



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

1300 Logan Street
Denver, Colorado
February 18, 2005
8:30 a.m.

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

Trustees Absent: Douglas Windes

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 8:30 a.m.

Approval of Agenda

By motion of Patricia Kelly and second by Richard Lansford, that *"the Board Agenda be approved as published."* The motion was approved.

Approval of January 21, 2005, Board Meeting Minutes

By motion of Gloria Santistevan-Feedback and second by Sara Alt, that *"the January 21, 2005, Board Meeting Minutes be approved as published."* The motion was approved.

Public Comment

No public comment.

Monthly Report

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee met earlier in the day and approved the January 21, 2005, Executive Committee Minutes and reviewed the December 31, 2004, Unaudited Financial Statements and the January 31, 2005, Budget Report. They also reviewed operations and follow-up issues. Finally, they reviewed the agenda for today's meeting.



Mr. Casebolt invited Meredith Williams, Executive Director, to address the Board about the recent interviews aired by two local television stations. Mr. Williams reported that in each case the interviews lasted approximately 90 minutes and that less than one minute of the interview was aired. Mr. Williams addressed each element of the reports, described the interviews, and the content of the documentation provided to the media.

On behalf of the Board, Mr. Casebolt thanked Mr. Williams for his honest, straightforward and candid approach in dealing with these matters and expressed appreciation for his efforts.

Proclamation

Mr. Casebolt offered the following proclamation for the Board's consideration concerning Lana Calhoun. By unanimous vote, a motion that "the Board adopt the following proclamation" was approved.

PROCLAMATION CONCERNING LANA P. CALHOUN

Whereas, Lana Calhoun has provided the Public Employees' Retirement Association of Colorado (Colorado PERA) with 19 years of exemplary service, initially as Director of Benefit Services and the last 16 ½ years as Deputy Executive Director, Benefits, and

Whereas, through Lana's professionalism, knowledge of public policy, dedication to the doctrine of fairness, selfless and untiring efforts, she earned the respect, confidence and esteem of members of the Colorado PERA Board, staff, Colorado Legislature and members of national public retirement industry organizations, and

Whereas, Lana served PERA's continually increasing membership with dignity, loyalty, dedication and integrity by providing guidance and oversight to the activities of the staff reporting to her, and

Whereas, Lana has elected to retire from her staff position of Deputy Executive Director, Benefits effective March 1, 2005;

Now therefore, be it resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognizes and thanks Lana Calhoun for her dedicated and conscientious service to the membership of Colorado PERA, her many contributions to the members of the Board of Trustees over her 19 year career, and we wish her much success as she transitions into her retirement, and

Resolved that a copy of this Resolution be placed in the official minutes of the February 18, 2005 PERA Board of Trustees meeting.

*Submitted by James Casebolt,
Board Chair
Public Employees' Retirement Association of Colorado
February 18, 2005*



DC Plan Update

David Maurek, PERA Manager of Strategy and Innovation, provided the Board with an update of the Defined Contribution (DC) Plan and what the staff task force has been working on. Mr. Maurek reported that all the required amendments to the 401(k) Plan document will be presented for the Board approval at a future Board meeting.

Mr. Maurek reported that a communication went out as email to employers informing them of the file layout changes in an effort to ensure that the employers can make the timely changes to their payroll programming.

Mr. Maurek also reported that the task force will be meeting with CitiStreet on March 11, 2005, to coordinate changes that will be occurring and that a report will be given to the Board at the March meeting.

Mr. Maurek explained that the task force is working on an effective DB vs. DC comparison and developing a program through the AS400, to assist with determining who is qualified for the DC choice alternative. Also, there has been contact with other systems, such as Florida and Montana in an effort to see what other systems have implemented.

Mr. Maurek reported that PERA is monitoring the vendor selection process that the State is conducting for their DC Plan offering. Five bids were sent in and three vendors tentatively selected. Currently, the vendors are Great West, Hartford, and ICMA. PERA will continue to monitor of the actual selections.

Finally, Mr. Maurek informed the Board that he will be attending a DC Plan conference and will obtain current information from all the contacts there to assist with implementation of PERA's plan. Mr. Maurek responded to questions.

Member Administrative Appeal

Mr. Anderson stated that in accordance with the Board Agenda an administrative appeal will be heard by Linda L. Siderius, Esq., McConnell Siderius Fleischer Houghtaling & Craigmile, LLC representing P. Mark Held, deceased PERA Member. In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Mr. Anderson asked that Board members who had any previous involvement in Mr. Held's appeal to step out of the meeting. These individuals were Gloria Santistevan-Feedback, Sara Alt, and Joanne Hill. Also, since Meredith Williams, Executive Director, made the initial determination regarding Mr. Held's request, Mr. Anderson asked that Mr. Williams step out of the meeting until this Agenda item was completed. Also, Mr. Anderson stated that Jim Casebolt, Board Chair, recused himself from all administrative appeal hearings and noted that Mr. Casebolt stepped out of the meeting.

Ms. Siderius requested that the appeal be heard in open session.

Mr. Anderson introduced Craig Adams, acting as counsel to the Board; Adam Franklin, presenting the position of Colorado PERA; and Ms. Siderius.



The Board members that were present for the hearing included, Mark Anderson, Board Vice Chair, Donna Bottenberg, F. Elizabeth Friot, Patricia Kelly, Richard Lansford, Tamela Long, Amy Nichols, Scott Noller, Marcus Pennell, Ben Stein, and David Williamson. Douglas Windes was absent.

Mr. Anderson informed Ms. Siderius that she would be allowed up to fifteen minutes to present her position and the relief that she is seeking to the Board. He stated that each Trustee has been provided their own copy of the complete administrative review record which consists of the administrative review packet that was before the Administrative Panel; the Findings of Fact, Conclusions of Law and Decision of the Administrative Panel; and correspondence regarding notice to the appellant of the Panel's decision and the appellant's request for review by the Board as a whole and the briefs of the parties regarding issues before the Board.

Mr. Anderson stated that at the conclusion of the fifteen minutes allowed for Ms. Siderius's statement, Mr. Franklin will be permitted up to fifteen minutes to set forth the PERA Administration position and respond to Ms. Siderius. Ms. Siderius requested that five minutes be reserved for a rebuttal opportunity to Mr. Franklin's comments. Mr. Anderson stated that her request will be granted.

Ms. Siderius began her statement at 9:07 a.m. and concluded at 9:18 a.m. Ms. Siderius then responded to questions.

Mr. Franklin began his statement at 9:19 a.m. Mr. Franklin stated that based on foregoing arguments that the PERA administration respectfully requests that the Board uphold the panel's decision and find that PERA cannot pay survivor benefits to children conceived after the death of a PERA member. Mr. Franklin concluded his comments at 9:28 a.m. Mr. Franklin responded to questions.

Ms. Siderius began her rebuttal at 9:29 a.m. and concluded her comments at 9:32 a.m.

Mr. Anderson announced that the Board would go into an Executive Session and asked that all other attendees step out of the room, except for Mr. Adams, the Board's legal advisor. Mr. Anderson polled the Trustees in attendance and received the consent of all members present to go into Executive Session. The Board commenced the closed Executive Session at 9:33 a.m.

The Executive Session concluded at 9:46 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

Motion was made by Patricia Kelly and second by Amy Nichols that *“the decision of the Administrative Review Panel be overturned and find Sam Held entitled to survivor benefits as a ‘qualified child’ from the date of his birth.”* The motion was approved.

The Board recessed for a break at 9:48 a.m. and reconvened at 9:59 a.m.

Monthly Reports

Legislative Report

Rob Gray, PERA Director of Government Relations, with the help of Bob Kirscht, PERA lobbyist, provided a review of the Legislative Report transmitted to Trustees on Wednesday, February 16, 2005 as Tab E.

Mr. Gray began with a review of the Proposed Timetable for PERA Actuarial Review in 2005. He also mentioned that the firm hired for the review would be asked to comment on specific areas but would be encouraged to comment on any actuarial issue. The review would be presented to the Board at its July planning session.

Mr. Gray gave a summary about the meetings that he had attended in Washington, D.C. earlier in the month. The meetings were also attended by other representatives from Colorado PERA, the Denver Public Schools Retirement System, and the Colorado Fire and Police Pension Association. The meetings were held by national groups such as CPRS, NASRA, and NCPERS, to which PERA and other public pension plans belong. Social Security reform was a primary topic.

Mr. Gray reported on the bills that PERA is monitoring. Mr. Gray reminded the Board that at its January meeting the Board had voted unanimously to oppose House Bill 05-1117, Retirement Window for State Employees. PERA explained to Representative Berens that a window would have resulted in far more retirements than he anticipated. That would have added a large amount to PERA’s actuarial liabilities and for those reasons Mr. Berens asked the Committee to table the bill.

Mr. Gray continued with a summary status report of Senate Bill 05-73, Work After Retirement by PERA Retirees for PERA Employers. This bill was introduced by Senator Dave Owen (Greeley). It was amended by the Senate Finance Committee on February 8. Gregory Smith, PERA’s General Counsel, testified regarding the bill as amended. Ben Stein of the Treasurer’s Office was the only other person who testified. The Committee deleted the provision that would have added the member rate to the rate that employers will contribute beginning July 2005 on salaries paid to PERA retirees. Mr. Gray and Mr. Smith responded to questions.

Mr. Gray, with the help of Mr. Smith continued with an explanation of Senate Bill 05-93, Attachment of Public Pension Benefits. Senator Hillman (Burlington) and Representative Michael Garcia (Aurora) are sponsoring this bill. The Senate Judiciary Committee amended the bill on January 26 at the request of PERA and the Fire and Police Pension Association. The amendment removed the portion that would have allowed attachment or



garnishment of the pension or refund in event of a fiduciary violation. Mr. Smith had testified on the bill and he explained why the potential to attach a trustee's public pension benefits could be used by any plan member or other person as a tool to try to push pension plan trustees or employees to make decisions that may not be in the best interest of the plan. On second reading on February 11, Senator Hillman offered an amendment providing that pension benefits or refunds may be attached "in the event of a judgment for a willful and intentional violation of fiduciary duties ...where the offender or a related party received direct financial gain." This language was drafted by PERA for the Judiciary Committee hearing, in case the Committee could not be persuaded to remove the attachment language altogether. The Senate adopted Senator Hillman's amendment. The Senate passed the amended bill unanimously on February 12 and it is now in the House Judiciary Committee.

Mr. Gray reported on the status of House Bill 05-1231, Technical Changes to Senate Bill 04-257. Representative Ted Harvey (Highlands Ranch) is sponsoring this bill as a member of the State 401(a) Plan Committee. The changes are primarily technical items, there is no fiscal impact, and PERA will support this bill.

Mr. Gray reported on Senate Bill 05-137, Identity Theft. Sponsors of the bill are Senator Dan Grossman (Denver) and Representative Angie Paccione (Ft. Collins). This bill was approved with amendments by the Senate Business, Labor, and Technology Committee on February 16. As passed to the full Senate, the bill would restrict consumer reporting agencies from providing Social Security numbers or other nonpublic information to any company or agency unless it is for purposes permitted under the federal "Fair Credit Reporting Act." PERA uses consumer reporting agencies to locate inactive members, to obtain current address information for mailings, and to check against databases listing deaths. PERA would like for amendments to be made to allow PERA to continue to do this.

Mr. Gray reported that representatives from PERA, Denver Public Schools (DPS), and Denver Public Schools Retirement System (DPSRS) had met on several occasions earlier in the month to discuss proposed amendments to Senate Bill 05-171, DPSRS Merger Authorization. The bill to authorize the merger of the Denver Public Schools Retirement System into PERA was introduced on February 1 by Senator Paula Sandoval (Denver) at DPS' request. The legislation drafted by DPS for 2005 would authorize a merger that would be effective January 1, 2007 and payment will be known after that date. The Senate Finance Committee will review the proposed amendments to the bill and a hearing may be scheduled later this month.

Mr. Smith continued with a summary of the provisions which includes maintaining the COLA for current DPSRS retirees at 3.25 percent per year, which will cause PERA to administer two COLA's. PERA is working with tax counsel on a written agreement that will follow the passage of the statute. This is where PERA will address the full scope of the administration cost. Mr. Smith also discussed the transfer of all DPSRS assets to PERA on the merger date and full payment by DPS for liabilities resulting from the merger. Unlike the previous merger law and agreement,



payment will not be amortized over a 10-year period. DPS as an employer will pay the regular school district employer contribution rate to PERA. He also expressed possible concerns over the authorization for DPS to raise funds for the necessary moneys to pay to PERA through the sale of Pension Certificates of Participation (PCOP).

Mr. Smith reported on the merger termination provisions. DPS, DPSRS, or PERA would be able to terminate the merger prior to October 1, 2006, if the assets of DPSRS and moneys from DPS are not sufficient to pay the amount required and if litigation has been commenced against any of the parties relative to the merger. He also explained that within 120 days after the statute is signed by the Governor a written agreement will need to be signed between the parties; if a written agreement can not be reached within 120 days then the merger can be terminated. An extensive discussion ensued and Mr. Smith, Mr. Williams, and Mr. Gray responded to questions.

Motion was made by Gloria-Santistevan-Feedback and second by Richard Lansford, that *"the Board support SB 05-171 to authorize the merger of DPSRS into PERA provided that the legislation is amended to incorporate the changes reflected in the discussions presented today to the Board."* The motion was approved with Ben Stein voting against the motion.

Mr. Gray reported that Senate Bill 05-54, Conversion of Pinnacol Assurance to Non-Profit Status, had been defeated. The sponsor and Pinnacol realized they did not have the support necessary to move the bill this year. Pinnacol will continue to work on this conversion concept but will not have further legislation for 2005.

Mr. Gray reported that Senate Bill 05-163, Senior Judges Program, was passed by the Senate Judiciary Committee on February 16. Mr. Gray also reported on Senate Bill 05-10, Administration of Local Government Pension Plans. This bill allows the State Auditor's Office to audit CCOERA every three years, revises the composition of the CCOERA board, and establishes clear fiduciary duties for board members. A Senate amendment entitles each CCOERA board member to \$100 for each board meeting attended, in addition to reimbursement for actual and necessary expenses. Mr. Gray stated that the CCOERA board would be the only pension board in the state with paid trustees. PERA will continue to monitor the bill. Mr. Gray, Mr. Smith, and Mr. Williams responded to questions.

Mr. Gray continued with a discussion regarding the Treasurer's Commission that was formed in December 2004. Former Governor Dick Lamm and former Senator Hank Brown will co-chair the Ad-Hoc Commission. Mr. Gray advised that there was a news release sent out about a meeting that the Commission will be having on March 4, 2005 and that PERA had been contacted to give a general overview presentation at this meeting and asked the board for instruction on how to proceed. Mr. Gray reported that he was informed that the commission members would all be volunteers, and if any analysis were needed, then money would have to be raised from outside of state funds to pay for the analyses. Discussion ensued regarding State employee time being used. Mr. Stein



stated that the State Treasurer has a letter from the Attorney General regarding that matter and will provide a copy of the letter. Discussion ensued regarding PERA's position. Mr. Stein was asked who the Commission members would be. He said he had seen a list but did not recall who the members would be. The Board directed PERA staff to participate with a presentation at the March 4 meeting and that all information provided thereafter will come directly from PERA. PERA staff is to provide information that is readily available. If the request will entail expenditures of trust funds the Board will need to approve the request. Mr. Gray, Mr. Kirscht, and Mr. Smith responded to questions.

Executive Director's Report

Meredith Williams, PERA Executive Director, reviewed the regular monthly information report. The presentation was transmitted to Trustees on Wednesday, February 16, 2005 as Tab C. Mr. Williams responded to questions.

Mr. Williams continued his report with PERA activities and announced the following changes changes in PERA management. David Maurek, Manager of Strategy and Innovation will assume the responsibilities of the retiring Deputy Executive Director of Benefits and his current position will remain vacant at this time. In addition, the titles of all Deputy Executive Directors will be changed. New titles will better reflect the job duties of the positions. The new titles are Chief Operating Officer, Chief Administrative Officer, and Chief Investment Officer.

Finally, Mr. Williams previewed the items that will be presented at the March Board meeting. He also reported that the California State Teachers' Retirement System, the second largest pension fund in the United States, recently voted to oppose reform proposals from the Governor of California. After opposing the Governor's proposal, four of the five gubernatorial appointees were removed the next day. Mr. Williams also reported that PERA will continue to oppose the Mandatory Coverage regarding Social Security.

The Board recessed for a lunch at 12:01 p.m. and reconvened at 12:45 p.m.

Mr. Casebolt invited Mr. Williams to inform the Board regarding efforts being made to provide the Governor with information regarding PERA. Mr. Williams reported that he and Mr. Casebolt had met with the Governor earlier in the week. The meeting was well-received by the Governor and PERA will try to maintain this type of communication with the Governor in the future



Board Self Evaluation Form

David Maurek, Chief Operating Officer, reviewed the criteria that were transmitted to Trustees both on January 14 and again on Friday, February 11, as Tab B. The overall intent had not changed. Cortex will be handling the compilation of the responses to maintain anonymity of respondents. The Board will be provided with overnight delivery envelopes to send the completed forms to Cortex. The Board agreed to the March 7, 2005 deadline to submit their comments.

Board Governance Manual Update

Mr. Maurek reviewed all the proposed substantive changes to the Board Governance Manual by staff and Trustees. This document was made available on the Board Web site as of January 21, 2005 for review. Discussion ensued and Mr. Maurek, Mr. Williams, Lana Calhoun, Deputy Executive Director of Benefits, and Mr. Smith responded to questions.

Motion was made by Gloria Santistevan-Feeback and seconded by Donna Bottenberg *"to eliminate 10 c) from the Benefits Administration section on page 3-4."* The motion was approved.

Motion was made by Joanne Hill and seconded by Gloria Santistevan-Feeback *"to eliminate 16 a) under Financial Actuarial and Accounting Practices on page 3-5."* The motion was approved.

Motion was made by Marcus Pennell and seconded by Scott Noller *"to modify paragraph 50) under Board Operations; Minutes, so the second sentence reads 'Recordings will be kept until the official minutes are approved,' on page 16-6."* The motion was approved. Discussion ensued regarding time of maintaining the recordings. The Board tabled the discussion for a later date.

Motion was made by Donna Bottenberg and seconded by Tamela Long *"to eliminate paragraph 9 e) under The Planning Process on page 19-2."* The motion was approved.

Motion was made by Amy Nichols and seconded by Sara Alt *"to eliminate paragraph 13) on page 20-2."* The motion was approved.

Motion was made by Patricia Kelly and seconded by Marcus Pennell *"to eliminate paragraph 12) on page 26-2."* The motion was approved.

Motion was made by Scott Noller and seconded by David Williamson that *"with specific deletions made by motion and with the proposed changes noted in the presentation, the Board adopt the PERA Board Governance Manual as amended."* The motion was approved.



Proclamation

Mr. Casebolt offered the following proclamation for the Board's consideration concerning Senior Trader in the Equities Division Mellany Moyer. By acclamation, that *"the Board adopt the following proclamation."* The motion was approved.

***PROCLAMATION CONCERNING
MELLANY MOYER***

Whereas, Mellany Moyer has provided the Public Employees' Retirement Association of Colorado (Colorado PERA) with 24 ½ years of exemplary service as an equity trader in the Investments Division, and

Whereas, through Mellany's professionalism, knowledge, dedication and steadfast efforts, she earned the respect, confidence and esteem of members of the Colorado PERA Board, staff, institutional investment firms, and members of local and national investment industry organizations, ultimately holding the leadership role of Chairman of the National Organization of Investment Professionals, and

Whereas, Mellany served PERA's membership through her loyalty, dedication, integrity and desire to insure that PERA's investment activities achieved and maintained unrivaled world-class status, and

Whereas, Mellany has elected to retire from her position of Head Equity Trader effective March 1, 2005;

Now therefore, be it resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognizes and thanks Mellany Moyer for her dedicated and conscientious service to the membership of Colorado PERA over her 24 ½ year career, and wish her much success as she transitions into her retirement, and

Resolved that a copy of this Resolution be placed in the official minutes of the February 18, 2005 PERA Board of Trustees meeting.

Submitted by James Casebolt,
Board Chair
Public Employees' Retirement Association of Colorado
February 18, 2005

Monthly Reports (continued)

Market and Portfolio Update

Jennifer Paquette, Chief Investment Officer, provided an update on market and portfolio performance as transmitted to Trustees on Friday, February 11, as Tab D.

Ms. Paquette reported that Barclays Global was selected to manage the EAFE Index portfolio. In the transfer of funds PERA benefited and saved approximately \$100,000 in commission costs.



Ms. Paquette reported that she had visited London to meet with PERA's international equity managers. Manager performance, risk and investment style were reviewed. Ms. Paquette expressed ongoing concerns with Deutsche Asset Management and staff will continue to assess this manager. A new Domestic Equity Analyst was hired to support the portfolio management staff.

Ms. Paquette reported on Fixed Income portfolio responsibility changes, which have been redistributed among existing staff. The Townsend Project review of the Real Estate Division's strategic plan is continuing and will be brought to the Investment Committee in March with recommendations for the Committee and Board to consider.

Finally, Ms. Paquette highlighted a project that involved the Investments Operations area. The investment databases were moved to a different server and some software was upgraded. The project was completed without any significant problems, due to the planning and work of the Accounting, Information Services, and the Investments Operations staff. Ms. Paquette responded to questions.

The Board recessed for a break 2:44 p.m. and reconvened at 2:56 p.m.

General Counsel Report

Gregory Smith, General Counsel, reported that the CitiStreet 401(k) loan problems are in the process of being resolved.

Mr. Smith also provided a follow-up on the Colorado Open Records Act (CORA) requests that had been received. One law firm that requested information has paid just below \$10,000 and has received approximately 6,800 pages of copies, and privilege log of 120 documents that were not produced. The other law firm was displeased about the charges that PERA proposed for the documents that they requested and are considering other options. Mr. Smith reported that a CORA request was received from the Colorado Education Association. This was the second request received regarding Standard Insurance in the past two months. Mr. Smith responded to 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 3:02 p.m. In addition to the Trustees and the General Counsel, the Executive Director, the three Chief Officers, the Directors of Government Relations, Internal Audit, and Communications, the Manager of Strategy and Innovation, and the Legal Administrative Assistant remained present for the closed Executive Session.

The Executive Session concluded at 3:13 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

Quarterly Discussion with Executive Director

The Board discussed strategic planning and operational issues with Meredith Williams, Executive Director.

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

2005 Board Meeting Dates

March (17) 18, 2005
April 15, 2005
June (16) 17, 2005
July 13-15, 2005 (Planning Session)
September (15) 16, 2005
October 21, 2005
November (17) 18, 2005

Respectfully submitted by
Brenda Meidl
Senior Administrative Assistant
Legal Services Division

James Casebolt, Chair

Meredith Williams, Executive Director