



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

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

1300 Logan Street
Denver, Colorado
March 18, 2005
9:00 a.m.

Trustees Present: James Casebolt, Board Chair, Mark Anderson, Board 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

Trustees Absent: Joanne Hill, David Williamson

Staff Present: Jake Fennell, Rob Gray, Katie Kaufmanis, David Maurek, Brenda Meidl, Kim Natale, Jennifer Paquette, Gregory Smith, John Spielman, Meredith Williams

James Casebolt, Board Chair, called the meeting to order at 8:54 a.m.

Mr. Casebolt announced that PERA has been awarded the *Certificate of Achievement for Excellence in Financial Reporting* for its 2003 comprehensive annual financial report by the Government Financial Officers Association (GFOA). This is the nineteenth consecutive time that PERA has received this designation from GFOA. He also announced that PERA has been awarded the *Certificate of Achievement for Excellence in Financial Reporting* for its 2003 popular annual financial report by the GFOA.

The *Certificate of Achievement for Excellence in Financial Reporting* is the highest form of recognition in the area of public employee retirement plan accounting and financial reporting.

Mr. Casebolt recognized Karl Greve, PERA's Director of Accounting, Katie Kaufmanis, PERA's Director of Communications, Madalyn Knudsen, Creative Services Manager, and their staffs for their roles in leading the PERA accountability effort.



Approval of Agenda

A motion was made by Richard Lansford and second by Gloria Santistevan-Feedback, that *“the Board Agenda be approved as published.”* The motion was approved.

Approval of February 18, 2005, Board Meeting Minutes

A motion was made by Elizabeth Friot and second by Douglas Windes, that *“the February 18, 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 the previous day and approved the February 18, 2005, Executive Committee Minutes and reviewed the January 31, 2005, Unaudited Financial Statements and the February 28, 2005, Budget Report. Finally, they reviewed the agenda for today’s meeting.

DC Plan Update

David Maurek, PERA Chief Operating Officer, provided an update to the Board regarding the Defined Contribution (DC) Plan. The presentation included design focus points and design updates. Mr. Maurek responded to questions.

Investment Consultant Contract Renewal

Mr. Casebolt recused himself from the following discussion and stepped out of the meeting.

Jennifer Paquette, PERA Chief Investment Officer, provided the Board with a handout, *Ennis Knupp Contract Choices*, which contained supplemental information to Tab B, which was transmitted to Trustees on Friday, March 11. Discussion ensued and Ms. Paquette responded to questions.

A motion was made by Patricia Kelly and second by Scott Noller, that *“the Investment Consulting Contract with Ennis Knupp be renewed for three years ending February 1, 2008. The Board of Trustees selects the All Inclusive fee arrangement and authorizes the General Counsel to negotiate the most advantageous termination provisions.”* The motion was approved.



Member Administrative Appeal

Mr. Anderson stated that in accordance with the Board Agenda an administrative appeal by PERA staff regarding Nicolas Schonbeck, qualified child of deceased PERA member Christina Medoch-Schonbeck, would be heard. Mr. Anderson asked Mr. Schonbeck if he would like the proceedings to be heard in open or closed session. Mr. Schonbeck requested that the appeal be heard in open session.

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. Schonbeck's appeal step out of the meeting. Donna Bottenberg, Scott Noller, and Elizabeth Friot left the meeting. Also, since Meredith Williams, Executive Director, made the initial determination regarding Mr. Schonbeck's request, Mr. Anderson asked that Mr. Williams step out of the meeting until this Agenda item was completed. Mr. Anderson stated that Jim Casebolt, Board Chair, recuses himself from all administrative appeal hearings and noted that Mr. Casebolt stepped out of the meeting.

The Board members that were present for the hearing were: Mark Anderson, Board Vice Chair, Sara Alt, Patricia Kelly, Richard Lansford, Tamela Long, Amy Nichols, Marcus Pennell, Gloria Santistevan-Feedback, Ben Stein, and Douglas Windes. Joanne Hill and David Williamson were absent.

Mr. Anderson indicated that Gregory Smith would act as counsel to the Board; Mr. Adam Franklin, would be presenting the position of the PERA administration; and Mr. Schonbeck would represent himself.

Mr. Anderson informed Mr. Franklin that he would be allowed up to fifteen minutes to present the PERA administration position. 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 of the Panel's decision and staff's request for review by the Board as a whole.

Mr. Anderson stated that at the conclusion of the fifteen minutes allowed for Mr. Franklin's statement, Mr. Schonbeck would be permitted up to fifteen minutes to set forth his position and respond to Mr. Franklin. At the conclusion of Mr. Schonbeck's comments, the Board would go into executive session with its counsel, Mr. Smith, and consider the respective positions.

Mr. Franklin began his statement at 9:35 a.m. Mr. Franklin concluded that based on foregoing arguments the PERA administration respectfully requests that the Board overrule the Administrative Review Panel's decision and deny survivor benefits be paid retroactively for July and August 2003 to Mr. Schonbeck. Mr. Franklin concluded his comments at 9:40 a.m. and responded to questions.



Mr. Schonbeck began his statement at 9:44 a.m. Mr. Schonbeck urged the Board to uphold the Administrative Review Panel's findings, conclusion, and decision. He concluded his comments at 9:50 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. Smith, 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 9:53 a.m. and concluded at 10:13 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 Panel decision involving Mr. Nicolas Schonbeck."

Mark Anderson, Vice Chair

Administrative Review Appeal Motion

A motion was made by Patricia Kelly and second by Amy Nichols that, *"the Board reject the Findings of Fact, Conclusions of Law, and decision of the Administrative Review Panel and direct PERA's Staff to deny survivor benefits be paid retroactively for July and August 2003 to Mr. Schonbeck."* The motion was approved.

The Board recessed for a break at 10:15 a.m. and reconvened at 10:30 a.m.

Signature Authorization Changes

Gregory Smith, PERA General Counsel, stated that the Board may wish to consider the following updated resolution in order that the language contained is current, in light of the retirement of Lana Calhoun, Deputy Executive Director of Benefits and to incorporate the title changes announced at the February 2005 Board meeting.

A motion was made by Scott Noller and second by Patricia Kelly that, *"the following resolution be adopted."* The motion was approved.

CERTIFICATE OF RESOLUTION by the Board of Trustees of Public Employees' Retirement Association of Colorado

In the regular meeting on the 18th day of March, 2005, the Board of Trustees of the Public Employees' Retirement Association adopted the following resolution:

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 Chief Officer 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 David F. Maurek, Chief Operating Officer; Kim Natale, Chief Administrative Officer, and Jennifer Paquette, Chief Investment Officer, 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.

I hereby certify that the foregoing Resolution is a full, true and correct copy of the Resolution duly adopted on the 18th day of March, 2005, by the Board of Trustees of the Public Employees' Retirement Association of Colorado ("PERA"). I further certify that due notice of the meeting was duly given to each Trustee and that a quorum was present at the meeting.

I further certify that the Resolution is still in full force and has not been amended or revoked.

And I further certify that Meredith Williams, Executive Director; David F. Maurek, Chief Operating Officer; Kim Natale, Chief Administrative Officer, and Jennifer Paquette, Chief Investment Officer, are on the date of this certification, and are presently, duly qualified and acting in the capacity indicated.

Dated this _____ day of _____, 200__.

James Casebolt, Chairman of the Board of Trustees
Public Employees' Retirement Association of Colorado



Discussion ensued regarding the authority of the General Counsel to settle and compromise disputes involving PERA. The Board decided to defer action until later in the meeting.

Committee Reports

Benefits Committee

Gloria Santistevan-Feedback, Benefits Committee Chair, reviewed the previous day's committee meeting and responded to questions.

Ms. Santistevan-Feedback brought forth a motion from the Benefits Committee that *"the Board approve the adoption of suggested changes made to the 401(k) Voluntary Investment Program Statement of Investment Policy and the addition of the Vanguard Small-Cap Index Fund into the investment funds offered to 401(k) Plan participants effective July 1, 2005."* The motion was approved.

Compensation and Budget Committee

Richard Lansford, Compensation and Budget Committee Chair, reviewed the previous day's committee meeting.

Investment Committee

Patricia Kelly, Investment Committee Chair, reviewed the previous day's committee meeting. Discussion ensued regarding the need for and timing of an asset liability study. The Board directed staff to provide a timeline for the study at the April 2005 Board meeting, noting important dates for other special studies.

Shareholder Responsibility Committee

Scott Noller, Shareholder Responsibility Committee Chair, reviewed the previous day's committee meeting.

Evaluation Subcommittee

James Casebolt, Evaluation Subcommittee Chair, reviewed the previous day's committee meeting and distributed the Board *Performance Evaluation Summary of Results Report* provided by Cortex. Mr. Casebolt requested that the Trustees review the results and informed them that this will be an agenda item at the April 2005 Board meeting.

Mr. Casebolt also discussed the average ratings for each component and the overall rating of the 2004 Evaluation of the Executive Director.

Monthly Reports

Executive Director's Report

Meredith Williams, PERA Executive Director, reviewed the regular monthly information report. The presentation was transmitted to Trustees on Friday, March 11, as Tab C. Mr. Williams responded to questions.

Mr. Williams previewed the items that will be presented at the April Board meeting and also informed the Board that the Wyoming State Treasurer and the Wyoming State Treasurer's investment staff would be visiting the PERA office on April 1 for a review of PERA's investment operations.



Mr. Casebolt brought to the Board's attention the provision in the *Board Governance Manual* that specifically addresses Trustee communication with external parties. He explained that when communicating with third parties that the Board maintain their fiduciary duty relative to the best interest of the membership. He also reminded the Board that *Board Governance Manual* specifically delegates the spokesperson authority to the Chair and that when a trustee speaks outside of a Board meeting setting that it needs to be clear to the person that they are speaking with that they are not speaking on behalf of the Board.

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, March 11, as Tab D. Ms. Paquette discussed the elimination of the Convertible Fund mandate and the implementation of multiple managers for two internally managed domestic equity mandates. Ms. Paquette responded to questions.

The Board recessed for lunch at 11:50 a.m. and reconvened at 12:34 p.m.

Legislative Report

Rob Gray, PERA Director of Government Relations, provided a review of the Legislative Report transmitted to Trustees on Friday, March 11, as Tab E.

Mr. Gray with the assistance of Gregory Smith, General Counsel, explained the amendment that is being proposed to Senate Bill 05-171, Denver Public Schools Retirement System Merger Authorization, which would involve replacing the provision for diverting School Finance Act money with a provision requiring Denver Public Schools (DPS) to issue the Pension Certificates of Participation (PCOP) before the merger date. If DPS does not raise sufficient money before the merger date, then the merger could be terminated. Another provision would require that all services performed and cost incurred by PERA, relating to the merger, will be fully paid by DPS. Mr. Gray and Mr. Smith responded to questions.

Settlement Authorization Changes (Continued)

Gregory Smith, General Counsel, continued discussion with the Board regarding settlement authorization and responded to questions

A motion was made by Donna Bottenberg and second by Douglas Windes that, *"Pursuant to its statutory authority at § C.R.S. 24-51-205 (6), the Board delegates authority to settle and compromise disputes with members and third parties pursuant to § C.R.S. 24-51-205 (3.5) to the General Counsel with the approval of the Executive Director. For agreements requiring payments by PERA in excess of \$1 million, the General Counsel shall have the approval of the Executive Director and the Board Chair, or in the absence of the Board Chair, the Board Vice Chair. The General Counsel shall promptly advise the Board of settlements undertaken pursuant to this authority."* The motion was approved.



Monthly Reports (continued)

General Counsel Report

Gregory Smith, General Counsel, reported that staff had met with CitiStreet and PERA's tax counsel, Steptoe & Johnson, regarding the 401(k) loans and informed the Board that the process of preparing to submit information to the Internal Revenue Service is ongoing.

Mr. Smith also provided information regarding the Oregon Supreme Court's ruling in the Oregon PERS litigation. 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 1:13 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, and the Legal Administrative Assistant remained present for the closed Executive Session.

The Executive Session concluded at 1:27 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

Gloria Santistevan-Feedback announced that after 32 years of teaching she will be retiring July 1, 2005.

With no further business to discuss, Chair James Casebolt adjourned the meeting at 1:29 p.m.

2005 Board Meeting Dates

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