



**COLORADO
PERA**
Record of Proceedings

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

Trustees Present: 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.

Trustees Absent: James Casebolt, Board Chair

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

Mark Anderson, Board Vice Chair, called the meeting to order at 9:00 a.m.

Approval of Agenda

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

Approval of March 19, 2004 Board Meeting Minutes

Sara Alt moved that "*the March 19, 2004, Board Meeting Minutes be approved as published.*" The motion was seconded by Gloria Santistevan-Feedback and passed.



Other Business

Mark Anderson, Board Vice Chair, announced that PERA had been awarded the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report by the Government Financial Officers Association for the seventeenth consecutive year. Mr. Anderson 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. Anderson then extended the Board's 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

Mark Anderson, Board Vice Chair, recognized the guests in attendance. Gordon East addressed the Board regarding concerns pertaining to the creation of a defined contribution plan option.

Monthly Reports

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee met earlier in the day and approved the March 19, 2004 Executive Committee meeting minutes, reviewed the February 29, 2004 Unaudited Financial Statements and the March 31, 2004 Budget Reports. The Committee also reviewed operations at PERA and reviewed the agenda for the 2004 Board Retreat and the March 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 recent legislative activities, the DPSRS Merger, activities occurring at pension systems in other jurisdictions and agenda items to be discussed later in the meeting and at the June 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 informed the Board that Martha Argo had been selected for the Senior Investment Manager position and discussed current activities occurring in the Equities, Fixed Income, Real Estate and Alternative Investment Departments.

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 stated that staff continued to meet with Governor Owens' office regarding the defined contribution plan option. Mr. Gray stated that, at the direction of the Board, staff arrived at agreement with Governor Owens' office that the Amortization Equalization Disbursement (AED) would be scaled back only in the event that PERA's amortization period reaches 40 years or less. Mr. Gray stated that a final bill drafting session had been scheduled and that it was anticipated that the bill would be introduced the following week.

Bob Kirscht, PERA contract lobbyist, then provided a brief update to the Board regarding the status of SB 04-132 and stated that SB 04-165 had been defeated by the House Finance Committee.

Meredith Williams, PERA Executive Director, then addressed the Board and discussion ensued regarding PERA's communication efforts and the role of participants in the Ambassador Program.

Mr. Gray and Mr. Kirscht then responded to questions from Trustees and discussion ensued regarding the outlook of the defined contribution option bill.

The Board recessed for a break at 10:48 a.m. and reconvened at 10:55 a.m.

General Counsel Report

Greg Smith, PERA General Counsel, presented the following resolution regarding signature authority:



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.



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Doug Windes moved *“that the Board approve the Resolution as specified in the Tab E materials for today’s meeting.”* The motion was seconded by Patricia Kelly and passed.

Mr. Smith then provided an update to the Board regarding the Council of Institutional Investors (CII) conference stating that Meredith Williams, PERA Executive Director, had been elected as Chairman of the Board and discussed PERA’s involvement in revising the definition of Independent Director.

Mr. Smith then indicated that the passage of SB 04-90 had received significant national press and that he anticipated presenting a draft motion for Board’s consideration at the June meeting which would define the information that shall be held confidential to avoid a potential negative impact on value.

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)(a), Mark Anderson, Board Vice 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 11:11 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 Legal Administrative Assistant and the Communications Specialist remained present for the closed executive session.

The executive session concluded at 11:26 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 Vice Chair Mark Anderson.

Mark Anderson, Vice Chair

R.V. Kuhns Performance Review

Russell V. Kuhns, CEO, and Becky Gratsinger, President, R.V. Kuhns and Associates, presented a portfolio performance analysis. Ms. Gratsinger provided a 2003 market environment review and summary, information regarding the 2004 market environment considerations, and general portfolio observations and recommendations.

The Board recessed for lunch at 12:03 p.m. and reconvened at 12:45 p.m.



Investment Compensation

Adam Barnett, Managing Director, McLagan Partners, presented information to the Board regarding the current status of the investment compensation review, the current status of PERA's investment compensation policies, and provided a brief overview of issues that the Board may wish to take under consideration in their analysis of PERA's investment compensation program.

Investments Committee

Patricia Kelly, Investments Committee Chair, presented two motions to the Board for consideration. The first motion stated that "*The Investment Committee recommends, and I move, that the Board approve up to 25% of the fixed income portfolio be passively managed.*" The motion passed unanimously.

Ms. Kelly then presented the second motion stating that "*The Investment Committee recommends, and I move, that the Board authorize staff to hire an external manager for the passive fixed income portfolio.*" Brief discussion ensued regarding the benefits of externally managing this portfolio. At the conclusion of discussion, the motion passed with 13 Trustees voting in favor and two Trustees opposed.



Audit Committee Report

Joanne Hill, Audit Committee Chair, stated that the Audit Committee Charter had been revised to reflect current best practices. After a brief review of the revisions to the Charter, Ms. Hill presented a motion to the Board, stating *"The Audit Committee recommends, and I move, that the Board approve the changes to the PERA Charter for the Audit Committee as recommended by the Audit Committee as specified in the Tab G materials for today's meeting."* The motion passed.

Semi-Annual Benefits Report

Lana Calhoun, PERA Deputy Executive Director, Benefits, reviewed the progress and accomplishments of the Benefits Department in 2003. Information presented by Ms. Calhoun included the number of membership contacts made by various Divisions, the number of presentations and publications handled by the Communications Division, and an update regarding Purchasing Service Credit activities.

Semi-Annual Support Services Report

Kim Natale, PERA Deputy Executive Director, Support Services, reviewed the progress and accomplishments of the Operations Support Department in 2003 and goals for 2004. Mr. Natale highlighted his Department's role in the People Soft conversion and the conversion from FileNet to PERADocs.

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 signature pages for the Merger Agreement should be received within the next couple of days. Mr. Smith then stated that the parties were continuing to discuss the actuarial calculation methodology for costing the merger and that the Merger Agreement would be presented to the Board for their review at the June Board Meeting prior to the June 30, 2004 termination without cause deadline.



Other Business

Douglas Windes, PERA Trustee, stated that he intended to make a recommendation for the formation of a Long Range Strategic Planning Committee to the Board at the June Board Meeting with the intent of the Committee meeting at the Board Retreat in July.

Mark Anderson stated that the Board Self-Evaluations will be reviewed at the June Board Meeting.

2004 Board Meeting Dates

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, Vice Chair Mark Anderson adjourned the meeting at 2:34 p.m.

Respectfully submitted by

Amber Malley
Senior Administrative Assistant, Legal Services Division

Mark Anderson, Vice Chair

Meredith Williams, Executive Director