



**COLORADO
PERA**
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**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
BOARD MEETING MINUTES
1300 Logan Street
Denver, CO 80203
June 21 and 22, 2004**

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

Trustees Absent: Patricia Kelly

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

June 21, 2004

James Casebolt, Board Chair, called the meeting to order at 2:40 p.m.

General Counsel Update

Greg Smith, General Counsel, 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 is in the process of finalizing an audit and, at this point, the known incident appears to be an isolated situation.

Mr. Smith then presented a draft motion for the Board's consideration subsequent to the passage of SB 04-90 defining the investment information that shall be held confidential to avoid a potential negative impact on value.



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Mr. Smith reviewed the motion, and responded to questions from Trustees regarding whether the figures to be released would be externally audited. At the conclusion of discussion, Dick Lansford moved and Scott Noller seconded that, *"Pursuant to the provisions of Section 24-51-213(3) of the Colorado Revised Statutes as recently amended by Senate Bill 04-90 which authorized the PERA Board to determine what information regarding the real estate, private equity, private debt, timber and mortgage investments of the Association shall be kept confidential because its disclosure would jeopardize the value of the investment, I move:*

that for each of the foregoing asset categories the information itemized below be made available to the public upon written request;

that all information disclosed shall, where practicable, consist of audited figures, updates of which shall be made as soon as practicable following receipt of periodically updated audited figures;

that information and records including governing contractual documents related to investments in these categories and which is not subject to contractual restrictions on disclosure, shall be made available upon written request following final sale, disposition or liquidation of the investment by PERA;

and finally that PERA expressly determine that disclosure of information or records relating to its investments other than those categories set forth below would pose a significant risk of impacting the value of PERA's investments and shall be kept confidential until final disposition, sale, or liquidation.

Real Estate

Direct Ownership:

Investment name

Ownership interest

Ownership percentage

Property type

Address

Square footage

Asset manager

Joint Venture, Closed End and Open End Funds, Mortgages and REITS:

Name of the investment

Percentage ownership or number of shares held for public securities

Property type where applicable

Amount invested

General Partner or Asset manager

Private Equity

Vintage year

Partnership name

Capital committed



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*Capital contributed
Capital distributed
Colorado PERA's since inception IRR*

*Private Debt
Issuer name
Par amount of holdings
Stated final maturity of each position*

*Timber
Investment manager
Commitment
Vintage
Capital committed
Capital contributed
Capital distributed
Domestic or International*

This motion passed unanimously.

Mr. Smith then informed the Board that he had attended a restitution hearing for a case involving two former Elizabeth School District employees wherein he submitted for repayment of monies wrongfully paid by PERA due to fraudulent activity. Mr. Smith then presented a resolution to the Board which, upon adoption, authorizes the Deputy State Treasurer, Ben Stein, to act as a PERA Trustee 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, Ben Stein, 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";



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WHEREAS, Deputy State Treasurer Dick R. Murphy has resigned his position as Deputy State Treasurer and Ben Stein has been appointed to the position of Deputy State Treasurer;

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

WHEREAS, Deputy State Treasurer, Ben Stein, has acknowledged and accepted this delegation;

WHEREAS, State Treasurer Mike Coffman will appoint a different representative to the State Deferred Compensation and Public Officials' and Employees' Defined Contribution Plan Board;

WHEREAS, State Treasurer Mike Coffman and Deputy State Treasurer Ben Stein have acknowledged that upon acceptance of this delegation and approval by the Board of Trustees, Deputy State Treasurer Stein 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 Ben Stein, 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 Ben Stein, 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.

Liz Friot made a motion to adopt the above resolution. This motion was seconded by Scott Noller and was approved.

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), James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of all members present to go into executive session at 3:06 p.m.. In addition to the



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Trustees and the General Counsel, newly-elected Trustee Tamela Long, the Executive Director, the three Deputy Executive Directors, the Director of Communications, the Director of Government Relations, the Manager of Strategy and Innovation, the Communications Specialist and the Legal Administrative Assistant remained present for the closed executive session.

The executive session concluded at 3:23 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

DPSRS Merger Update

Ron Baker, Applications Development Manager; Lana Calhoun, Deputy Executive Director, Benefits; Rob Gray, Director of Government Relations; David Maurek, Manager of Strategy and Innovation; and Greg Smith, General Counsel with the assistance of Dave Slishinsky and Flick Forna of Mellon Human Resources & Investor Solutions (HRIS), provided a detailed presentation highlighting the critical components of the Public Employees' Retirement Association(PERA)/Denver Public Schools Retirement System (DPSRS) merger. The team discussed merger funding, merger costing, DPSRS' protected benefits, merger costs, due diligence activities, various impacts of the merger on the Health Care Trust Fund, various administrative issues, information system coordination, potential member issues, the impact of the merger on portability, and provided a time line for the merger.

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), James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of all members present to go into executive session at 4:52 p.m. In addition to the Trustees and the General Counsel, newly-elected Trustee Tamela Long, the Executive Director, the three Deputy Executive Directors, the Director of Communications, the Director of Government Relations, the Manager of Strategy and Innovation, the Communications Specialist and the Legal Administrative Assistant remained present for the closed executive session.

The executive session concluded at 6:37 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

June 22, 2004

James Casebolt, Board Chair, called the meeting to order at 9:43 a.m.

Approval of Agenda

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

Approval of April 7 and April 16, 2004 Board Meeting Minutes

By motion of Gloria Santistevan-Feedback and second by Liz Friot, the April 7 and April 16, 2004 Board Meeting Minutes were approved as published.

Public Comment

There was no public comment.

Board Election Results

John Spielman, PERA Director of Internal Audit, presented the Board Election results and affirmed that the election had been certified by the audit firm of Hiratsuka & Schmitt, L.L.P. as having been conducted according to governing bylaws and rules. Mr. Spielman informed the Board that the first and second place candidates for the State seats were separated by less than one percent of the vote. In compliance with established guidelines and rules for affirming election results under these circumstances, the auditors (Hiratsuka & Schmitt, L.L.P.) performed a recount. The recount established that Tamela Long had been elected to the four-year Board term for the State seat. Mr. Spielman then announced that Amy Nichols had been elected to the four-year term and Sandra Mills had been elected to the two-year term in the School Category of the State and School Division. Upon completion of Mr. Spielman's review, Gloria Santistevan-Feedback moved that *"the published June 4, 2004, Retirement Board Election Results be affirmed and that Amy Nichols is duly elected to*



a four-year Board term for the School Category of the State and School Division, Sandra Mills is duly elected to a two-year Board term for the School Category of the State and School Division, and that Tamela Long is duly elected to a four-year term for the State Category of the State and School Division.” The motion was seconded by Scott Noller and passed.

Monthly Reports

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee met earlier in the day and approved the April 16, 2004 Executive Committee minutes, reviewed the April 30, 2004 Unaudited Financial Statements and the May 31, 2004 Budget Reports. Mr. Anderson then stated that the Committee reviewed operations at PERA and discussed plans for the 2004 Board Retreat and reviewed the meeting's Board Meeting Agenda.

Executive Director Report

Meredith Williams, PERA Executive Director, reviewed statistics on membership and the financial status of the fund. Mr. Williams then discussed the National Council on Teacher Retirement conference he recently attended, commented on recent activities occurring at pension systems in other jurisdictions and agenda items to be discussed later in the meeting and at the July Board retreat.

Market and Portfolio Update

Jennifer Paquette, Deputy Executive Director of Investments, provided a market and portfolio review and gave information regarding the economic outlook for the fund. Ms. Paquette then discussed current activities occurring in the Equities, Fixed Income, Real Estate and Alternative Investment Divisions and relayed information regarding staffing changes in her department.

Legislative Package and Report

Rob Gray, PERA Director of Government Relations, with the assistance of Bob Kirscht, PERA contract lobbyist, presented a summary of legislation of interest to PERA. Mr. Gray briefly discussed SB 04-132 and SB-04-257, activities involving the Ambassadors, the Colorado County Officials and Employees Retirement Association (CCOERA) audit and a federal bill



regarding the Windfall Elimination Provision. At the conclusion of the report, James Casebolt, Board Chair, expressed the Board's appreciation to all who had worked to ensure the passage of legislation in the 2004 legislative session.

Actuarial Report

Dave Slishinsky, Mellon HRIS, presented the actuarial valuation results of the fund as of December 31, 2003. Mr. Slishinsky discussed the fund's current actuarial value and funding status and provided an actuarial outlook for the plan.

The Board recessed for lunch at 11:43 p.m.

DPSRS Merger

The Board reconvened at 12:28 p.m.

James Casebolt, Board Chair, stated that the Board would at this time continue discussion of the PERA and DPSRS merger. Mr. Casebolt stated that due to discussion of pending and threatened litigation, the Board would need to go into executive session. Pursuant to Colorado Revised Statutes § 24-6-402(3)(b), Mr. Casebolt polled the Trustees in attendance and received the consent of all members present to go into executive session. In addition to the Trustees, the Executive Director, the three Deputy Executive Directors (Lana Calhoun, Kim Natale and Jennifer Paquette), the Director of Communications, the Director of Government Relations, the Manager of Strategy and Innovation, the Communications Specialist and the Legal Administrative Assistant remained present for the closed executive session.

The executive session concluded at 1:18 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

Once in open session, the Board discussed Trustee availability to continue the merger discussion at a later date. At the conclusion of discussion, James Casebolt, Board Chair, announced that a meeting for purposes of discussing the merger would occur on Tuesday, June 29, 2004 at 4:00 p.m.



Committee Reports

Audit Committee Report

Joanne Hill, Audit Committee Chair, informed the Board that the Committee reviewed the evaluations of the General Counsel and the Internal Audit Director, discussed the annual financial audit from PricewaterhouseCoopers LLP, PERA's external auditor and heard a presentation from Karl Greve, PERA's Accounting Director on the *Comprehensive Annual Financial Report (CAFR)*. Ms. Hill then stated that *"The Audit Committee recommends, and I move, that the Board approve the release of the 2003 Comprehensive Annual Financial Report."* The motion was approved unanimously.

Benefits Committee

Donna Bottenberg, Benefits Committee Chair, informed the Board that the Committee heard a presentation by Liz Leif, insurance consultant that reviewed Medicare and the PERACare program. Rob Hartapee, Life Insurance consultant, presented an analysis of vendor capabilities for administration of a redesigned PERA life insurance programs. Ms. Bottenberg then stated that *"The Benefits Committee recommends and I move, that the administration of the PERA Life Insurance Program be transferred from the current multiple vendors to Unum Provident with an anticipated implementation date of April 1, 2005."* This motion passed unanimously.

Investments Committee Report

Dick Lansford, PERA Trustee, on behalf of Patricia Kelly, Investment Committee Chair, reported that the Committee received a report regarding PERA's current investment policies by investment consultant Ennis Knupp, received information and participated in discussion regarding hedge funds, and discussed the timeline for a Request for Proposal concerning PERA's contract with its investment performance consultant.

Shareholder Responsibility Committee

Scott Noller, Shareholder Responsibility Committee Chair, advised the Board that the Committee had received an update regarding recent trends in shareholder activism and discussed the impact of the conversion to the



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Wilshire 5000 on the number of proxies being voted by the Legal Department.

Interest Credit Policy

Rob Gray, PERA Director of Government Relations, presented a recommended policy for determining the interest credit on member accounts. Discussion ensued regarding different methodologies for calculating the interest credit rate. At the conclusion of discussion, Mark Anderson stated *"I move to accept the proposed policy as amended, with the interest rate under 3% with 70% or higher Funded Ratio to be 4%."* The motion was seconded by Liz Friot and passed with 10 Trustees voting in favor and 4 Trustees voting against.

The Board recessed for a short break at 2:00 p.m. and reconvened at 2:07 p.m.

Board Self-Evaluation

David Maurek, PERA Manager of Strategy and Innovation, discussed the results of the Board Self-Evaluation and then stated that the structure of the evaluation instrument would be reviewed by an ad-hoc committee of the Board and solicited Trustee input and volunteers to participate on the committee. Mr. Maurek then thanked the Board for their candor and participation in the self-evaluation.

Other Business

Trustees Douglas Windes and Marcus Pennell presented a memorandum to the Board expressing their desire to establish a long-range planning committee of the Board. Extensive discussion ensued regarding the need and the impact of establishing such a committee.

Trustee Terry Campbell then thanked the Board for the time they had served together and expressed the gratification he had received from serving on the PERA Board.

With no further business to discuss, Chair James Casebolt adjourned the meeting at 3:00 p.m.

Respectfully submitted by



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Amber Malley
Senior Administrative Assistant, Legal Services Division

James Casebolt, Chair

Meredith Williams, Executive Director