



**COLORADO
PERA®**
Record of Proceedings

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

1300 Logan Street
Denver, Colorado
December 16, 2005
10:00 a.m.

Trustees Present: James Casebolt, Board Chair, Mark Anderson, Board Vice Chair, Sara Alt, Susan Beeman, Donna Bottenberg, F. Elizabeth Friot, Joanne Hill, Mark Hillman, Patricia Kelly (present after 11:30 a.m.), Tamela Long, Maryann Motza, Scott Murphy, Amy Nichols, Scott Noller, Marcus Pennell, Carole Wright

Trustees Absent: No Trustees were absent

Staff Present: Lisa Fedak, Rob Gray, Katie Kaufmanis, David Maurek, Brenda Meidl, Kim Natale, Jennifer Paquette, Gregory W. Smith, John Spielman, Meredith Williams

James Casebolt, Board Chair, called the meeting to order at 10:03 a.m.

Approval of Agenda

A motion was made by Scott Noller and seconded by Susan Beeman, that "*the Board Agenda be approved as published.*" The motion was approved.

Approval of November 18, 2005, Board Meeting Minutes

A motion was made by Sara Alt and seconded by Scott Noller, that "*the November 18, 2005, minutes be approved as published.*" The motion was approved.

Public Comment

No public comment.

Committee Reports

Audit Committee

Tamela Long, Audit Committee Chair, reported that the Committee had met earlier this morning and had received a report from Jim Comisky, Clifton Gunderson, LLP, regarding the scope of the Annual Financial Audit. The Committee had also received comments from the State Auditor's office regarding PERA's response on their recommendations in the performance audit. In addition, the Committee had provided Meredith Williams, Executive Director, with input regarding the performance appraisals of John Spielman, Director of Internal Audit, and Gregory W. Smith, General Counsel. The Committee also approved a revision to the *Trustee Education Evaluation Form* to include detail on the type of classes attended while at a conference. Ms. Long reported that



the Committee discussed a Model Ethics Policy endorsed by the Association of Public Pension Fund Auditors (APPFA) and will continue that discussion at the March Committee meeting. Additionally, the Committee approved the annual report for the Internal Audit Division. Finally, Mr. Spielman provided copies of the *Summary Report on Audit Activities* to the Board.

Compensation and Budget Committee

Sara Alt, Compensation and Budget Committee Chair, brought forth a motion by the Compensation and Budget Committee, that *“the changes to Tab 26 in the Governance Manual to the Board be approved.”* The primary changes are the requirement of an itemized receipt to be submitted with an *Expense Report*, and receipts required for all expenses, including those under \$25 for all expenses except gratuities. Discussion ensued and the motion was approved.

A motion was brought forth by the Compensation and Budget Committee that *“the Investment Department Incentive Plan as PERA-includable salary be approved.”* The authority was delegated to staff to approve incentive plans, but since PERA is the employer in this case, staff felt it was appropriate for the Board to be aware of the request and formally act on the approval. A handout was provided covering the history of the current law, the criteria considered, and the evaluation methodology regarding merit pay and performance. David Maurek, Chief Operating Officer, provided commentary on the Board’s past activities and their delegated authority to PERA’s administrative staff since 1998. Discussion ensued and Mr. Maurek responded to questions. The Board directed staff to study whether there are any inconsistencies in administration of pay plans by employers and to provide a report to the Board at a future meeting.

The foregoing motion was approved with Susan Beeman, Joanne Hill, and Mark Hillman voting against the motion.

Investment Committee

Marcus Pennell, Investment Committee Chair, reported that the information for this portion of the meeting was provided to the Board at the November meeting and transmitted as Tab C on Friday, December 9.

A motion was brought forth by the Investment Committee that *“the Board approve the following 2006 Investment Incentive Plan Benchmarks and Performance Award Scales:”*

Assets	Benchmark	Performance Award Scale
Total Fund	Policy Benchmark	0–40 bp
Domestic Equities	Wilshire 5000	0–35 bp
International Equities	ACWI-Ex U.S.	0–75 bp
Fixed Income	Lehman Universal	0–25 bp
Real Estate	NFI + 100	0–50 bp
Alternatives	Venture Economics Pooled	Minus 50bp–Venture Economics Pooled

The foregoing motion was approved.



Asset Liability Study

Jennifer Paquette, Chief Investment Officer, introduced Richard Ennis, Brian Birnbaum, and Rowland Davis, from Ennis Knupp & Associates. Mr. Birnbaum provided a summary of the report asset/liability study that was provided to the Board at the November meeting and was transmitted to the Board as Tab D on Friday, December 9. Discussion ensued and Ms. Paquette, Mr. Birnbaum, and Mr. Davis responded to questions.

A motion was made by Mark Anderson and seconded by Donna Bottenberg, that *“the Board approve the asset class targets and ranges as described below, effective January 1, 2006, and that staff be directed to develop an implementation plan for the Board’s consideration and approval at its January 20, 2006, meeting.”*

Asset Class	Target	Range
Domestic Equity	45	42 – 48
International Equity	15	12 – 18
Fixed Income	25	22 – 28
Alternatives	7	4 – 10
Real Estate	7	4 – 10
Timber	1	0 - 2

Discussion ensued and the motion was approved with Sara Alt, Mark Hillman, Scott Murphy, Scott Noller, and Marcus Pennell voting against the motion.

A motion was made by Mark Hillman and seconded by Joanne Hill, *“to change the asset allocation mix to a 70/30 allocation, as presented by Ennis Knupp on page 30 of their November 17, 2005, presentation.”* Discussion ensued and the motion failed with Mr. Hillman voting for the motion. The Board directed staff and Ennis Knupp to provide a report on the 70/30 asset allocation mix to the Investment Committee at a later date.

The Board recessed for lunch at 11:55 a.m. and reconvened at 12:30 p.m.

2006 Legislative Package

Rob Gray, Director of Government Relations, reviewed state and federal legislative developments that were transmitted to Trustees on December 15, 2005, as Tab E. Mr. Gray, with the assistance of Meredith Williams, Executive Director, and Gregory W. Smith, General Counsel, reviewed potential 2006 legislation. Extensive discussion ensued and Mr. Gray, Mr. Smith, and Mr. Williams responded to questions.

The Board recessed for a break at 2:00 p.m. and reconvened at 2:15 p.m.



A motion was made by Mark Anderson and seconded by Patricia Kelly and Tamela Long that *“the Board direct staff to seek the introduction of legislation entitled Outline of Proposed Legislation Package from PERA dated December 16, 2005.”* Discussion ensued and the motion was approved. The Board directed staff to further study the proposed legislation’s impact on PERACare.

Mr. Casebolt reported that he had met with members of the Treasurer’s Commission to Strengthen and Secure PERA and had a discussion regarding their concerns about, and the appropriateness of, adding outside experts to the Board. Mr. Casebolt proposed adding outside experts to the memberships of the Benefits, Investment, and Compensation and Budget Committees instead.

By motion of Mark Anderson and second by Scott Noller, that *“the Board add two outside experts to the memberships of the Benefits, Compensation and Budget, and Investment Committees. Such members would be selected by the Board according to specified qualification criteria, would be voting members of the respective committees, would serve overlapping four-year terms, and would be compensated for their services. Staff is directed to present a draft implementation plan to the Board for its consideration at the next scheduled meeting.”* Discussion ensued and the Board directed staff to include a review of the Committee charters in the draft. The motion was approved.

DC Plan Update

David Maurek, Chief Operating Officer, reviewed the Defined Contribution Plan investment default options that were distributed to the Board at the November meeting. Mr. Maurek and Mr. Smith responded to questions.

A motion was made by Patricia Kelly and seconded by Scott Noller, that *“the contributions received into Colorado PERA’s Defined Contribution Plan after January 1, 2006, prior to the participant’s designated selection(s) be placed in the Northern Trust Short Term Fund as the investment default.”* The motion was approved.

General Counsel Update

Gregory W. Smith, General Counsel, reminded the Board of the requirement to submit the Financial Disclosure forms to the Secretary of State by January 10, 2006. Mr. Smith also reported that he and David Maurek, Chief Operating Officer, had met with representatives from Standard Insurance, the third-party administrator for the PERA disability program, and informed the Board that a study of possible refinements of the disability program is continuing.

Mr. Smith then requested the Board go into Closed Executive Session to address pending or imminent litigation and legal advice on specific legal questions regarding PERA, pursuant to C.R.S. §§ 24-6-402(3)(a)(2) and 24-6-402(4)(b). James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of all members present to go into Closed Executive Session at 3:51 p.m. In addition to the Trustees, and the General Counsel, the Executive Director, the Chief Operating, Administrative, and Investment Officers, the Directors of Internal Audit and Communications, and the Legal Administrative Assistant remained present for the Closed Executive Session.



The Closed Executive Session concluded at 3:57 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 regarding pending and threatened litigation as well as legal advice related to specific questions involving PERA constituting attorney client communication."

James Casebolt, Chair

Board Meeting Dates

January 20, 2006
February 10, 2006
March (16)17, 2006
April 21, 2006
June (15)16, 2006
July 19-21, 2006 (Planning Session)
September (14)15, 2006
October 20, 2006
November (16)17, 2006

Other Business

With no further business to discuss, Mr. Casebolt adjourned the meeting at 4:00 p.m.

Respectfully submitted by
Brenda Meidl
Senior Administrative Assistant
Legal Services Division

James Casebolt, Chair

Meredith Williams, Executive Director