



**COLORADO
PERA**[®]
Record of Proceedings

**Colorado Public Employees' Retirement Association
Board Meeting Minutes**

1300 Logan Street
Denver, Colorado
September 17, 2004
9:00 a.m.

Trustees Present: James Casebolt, Board Chair, Mark Anderson, Vice Chair, Sara Alt, Donna Bottenberg, F. Elizabeth Friot, Patricia Kelly, Richard Lansford, Tamela Long, Amy Nichols, Scott Noller, Marcus Pennell, Gloria Santistevan-Feedback, Ben Stein, Douglas Windes, David Williamson

Trustee Absent: Joanne Hill

Staff Present: Lana Calhoun, Jake Fennell, Rob Gray, Katie Kaufmanis, David Maurek, Brenda Meidl, 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

James Casebolt, Board Chair, called for amendments to the Board agenda. He requested that one item from Other Business, the appointment of David Williamson to the Board, be moved to the beginning of the agenda. Gloria Santistevan-Feedback moved and Patricia Kelly seconded that *"the Board agenda be approved as amended."* The motion was approved.

Other Business

David Williamson Appointment

The Board Chair advised the Board that Sandra Mills had resigned from the PERA Board of Trustees. David Williamson was the runner-up in the most recent election for a School Category trustee. Election rules allow Mr. Williamson to fill the position for the balance of the vacant term.

Scott Noller moved and Marcus Pennell seconded *"that the Board of Trustees appoint David Williamson to the PERA Board of Trustees to fill the vacancy created by the resignation Sandra Mills, through June 30, 2005."* The motion was approved.



Approval of July 16, 2004, Board Meeting Minutes

By motion of Sara Alt, seconded by Richard Lansford, the July 16, 2004, Board Meeting minutes were approved as published.

Approval of September 2, 2004, Board Meetings Minutes

By motion of Doug Windes, seconded by Patricia Kelly, the September 2, 2004, Board Meeting minutes were approved as published.

Public Comment

There was no public comment.

Monthly Report

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee had met and approved the July 16, 2004, Executive Committee minutes and reviewed the July 31, 2004, Unaudited Financial Statements and the August 31, 2004, Budget Report. They also reviewed operations at PERA and discussed status of issues that were brought up at the 2004 Board Retreat.

Committee Reports

Benefits Committee Report

Gloria Santisteven-Feedback, Benefits Committee Chair, stated that the Benefits Committee had met the day before and had no action items to bring before the Board. The Committee had discussed the Health Care Trust Fund (HCTF) actuarial study related to a request to use the health care premium subsidy for dental and vision premiums. The Committee also discussed the method of provision of Medicare Part A coverage for those benefit recipients who do not qualify for Medicare Part A at no cost. Staff will monitor this issue and report annually to the Benefits Committee. Ms. Santisteven-Feedback stated that Rob Gray, Director of Government Relations, reported to the committee on the condition of the HCTF. PERACare open enrollment was discussed, and begins October 5. The Committee was briefed on the status of the conversion to one life insurance vendor. There will be no fall open enrollment period for life insurance in 2004. Open enrollment will be held in the spring with the transition to Unum Provident on April 1, 2005.

Committee Reports (continued)

Investment Committee Report

Patricia Kelly, Investment Committee Chair, stated that the Investment Committee had met the day before and discussed a proposed Investment Policy Statement. Final changes will be reviewed by the Committee in October. Ms. Kelly stated that Jennifer Paquette, Deputy Executive Director of Investments, presented the benefits and challenges of the internal management of PERA's investment program. The Committee discussion regarding a possible change to the investment performance consultant was carried over to a future agenda.



Shareholder Responsibility Committee Report

Scott Noller, Shareholder Responsibility Committee Chair, stated that the Committee had discussed the proxy policy and stated that it will be monitored closely. Mr. Noller said that the Committee was proceeding with staff's independent director definition. Mr. Noller stated that the Committee is reviewing a new proxy voting product.

The Committee also discussed the issues surrounding international investments and how they may relate to terrorism. Greg Smith, PERA's General Counsel, reviewed the history on this topic, mentioning that the Board had addressed this concern and had heard from experts and managers on how they screened for risks.

Compensation and Budget Committee

Richard Lansford, Compensation and Budget Committee Chair, reported that the Committee discussed and approved the change of the Committee's name from Salary and Budget Committee to Compensation and Budget Committee. Mr. Lansford distributed a proposed charter to formally create a Compensation and Budget Committee that will be presented to the Board for action in October. Mr. Lansford reported that there will be a Committee meeting on October 7 at 3:30 p.m. to discuss the 2005 PERA Budget.

Mr. Lansford noted that the Committee reviewed PERA staff compensation and benefits. The total compensation plan was presented to the committee.

The budget development timeline was discussed. Any changes will be reviewed at the October 7 meeting.

Appeal of an Administrative Review

Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. The Appellant, Henry Koopman, requested that the Appeal be heard in a closed Executive Session. James Casebolt, recused himself from this proceeding and Mark Anderson, Vice Chair, polled the Trustees in attendance and received the consent of all members present to go into Executive Session at 9:28 a.m.

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 regarding the appeal of an Administrative Review ," Board Vice Chair Mark Anderson.

Mark Anderson, Vice Chair



Administrative Review Appeal Motion

Patricia Kelly moved and Scott Noller seconded that “*the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny the appeal of Mr. Koopman.*” Board members that did not vote on this matter were Amy Nichols, Marcus Pennell, Richard Lansford, and Jim Casebolt. The motion was approved.

The Board recessed for a break at 10:29 a.m. and reconvened at 10:39 a.m.

Northern Trust Performance Report

Jennifer Paquette, Deputy Executive Director of Investments, introduced Northern Trust representatives, Jana Schroeder, Executive Vice President Corporate and Institutional Services, who then introduced Scott Winkates, Vice President, Corporate and Institutional Services and Paul d’Ouille, Senior Vice President, Corporate and Institutional Services. The Northern Trust representatives reviewed the Performance Report for 2003 and six months of 2004, PERA’s risk profile and responded to Trustee’s questions.

Rules Discussion

Greg Smith, PERA General Counsel, with the assistance of Lana Calhoun, Deputy Executive Director of Benefits, explained the proposed changes in PERA Rules as reflected in the Rules document appearing as Tab D to the Board agenda. Trustee’s asked questions and discussed the proposed changes, noting that the process for approval of Rules changes had changed.

The Board recessed for lunch at 12:05 p.m.

Rules Discussion (continued)

Greg Smith, with the assistance of Lana Calhoun, continued with the explanation of the proposed changes by PERA staff and responded to Trustee’s questions. The Board will review the proposed changes at the October meeting, with the formal Rule’s Hearing tentatively scheduled for January 2005.

Committee Reports (continued)

Audit Committee

Patricia Kelly, Audit Committee member, stated that the Audit Committee had met the day before and reported that they had held the annual private meeting with the Internal Audit Director and General Counsel as specified in the Audit Committee Charter. The Committee also heard oral reports and reviewed written results of the recent reviews conducted by the current Audit staff. The Committee then heard Internal Audit’s report on trustee education compliance and reviewed three trustees’ requests for exceptions from the Board Education Policy. Ms. Kelly stated that the Committee accepted the hours submitted by Doug Windes but denied his request to substitute an educational session for meeting his second-year requirement and they accepted his



request to postpone his second-year education requirement until 2005. Ms. Kelly stated that the Committee approved a request by Marcus Pennell for an extension for completing the first-year educational requirement. She stated that the Audit Committee was asked to consider a request for an additional education budget allocation for another trustee and make a recommendation to the Board. The Audit Committee recommended that the Board deny Scott Noller's request for additional educational allocation, and the Board concurred.

The Audit Committee asked staff to work on revising the Trustee Educational Evaluation Form based on Audit Committee member comments and to bring the form back to the Committee for review.

Ms. Kelly stated that Joanne Hill, Audit Committee Chair, distributed an opinion letter for the most recent peer review of external auditor PriceWaterhouse Coopers, and they stated that they had received a clean opinion. She further noted that not only is PERA's Internal Audit group going through a peer review, so are the external auditors which will be requested by the Committee each year. She also stated that Meredith Williams, Executive Director, provided the Committee with a PERA and DPSRS Merger update. The Committee asked staff to develop a policy for handling last minute changes to the Comprehensive Annual Financial Report and to perform an analytical review of the line items, budget to actual, for the last five years.

Results of Long-Range Planning Prioritizations

David Maurek, Manager of Strategy and Innovation, presented the results of the long-range planning discussion from the Board Retreat. He reviewed the plans for the October long-range planning meeting and responded to questions from the Trustees. Jim Casebolt, Board Chair, summarized that PERA's consultant, Cortex, will integrate the results in a report that will be presented to the Board in October. John Por of Cortex is scheduled to provide historical perspective and review timelines on the strategic initiatives the Board completed.

Trustee Employment Policy

David Maurek with the assistance of Greg Smith, General Counsel, explained and discussed the issues associated with the employment of trustees in PERA staff positions. Mr. Maurek discussed various options for the Board to consider. Mr. Maurek responded to questions from the Trustees. Mr. Smith reviewed the temporary policy used when there was a prior vacancy. The Board will revisit this policy at a future Board meeting.

Monthly Reports

Executive Director's Report

Meredith Williams, PERA Executive Director, reviewed statistics on membership and the financial status of the fund. Mr. Williams stated that the net benefit outflows and available investment income will be reported on a quarterly basis in the future. A financial workshop with Accounting Director Karl Greve is scheduled for a future meeting.

Mr. Williams then discussed the meeting with the Legislative Audit Committee that staff attended in August. He also discussed a meeting that he had with Denver Public Schools Retirement System (DPSRS) and stated that PERA had provided DPSRS with detailed information related to the various costs of PERA benefits. If an agreement can be reached among all parties, legislation could be sought at a future date.

Mr. Williams also reported on the Shareholder meetings that are being held around the state to give members information about PERA, answer questions, and provide an opportunity for members and benefit recipients to meet legislators and candidates. Mr. Williams then reviewed the information for upcoming Board meetings and also discussed issues that other pension plans are facing.

The Board recessed for a break at 2:46 p.m. and reconvened at 2:53 p.m.

Market and Portfolio Update

Jennifer Paquette, Deputy Executive Director of Investments, provided a manager update. Ms. Paquette also provided information regarding the economic outlook and responded to questions from the Trustees. Ms. Paquette then discussed current activities occurring in the Equities, Fixed Income, Real Estate, and Alternative Investments Divisions and answered questions from the Board.

Legislative Report

Rob Gray, PERA Director of Government Relations, provided a summary regarding changing the effective date to increase the cost of service credit purchases and responded to questions from the Trustees.

Richard Lansford moved and Doug Windes seconded "*that the effective date for PERA to charge full actuarial cost be set at November 1, 2005. For all purchases of non-covered employment on or after November 1, 2005, the cost will be the full actuarial cost on an attained age basis, but not less than the sum of the member and employer contributions in effect at the time of the purchase.*" The motion passed.

Mr. Gray discussed the Social Security Administration's employers requirement effective January 2005 to provide employees with a form to complete and acknowledge implications of the Windfall Elimination Provision. The form is currently under review. Bob Kirscht, PERA lobbyist, provided information



regarding the Shareholder meetings and discussed state political issues with the Trustees.

General Counsel Report

Greg Smith, General Counsel, provided information to the Board regarding fees paid to date for outside counsel. Mr. Smith provided information regarding the Oregon Retirement System lawsuit relating to “contract clause” implications which staff was looking at as a possible case model. Legal staff will continue to monitor the case.

Mr. Smith distributed a list of scheduled Administrative Review Panels through June 2005 and responded to Trustees’ questions. Mr. Smith, pursuant to C.R.S. § 24-51-205(6) (b), gave the Board an update on cases in which the Executive Director had reversed staff decisions regarding member appeals and responded to Trustee’s questions.

Mr. Smith then requested the Board go into Executive Session to address pending and threatened litigation involving PERA. Pursuant to C.R.S. § 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 3:46 p.m. 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, the Director of Internal Audit, Communications support staff, and the Legal Administrative Assistant remained present for the closed Executive Session.

The Executive Session concluded at 4:02 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



Other Business

Terry Campbell Proclamation

James Casebolt offered a proclamation for the Board's consideration concerning Terry Campbell. *Amy Nichols moved and Mark Anderson seconded the motion to adopt the following proclamation.* The motion passed.

*PROCLAMATION CONCERNING
TERRY CAMPBELL*

Whereas, Terry Campbell had an exemplary and distinguished professional career in public service of 25 years at the Colorado State Patrol, and

Whereas, Terry Campbell, served 4 years as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (Colorado PERA), and

Whereas, through Terry's enthusiasm, sincerity, professionalism, analysis, personal dedication, and fairness, he earned the respect, confidence and esteem of members of the Colorado PERA Board and staff, and

Whereas, Terry served PERA's membership with dignity, vision, loyalty, dedication and integrity by providing valuable counsel to the PERA Board and staff, and

Whereas, Terry has retired from the Colorado State Patrol; now therefore, be it

Resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thanks Terry Campbell for his dedicated and conscientious service to the membership of Colorado PERA, his many contributions and accomplishments during his 4 years of service as a member of the Board of Trustees, and we wish him much success in his retirement, and

Resolved that a copy of this Resolution be placed in the official minutes of the September 17, 2004 PERA Board of Trustees meeting.

*Submitted by James Casebolt,
Board Chair
Colorado Public Employees' Retirement Association
September 17, 2004*



2004 Board Meeting Dates

October (14) 15
November (18) 19

With no further business to discuss, Chair James Casebolt adjourned the meeting at 4:05 p.m.

Respectfully submitted by

Brenda Meidl
Senior Administrative Assistant, Legal Services Division

James Casebolt, Chair

Meredith Williams, Executive Director