcommittee following the Board Meeting and then bring a finalized summary to the full Board for review and discussion at a future meeting.

The Board recessed for lunch at 11:57 p.m. and reconvened at 12:37 p.m.

Year in Review

Meredith Williams, PERA Executive Director, reviewed the highlights of PERA operations for 2003. Mr. Williams commented on the success of the organization in 2003 in managing challenges and providing exceptional customer service and discussed activities specific to each department.

Committee Reports Continued

Audit Committee Report

Joanne Hill, Audit Committee Chair, stated that the committee had reviewed changes to the Audit Committee Charter and would ask for the adoption of the revisions at the April Board Meeting. Ms. Hill thanked John Spielman, PERA Director of Internal Audit, and his staff for their hard work in evaluating the Audit Committee Charter.

Ms. Hill stated that Mr. Spielman reported to the committee that he had reviewed PERA's compliance with the provisions of the Standards of Professional and Ethical Conduct and that no exceptions were noted.

Ms. Hill then stated that the committee heard a presentation by Greg Smith, PERA General Counsel, regarding his research regarding potential policy conflicts in the Governance Manual. Mr. Smith informed the committee that upon completion of his review, there appear to be no current policy deviations.



Finally, Ms. Hill reported that the committee evaluated the outside Audit Committee members, Donald L. Stevens and Richard Zillmann, and voted to retain both members.

Investments Committee

Patricia Kelly, Investments Committee Chair, stated that the Committee heard a presentation by Bill Koski, PERA Director of Fixed Income, regarding the Fixed Income portfolio structure and performance and participated in a round-table discussion regarding the Fixed Income market outlook. Ms. Kelly stated that the committee had participated in a discussion with Brian Birnbaum and Stephen Cummings of Ennis Knupp regarding the reduction of risk through a reallocation to a fixed income passive portfolio. Ms. Kelly then stated that the committee would bring a motion to the Board in April.

Shareholder Responsibility Committee

Scott Noller, Shareholder Responsibility Committee Chair, stated that the committee had discussed the posting of the Securities Litigation Policy on the website and had reached consensus to disseminate the policy on an individual basis. Mr. Noller then stated that the committee heard a summary regarding the effect of shares on loan on PERA's proxy voting ability, discussed the Walt Disney annual meeting, and stated that the committee is currently conducting a review of Institutional Shareholder Services (ISS).

Greg Smith, General Counsel, then stated that PERA can expect to receive the settlement from the Oxford securities litigation case, which settled last summer, relatively soon. Mr. Smith stated that approximately 30% of total eligible participants filed claims for their portion of the settlement.

Executive Director's Contract

James Casebolt, Board Chair, stated that he needed authority from the Board to finalize Meredith Williams' contract. Patricia Kelly moved *"to authorize James Casebolt, Board Chair, to execute Meredith Williams' employment contract, as Executive Director of PERA, as finally negotiated."* This motion was seconded by Sara Alt and passed.



Other Business

David Maurek, PERA Manager of Strategy and Innovation, at the request of a Trustee, reviewed the Board Communication Policy. Discussion ensued regarding the rights and responsibilities of Board members in their communications with the media and members of the public as a spokesperson for the Board.

James Casebolt, Board Chair, introduced discussion regarding future Board Meeting dates. Discussion ensued regarding the option of eliminating the May Board Meeting and substituting a meeting in June and the dates in June that would accommodate the greatest number of Trustees. At the conclusion of discussion, Scott Noller moved *“to eliminate the May 20th & 21st Board Meeting and substitute a Board Meeting on June 21st and 22nd in its place.”* This motion was seconded by Douglas Windes and passed.

2004 Board Meeting Dates

April 16
May (20) 21 – *Cancelled and rescheduled for June*
June (21) 22
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 2:00 p.m.

Respectfully submitted by

Amber Malley
Senior Administrative Assistant, Legal Services Division

James Casebolt, Chair



COLORADO
PERA

Record of Proceedings
Page 11

Meredith Williams, Executive Director