



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

1300 Logan Street
Denver, Colorado
June 17, 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, Marcus Pennell, Gloria Santistevan-Feedback, Ben Stein, Douglas Windes, David Williamson

Trustees Absent: Scott Noller

Staff Present: Rob Gray, Lisa Kamp, 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 8:30 a.m.

Mr. Casebolt announced that the National Association of Government Communicators (NAGC) awarded Colorado PERA their 2nd Place Blue Pencil award for an article entitled "Colorado PERA's Funded Status Continues to Make News" that appeared in the October 2004 *Retiree Report* and the January 2005 *Member Report*. Colorado PERA's Communications staff entered the article for consideration in the 2005 competition that took place in Austin, Texas, in May. NAGC received over 600 entries in 30 categories from communication professionals at all levels of government. The Board applauded the outstanding work of Katie Kaufmanis, Madalyn Knudsen, and the Communications staff.

Approval of Agenda

A motion was made by Douglas Windes and second by David Williamson, that "*the Board Agenda be approved as published.*" The motion was approved.

Approval of April 15, 2005, Board Meeting Minutes

James Casebolt, Board Chair, called for amendments to the Board minutes. Ben Stein, PERA Trustee, stated that he would like his vote to be recorded as against the motion under the Real Estate Strategic Plan Decision section.

A motion was made by Richard Lansford and second by Gloria Santistevan-Feedback, that "*the April 15, 2005, Board Meeting Minutes be approved as amended.*" The motion was approved.



Public Comment

Benjamin Dancer, PERA Member and Jefferson County School District teacher, had submitted a letter that he wished to have included in the Board's minutes. Discussion ensued regarding the source of this correspondence, in light of the fact that the letter was written on Jefferson County letterhead. The Board directed Gregory Smith, General Counsel, to contact Jefferson County School District to clarify whether the correspondence was of a private or official nature.

A motion was made by Sara Alt and second by Amy Nichols that, *"the receipt and distribution of the June 5, 2005, letter from Benjamin Dancer be noted in the minutes for today's meeting and that the letter be maintained in the Association's files."* The motion was approved.

Monthly Report

Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee had met the previous day and had approved the April 15, 2005, Executive Committee minutes and reviewed the April 30, 2005 Unaudited Financial Statements and the May 31, 2005 Budget Report and PERA operations. Finally, Mr. Anderson stated that they reviewed information on the upcoming July Board annual planning session and they reviewed the agenda for the day's meeting.

Board Election Results

John Spielman, Internal Audit Director, reviewed the Board election results. Mr. Spielman noted there was less than one percent difference in the results between the four-year seat and the one-year seat in the School Category of the State and School Division. In compliance with the Election Rules a recount was performed and the election results remained the same. Mr. Spielman responded to questions.

By motion of Gloria Santistevan-Feedback and second by Ben Stein, that *"the published June 3, 2005 Retirement Board Election Results be affirmed and that Scott Noller is duly elected to a four-year Board term from the School Category of the State and School Division, Susan Beeman is duly elected to a four-year Board term from the School Category of the State and School Division, Scott Murphy is duly elected to a one-year Board term from the School Category of the State and School Division, Maryann Motza is duly elected to a four-year Board term from the State Division and Carole Wright is duly elected to a four-year term from the Retiree Division."* The motion was approved.

Mr. Casebolt thanked the departing trustees, Douglas Windes, David Williamson, and Richard Lansford, for their invaluable assistance in serving on the Board. Mr. Casebolt also welcomed Susan Beeman as a new trustee. She was attending the Board meeting as a visitor.



Investment Performance Report

Becky Gratsinger, President, R.V. Kuhns and Associates, reviewed the 2004 Investments Performance Report. Ms. Gratsinger noted that PERA's portfolio is more broadly diversified than many of its peers; and expects will add value to the relative returns in the future and recommended continued diversification in alternative assets. Ms. Gratsinger discussed total fund and asset class performance versus PERA's benchmarks and peers. Ms. Gratsinger and Jennifer Paquette, Chief Investment Officer, responded to questions.

Monthly Reports

Legislative Report

Rob Gray, Director of Government Relations, provided the Board with a copy of correspondence sent by Buck Consultants, noting the acquisition of Buck Consultants by ACS and related personnel changes as a result of the acquisition.

The Board recessed for a break at 9:51 a.m. and reconvened at 10:01 a.m.

Actuarial Report

David Slishinsky and Chris Hulla, Buck Consultants, provided the Board with a copy of their presentation of the Actuarial Valuation Results as of December 31, 2004 and the 2005 Actuarial Experience Analysis Results. Mr. Slishinsky reviewed the key findings of the annual Actuarial Valuation Results as of December 31, 2004. Mr. Slishinsky, Jennifer Paquette, Chief Investment Officer, and Rob Gray, Director of Government Relations, responded to questions.

Mr. Hulla reviewed the Postretirement Health Care Program section of the report. Mr. Hulla and Gregory Smith, General Counsel, responded to questions.

Mr. Slishinsky noted that the 2005 Actuarial Experience Evaluation Analysis Results included in the handout will be discussed at the July 2005 Board annual planning session. Mr. Casebolt asked the Board to review the report prior to that meeting.

Monthly Reports (Continued)

Legislative Report

Rob Gray, Director of Government Relations, reviewed the Legislative Report as transmitted to Trustees on Friday, June 10, 2005, as Tab E.

Mr. Gray discussed correspondence dated April 29, 2005, from Dr. Larry Penley, Colorado State University (CSU) System Chancellor. The correspondence was addressed to Ben Stein, PERA Trustee and Deputy State Treasurer. Dr. Penley expressed concerns regarding the Amortization Equalization Disbursement and more importantly for CSU, the cost of paying employer contributions to PERA on CSU faculty who are PERA retirees. Dr. Penley asked the PERA Board to review



the issue, and consider supporting a provision to exempt CSU from paying PERA employer contributions on faculty who are PERA retirees for five years. Discussion ensued, and Mr. Gray and Gregory Smith, General Counsel, responded to questions. The Board directed Mr. Smith to respond, on behalf of PERA, that the Board has a fiscal and fiduciary responsibility and can not support an exemption or a change to the statute.

Finally, Mr. Gray noted the Investments and Foreign Policy issue and other Federal legislative developments.

Release of the CAFR

Joanne Hill, Audit Committee Chair, reviewed the Comprehensive Annual Financial Report of 2004, and noted that PERA had received an unqualified opinion from the accounting firm of by Clifton Gunderson L.L.P. Ms. Hill recognized the Accounting and Communications staff for the fine job that was done on this project.

A motion was brought forth from the Audit Committee that, *“the Board approve the release of the 2004 Comprehensive Annual Financial Report.”* The motion was approved.

Audit Committee Report

Joanne Hill, Audit Committee Chair, reviewed the previous day’s committee meeting. The Committee had heard preliminary findings and recommendations from the external auditor. The report must be held confidential until released by the Legislative Audit Committee in July. The Board will be able to discuss the report in executive session at the July Board annual planning session. Ms. Hill also noted that the external auditors had the full cooperation of the PERA staff during the audit process.

Benefits Committee Report

Gloria Santistevan-Feedback, Benefits Committee Chair, reviewed the previous day’s committee meeting. No Board action was requested by the Benefits Committee

Compensation and Budget Committee Report

Richard Lansford, Compensation and Budget Committee Chair, reviewed the previous day’s committee meeting. No Board action was requested by the Compensation and Budget Committee.

Investment Committee Report

Patricia Kelly, Investment Committee Chair, reviewed the previous day’s committee meeting and responded to questions. No Board action was requested by the Investments Committee.



Shareholder Responsibility Committee

Mark Anderson, Shareholder Responsibility Committee Member, reviewed the previous day's committee meeting. No Board action was requested by the Shareholder Responsibility Committee.

Monthly Reports

Market and Portfolio Update

Jennifer Paquette, Chief Investment Officer, provided an update on market and portfolio performance as transmitted to Trustees on Friday, June 10, 2005, as Tab D. Ms. Paquette discussed the termination of the Deutsche Asset Management International Equity core mandate and the hiring of Baillie Gifford for an International Equity emerging markets mandate. She discussed other portfolio changes related to implementing recent Board decisions. Ms. Paquette responded to questions.

The Board recessed for lunch at 12:13 p.m. and reconvened at 12:58 p.m.

NAGC Award

Mr. Casebolt asked Katie Kaufmanis, Director of Communications, to acknowledge her staff present, Madalyn Knudsen, Cathy Heyer, and Tina Cordova, who were involved in the NAGC award mentioned at the opening of the Board meeting. The Board applauded the Communications staff and thanked them for their efforts.

Monthly Reports (Continued)

Executive Director's Report

Meredith Williams, Executive Director, reviewed the regular monthly information report. The presentation was transmitted to Trustees on Friday, June 10, 2005, as Tab C.

Mr. Williams informed the Board that Pat Pacey, a member of the Treasurer's Commission to Strengthen and Secure PERA, had requested a more detailed actuarial information than PERA uses. The cost of providing this additional information from the actuaries would be approximately \$2,500 to produce. Discussion ensued regarding this issue. The Board asked if Mr. Williams would request that Dr. Pacey provide a presentation to the Board on this information after the conclusion of her firm's analysis. Mr. Williams and Mr. Smith responded to questions.

By motion of Sara Alt and second by Richard Lansford *"to provide the Commission with actuarial information as requested, incurring a cost of \$2,000 - \$2,500."*

Discussion ensued regarding the cost amount. The following is the amended motion:



“to provide the Commission with actuarial information as requested, incurring a cost of not more than \$2,500.” The amended motion was approved. There were two votes against the motion. Additionally, Ben Stein abstained from the vote and noted that he had only answered direct questions during the discussions.

General Counsel Report

Gregory Smith, General Counsel, informed the Board about three recent Colorado Open Records Act Requests that PERA had received. Mr. Smith also provided a report pursuant to C.R.S. § 24-51-205(6)(b).

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 1:52 p.m. In addition to the Trustees and the General Counsel, the Executive Director, the three Chief Officers, the Directors of Internal Audit, and the Legal Administrative Assistant remained present for the closed Executive Session.

The Executive Session concluded at 2:04 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

DC Plan Update

David Maurek, Chief Operating Officer, provided an update on the Defined Contribution (DC) Plan design. He also reported that the PERA staff working on the plan had consulted with Steptoe and Johnson, tax counsel, regarding several aspects of the DC Plan startup, as well as various scenarios that could potentially occur with new State employee. Mr. Maurek informed the Board that the proposed changes to Rules that are required to implement the new DC Plan would be discussed at the July meeting. Mr. Maurek responded to questions.

Other Business

Meredith Williams, Executive Director, reported that the Executive Committee would be providing a recommendation regarding health care coverage for retired executives at the July meeting.

Mr. Casebolt informed the Board of the upcoming New Trustee Orientations scheduled for June 24 and July 8. He also asked that the Board provide Jane Stanfield, Executive Assistant, their accommodation needs for the July Planning Session.



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Mr. Casebolt again thanked the departing trustees, Douglas Windes, David Williamson, and Richard Lansford, on behalf of the membership of PERA, for their invaluable service to Colorado PERA.

With no further business to discuss, Chair James Casebolt adjourned the meeting at 2:20 p.m.

2005 Board Meeting Dates

July 13-15, 2005 (Annual 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