



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

1300 Logan Street
Denver, Colorado
April 15, 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 (arrived at 9:00 a.m.), Richard Lansford, Tamela Long, Amy Nichols, Scott Noller, Gloria Santistevan-Feedback, Ben Stein, Douglas Windes, David Williamson

Trustees Absent: Patricia Kelly, Marcus Pennell

Staff Present: Rob Gray, Lisa Kamp, Katie Kaufmanis, David Maurek, Brenda Meidl, Kim Natale, Jennifer Paquette, Christopher Reilly, Gregory Smith, John Spielman, Meredith Williams

James Casebolt, Board Chair, called the meeting to order at 8:33 a.m.

Approval of Agenda

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

Approval of March 18, 2005, Board Meeting Minutes

A motion was made by Douglas Windes and second by Ben Stein, that *"the March 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 March 18, 2005, Executive Committee Minutes and reviewed the February 28, 2005, Unaudited Financial Statements and the March 31, 2005, Budget Report. They reviewed the agenda and schedule for the Board Planning Session to be held July 13 – 15, 2005. Finally, they reviewed the agenda for today's meeting.

Mr. Anderson announced that an invitation had been received from the World Pension Forum for a conference in the Czech Republic this May, where in accordance with the Board International Travel Policy, no more than two Trustees are able to attend. If any Trustee is interested in attending their request is due to the Board Chair by April 25.

Alternative Investment Proposal

Christopher Reilly, PERA Alternative Investments Director, presented the history of PERA's investments with Warburg Pincus.

Mr. Reilly then requested that the Board go into Executive Session to discuss private equity investment issues that are required to be kept confidential by C.R.S. § 24-51-213. James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of all members present to go into Executive Session at 8:44 a.m. In addition to the Trustees and the General Counsel, the Executive Director, the three Chief Officers, the Directors of Internal Audit, and Communications, and the Legal Administrative Assistant remained present for the closed Executive Session. The Executive Session concluded at 9:25 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 private equity investment issues," Board Chair James Casebolt.

James Casebolt, Chair

A motion was made by Richard Lansford and second by Gloria Santistevan-Feeback, that *"the Board approve a commitment of \$225 million in the Warburg Pincus Private Equity IX, L.P. subject to staff's satisfaction with final due diligence and final legal negotiations."* The motion was approved.



Member Administrative Appeal

Mr. Anderson stated that in accordance with the Board Agenda an administrative appeal by Meredith McDonald, Esq., Overturf & McGath, P.C. representing Grant Stevens, PERA Member, would be heard. Mr. Anderson asked Ms. McDonald if her client, Mr. Stevens, would like the proceedings to be heard in open or closed session. Ms. McDonald 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. Stevens' appeal step out of the meeting. Amy Nichols, Scott Noller, and Douglas Windes left the meeting. Sara Alt recused herself from the meeting. Also, since Meredith Williams, Executive Director, made the initial determination regarding Mr. Stevens' request, Mr. Williams stepped out of the meeting. Mr. Anderson stated that James Casebolt, Board Chair, recuses himself from all administrative appeal hearings and noted that Mr. Casebolt also stepped out of the meeting.

The Board members that were present introduced themselves: Mark Anderson, Tamela Long, Ben Stein, David Williamson, Gloria Santistevan-Feedback, Elizabeth Friot, Joanne Hill, and Donna Bottenberg.

Trustees not present were Patricia Kelly and Marcus Pennell.

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

Mr. Anderson informed Ms. McDonald that she would be allowed up to fifteen minutes to present her position and the relief that she is seeking to the Board. He noted that each Trustee had 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 Mr. Stevens' request for review by the full Board.

Mr. Anderson stated that at the conclusion of Ms. McDonald's statement, Mr. Franklin would be permitted up to fifteen minutes to set forth the PERA Administration position and respond to Ms. McDonald. At the conclusion of Mr. Franklin's comments, the Board would go into Executive Session for deliberation.

Ms. McDonald began her statement at 9:34 a.m. and Mr. Stevens concluded with a statement to the Board at 9:45 a.m.

Mr. Franklin began his statement at 9:45 a.m. Mr. Franklin requested that based on the foregoing argument that the Board uphold the Panel's decision and deny Mr. Stevens' request to not apply the 26.416 days of volunteer time to the 110-day limit on post-retirement employment. Mr. Franklin concluded his comments at 9:49 a.m. and responded to questions.



Ms. McDonald provided a brief rebuttal at 9:54 a.m.

Mr. Anderson announced that the Board would go into Executive Session for deliberation 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 9:57 a.m. and concluded at 10:20 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 Mr. Grant Stevens."

Mark Anderson, Vice Chair

Administrative Review Appeal Motion

A motion was made by Gloria Santistevan-Feedback and second by Richard Lansford, that *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Mr. Stevens' request to not apply the 26.416 days of volunteer time to the 110-day limit on post-retirement employment."* The motion was approved.

Real Estate Strategic Plan Decision

Jennifer Paquette, Chief Investment Officer, presented the Real Estate Strategic Plan Proposal, which was transmitted to the Trustees as Tab C on Friday, April 8, 2005.

A motion was brought forth from the Investment Committee that *"the Board approve the following Real Estate policies:*

1. *Remove REITS and Mortgages from the Real Estate allocation.*
2. *Adopt the Stable, Enhanced and High Return risk metrics as described in the Townsend Group presentation to the Investment Committee on March 17, 2005.*
3. *Adopt the following risk constraints for the Real Estate Asset Class:*
 - a. *The Stable Sector will constitute a minimum of 30%*
 - b. *The Enhanced Sector will be unconstrained*
 - c. *The High Return Sector will constitute no more than 20%*
 - d. *The International Sector will constitute 10% to 20%*
Staff will fully implement these risk constraints as soon as practical but no later than December 31, 2007.



4. *Adopt the net of fees NFI plus 100 basis points premium (Net NFI +100) benchmark as the Real Estate Asset Class benchmark effective January 1, 2006.*
5. *The Real Estate Asset Class and the net of fees NFI plus 100 basis points benchmark will be measured over five year rolling periods. The historical asset class returns and the Custom Real Estate benchmark returns will be appropriately weighted with future Asset Class returns and the net of fees NFI plus 100 basis points benchmark as necessary."*

Discussion ensued regarding the motion and Ms. Paquette responded to questions. The motion was approved with one vote against, cast by Ben Stein.

Public Comment

Mr. A.D. Washburn, PERA Ambassador, commended Rob Gray, Government Relations Director, for his outstanding work in assisting and informing Ambassadors regarding issues that effect PERA during this legislative session.

The Board recessed for a break at 10:36 a.m. and reconvened at 10:45 a.m.

DC Plan Update

David Maurek, Chief Operating Officer, provided an update to the Board regarding the Defined Contribution (DC) Plan. The presentation included design focus points and updates on set-up costs, staff time allocation process, and marketing. Mr. Maurek responded to questions.

Board Self-Evaluation Discussion

James Casebolt, Board Chair, invited Trustees to speak about the Board Self-Evaluation Results, that were provided at the March 18, 2005, Board meeting. Discussion ensued and the Board agreed that the technique used for this evaluation will be used in future Board self-evaluations and that discussion of the results be included on the agenda of the Annual Planning Session.

Audit Committee Report

Joanne Hill, Audit Committee Chair, reviewed the previous day's committee meeting.

Benefits and Support Services Semi-Annual Reports

David Maurek, Chief Operating Officer and Kim Natale, Chief Administrative Officer, provided a presentation on the complexity of member demands and the process for allocating resources to requested system improvements as their joint Semi-Annual Report of Operations and Benefits. The *2004 Year in Review* books were distributed to Trustees for their review and comment.



Actuarial Audit Firm Selection

Mark Anderson, Actuarial Audit Adhoc Committee Chair, reviewed the previous day's committee meeting and responded to questions.

Mr. Anderson brought forth a motion from the Actuarial Audit Adhoc Committee and second by Richard Lansford, that *"staff be authorized to negotiate a contract for the conduct of an actuarial audit with Mercer Human Resource Consulting. In the event that staff is unable to negotiate a contract with Mercer, the staff is authorized to negotiate a contract with The Segal Company."* The motion was approved.

The Board recessed for lunch at 11:47 a.m. and reconvened at 12:23 p.m.

Monthly Reports

Executive Director's Report

Meredith Williams, Executive Director, reviewed the regular monthly information report. The presentation was transmitted to Trustees on Friday, April 8, as Tab E. Mr. Williams responded to questions.

Mr. Williams also previewed the items that will be presented at the June Board meeting and the July planning session.

Market and Portfolio Update

Jennifer Paquette, Chief Investment Officer, provided an update on market and portfolio performance as transmitted to Trustees on Friday, April 8, 2005, as Tab F. Ms. Paquette discussed the need for final year-end data prior to rebalancing at the total fund level. Ms. Paquette announced that Leona Bennett, Domestic Equities Senior Trader, has been invited to serve on the New York Stock Exchange Traders Advisors Commission. Ms. Paquette responded to questions.

General Counsel Report

Gregory Smith, General Counsel, provided a report on the volume of Domestic Relations Orders handled by PERA Legal staff and the process involved. Mr. Smith also reported to the Board on the total external counsel fees for 2004.

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 12:52 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 1:04 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

Legislative Report

Rob Gray, Director of Government Relations, provided a review of the Legislative Report transmitted to Trustees on Friday, April 8, 2005 as Tab G. Mr. Gray reviewed current developments relative to the Denver Public Schools Retirement System merger, issues regarding Senate Bill 05-73, and a variety of other legislation. Mr. Gray and Mr. Smith responded to questions.

Other Business

With no further business to discuss, Chair James Casebolt adjourned the meeting at 1:25 p.m.

2005 Board Meeting Dates

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