



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

1300 Logan Street
Denver, Colorado
September 16 2005
8:30 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, Maryann Motza, Scott Murphy, Tamela Long, Amy Nichols, Marcus Pennell, Ben Stein

Trustees Absent: Scott Noller, Carole Wright

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.

Approval of Agenda

A motion was made by Elizabeth Friot and seconded by Amy Nichols, that "*the Board Agenda be approved as published.*" The motion was approved.

Approval of July 15, 2005, Board Meeting Minutes

A motion was made by Patricia Kelly and seconded by Scott Murphy, that "*the July 15, 2005, minutes be approved as published.*" The motion was approved.

Approval of August 19, 2005, Board Meeting Minutes

A motion was made by Amy Nichols and seconded by F. Elizabeth Friot, that "*the August 19, 2005, minutes be approved as published.*" The motion was approved.

Public Comment

Dr. Susan Hobbs, PERA Retiree, asked for the Board's support concerning legislation that is being introduced regarding tort versus no-fault insurance law. Mr. Casebolt thanked Ms. Hobbs for her comments and stated that PERA's legislative liaison will look into this legislation. Ms. Hobbs thanked the Board and offered her help in this or any other legislative matters.

Following the introductions of visitors, Mr. Casebolt acknowledged that the State Treasurer's Commission to Strengthen and Secure PERA Report had been received on Wednesday, September 14, 2005. Mr. Casebolt stated that the report will be reviewed comprehensively over the next several months.



Executive Committee Report

Mark Anderson, Board Vice Chair, reported that the Executive Committee had met yesterday afternoon and approved the July 15, 2005, Executive Committee minutes and reviewed the July 31, 2005, Unaudited Financial Statements and the August 31, 2005, Budget Report. They also reviewed information on monthly operations. Finally, they reviewed the agenda for today's meeting.

401(k) Plan Document

David Maurek, Chief Operating Officer, reviewed Tab C, which was distributed at the August Board Meeting and was again transmitted to Trustees as Tab C on Friday, September 9, 2005. Mr. Maurek responded to questions.

A motion was made by Patricia Kelly and seconded by Susan Beeman that, *"the additions and modifications to PERA's 401(k) Plan Document Sections 1.01, 2.01, 7.04(B), and Article 15 as reflected in Tab C be adopted."* The motion was approved.

Gregory Smith, General Counsel, explained the amendment to Section 8.03 (O) in PERA's 401(k) Plan Document.

A motion was made by Patricia Kelly and seconded by Sara Alt that, *"the Board approve the amendment of PERA's 401(k) Plan Document, Section 8.03 to comply with the Internal Revenue Code provisions and to codify the corrective actions taken regarding 401(k) loans. Section 8.03 (O) of PERA's 401(k) Loan Document shall be amended, effective January 1, 2004, to read as follows:*

(O) Notwithstanding Section 8.03(L), the cure period for making missed installment payments with respect to the loans identified in the attached Exhibits shall be extended so that the cure period for making installment payments due during the first three calendar quarters of 2004 shall be the last day of the calendar quarter following the calendar quarter in which the required installment payments were due or such earlier date as requested by the Participant. In addition, the extended cure period shall apply to loans not paid in full by the loan payoff date, provided the loan is paid in full within five years of the loan's issue date. Specifically:

- (i) Exhibits A-1 and C identify those loans for which missed installment payments for the first and second calendar quarters were made by the last day of the following calendar quarter, but that were defaulted as of December 31, 2004, or such earlier date as requested by the Participant because the loans were three or more monthly payments in arrears as of such date.*



- (ii) Exhibits A-2, C-1 and D-2 identify those loans for which missed installment payments for the first and second calendar quarters were made by the last day of the following calendar quarter and that were paid in full by December 31, 2004.
- (iii) Exhibits B, D and D-1 identify those loans for which missed installment payments for the first three calendar quarters were made by the last day of the following calendar quarter and that were no more than two monthly payments in arrears as of December 31, 2004.
- (iv) Exhibit L identifies those loans that were paid in full within three months following their loan payoff date.

The Administrator is authorized and directed to take such actions as may be necessary or desirable to effectuate the purposes of this Amendment, including making changes to the language of the Amendment or to the loans identified on the Exhibits to comply with the requirements of Section 72(p) of the Code." The motion was approved.

Committee Reports

Audit Committee

Tamela Long, Audit Committee Chair, reviewed the previous day's Committee meeting.

A motion was brought forth by the Audit Committee that *the Board of Trustees endorse the September 8, 2005 draft legislation on background checks for PERA employees, as prepared by the Office of Legislative Legal Services on behalf of the Legislative Audit Committee.*"

Discussion ensued regarding the foregoing motion and an amendment was made by Patricia Kelly to read as follows, with the change bolded:

*"The Board of Trustees endorse the September 8, 2005, draft legislation **as it may be satisfactorily amended** on background checks for PERA employees, as prepared by the Office of Legislative Legal Services on behalf of the Legislative Audit Committee."*

The amended motion was approved unanimously.

A motion was brought forth by the Audit Committee that *"the Board of Trustees direct the Chair to propose and execute an amendment to the Executive Director's contract to convert the current automobile provision to a one-time compensation increase."* The motion was approved.

Benefits Committee

Amy Nichols, Benefits Committee Chair, reported that at the previous day's meeting the Committee had received a report from Wendy Tenzyk, Insurance Division Director, which included 2005 accomplishments, changes to the PERACare program based on the Medicare Modernization Act, and consolidation of the life insurance programs into Unum Provident. Ms. Nichols also reported that premiums have increased for most of the health plans



ranging from 5 to 52 percent. PERACare changes to Medicare plan premiums included a 9 percent decrease in Kaiser coverage, a 5 percent increase in Rocky Mountain Health Plan coverage, while Mutual of Omaha rates remain unchanged.

Ms. Nichols also reported that the Committee discussed future projects for 2006, which included a continued analysis of the Medicare prescription drug approach and possible alternatives for 2007, planning for adding DPSRS retirees to PERACare in 2007, and planning for the PERACare bid cycle in 2006 for 2007.

Compensation and Budget Committee

Sara Alt, Compensation and Budget Committee Chair, reviewed the previous day's Committee meeting.

A motion was brought forth by the Compensation and Budget Committee that, *"the 2005-2007 two-year Trustee Education account limits be placed at \$15,000 for new members and at \$10,000 for continuing Trustees. The Committee will discuss Trustee Education as outlined in the Governance Manual at their first scheduled meeting in 2006."* The motion was approved.

Member Administrative Appeal

Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. The Appellant, Jacqueline Arnold, PERA retiree, requested that the Appeal be heard in a Closed Executive Session. James Casebolt, Chair, recused himself from the proceeding and stepped out of the meeting. Meredith Williams, Executive Director, made the initial determination regarding Ms. Arnold's request and also stepped out of the meeting. In addition, Elizabeth Friot and Tamela Long, Board members, who had previous involvement in Ms. Arnold's appeal, stepped out of the meeting. Mark Anderson, Vice Chair, polled the Trustees in attendance and received the consent of all members present to go into Closed Executive Session at 9:03 a.m. Board members Scott Noller and Carole Wright were absent from the meeting.

The Closed Executive Session concluded at 9:50 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 of Jacqueline Arnold," Board Vice Chair Mark Anderson.

Mark Anderson, Vice Chair



Administrative Review Appeal Motion

A motion was made by Scott Murphy and seconded by Amy Nichols that, “*the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Arnold’s request to purchase 2.12 years of service credit for which she did not provide any documentation of dates of employment and a record of salary received.*” The motion was approved, with the exclusion of Tamela Long, Elizabeth Friot, and James Casebolt.

The Board recessed for break at 9:53 a.m. and reconvened at 10:03 a.m.

Economic Assumptions Discussion

Rob Gray, Government Relations Director, reminded the Board of the presentations and discussions at the July and August Board meetings regarding the economic assumptions, which were presented by Buck Consultants. Discussion ensued and David Slishinsky, Buck Consultants, responded to questions.

A motion was made by Joanne Hill and seconded by Mark Hillman that *the Board adopt the following economic assumptions:*

<i>Actuarial investment assumption rate</i>	<i>7.75 percent</i>
<i>Rate of inflation</i>	<i>3.00 percent</i>
<i>Real rate of return</i>	<i>4.75 percent</i>
<i>Payroll growth rate</i>	<i>3.75 percent</i>

Discussion ensued regarding the foregoing motion. The motion failed with Joanne Hill and Mark Hillman voting for and the remainder of the Board voting against the motion. No changes were made to the economic assumptions.

DPSRS Merger Document

Gregory Smith, PERA General Counsel, with the assistance of David Maurek, Chief Operating Officer, provided a presentation regarding the DPSRS Merger Agreement document and summarized the content of each article. Mr. Smith identified unresolved issues still remaining in the Agreement and stated that the staff suggested the Board schedule a special meeting on September 26, 2005, in anticipation of discussing the completed Merger Agreement.

Mr. Smith then requested the Board go into Closed Executive Session pursuant to C.R.S. § 24-6-402(4) (b) to provide legal advice on specific legal questions relating to open issues regarding the DPSRS Merger Agreement. James Casebolt, Board Chair, polled the Trustees in attendance and received the consent of all members present to go into Closed Executive Session at 11:33 a.m. In addition to the Trustees and the General Counsel, the Legal Staff Attorney, 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 Closed Executive Session concluded at 12:05 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 related to legal advice on specific legal questions relating to open issues regarding the DPSRS Merger Agreement," Board Chair James Casebolt.

James Casebolt, Chair

The Board recessed for lunch at 12:05 p.m. and reconvened at 12:45 p.m.

Annual Risk Report

Martha Argo, PERA Senior Investment Manager and Paul D'Ouille, Director of Investment Risk and Analytical Services from Northern Trust presented the Annual Risk Report that was transmitted to Trustees as Tab D on Friday, September 9, 2005. Ms. Argo and Mr. D'Ouille responded to questions.

At the conclusion of the presentation Jennifer Paquette, Chief Investment Officer, recognized Ray Froelich, Northern Trust Relationship Manager, for his 14 years of excellent service and dedication. He will be transferring his responsibilities to Rita Curtain this fall.

Asset Liability Study

Brian Birnbaum and Richard Ennis, Ennis Knupp, reviewed the Asset Liability Study report that was transmitted to the Trustees as Tab E on Friday, September 9, 2005. Mr. Birnbaum and Mr. Ennis responded to questions.

The Board recessed for a break at 2:06 p.m. and reconvened at 2:18 p.m.

Committee Reports (Continued)

Investment Committee

Marcus Pennell, Investment Committee Chair, reported that at the previous day's meeting the Committee reviewed a presentation by Ennis Knupp regarding Asset/Liability modeling and methodology. Mr. Pennell also reported that the Committee members had received an Investment Report for the 2nd Quarter.

Shareholder Responsibility Committee

Donna Bottenberg, Shareholder Responsibility Committee Chair, reviewed the previous day's Committee meeting. Ms. Bottenberg also reported that Meredith Williams, Executive Director, Gregory Smith, General Counsel, along with other staff, would be attending the Council of Institutional Investors conference at the end of this month and that Mr. Smith had been asked to participate in an International Roundtable on Executive Remuneration preceding the conference.



Monthly Reports

Executive Director Report

Meredith Williams, PERA Executive Director, reviewed the regular monthly information report presentation that was transmitted to Trustees as Tab F on Friday, September 9, 2005.

Market & Portfolio Update

Jennifer Paquette, PERA Chief Investment Officer, reviewed market and portfolio performance that was transmitted to Trustees as Tab G on Friday, September 9, 2005.

Legislative Report

Rob Gray, Government Relations Director, reviewed the Legislative Report that was transmitted to Trustees as Tab H on Friday, September 9, 2005. Mr. Gray responded to questions.

General Counsel Update

Gregory Smith, PERA General Counsel, provided a report regarding an ongoing issue related to unclaimed property, and noted that the State Treasurer had requested an informal opinion from the Attorney General's Office regarding the issue. Mr. Smith also reported on administrative error corrections pursuant to C.R.S. § 24-51-205(6) (b).

Mr. Smith then requested the Board go into Closed 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 Closed Executive Session at 3:03 p.m. Marcus Pennell stepped out of the meeting and did not return. 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.

Tamela Long stepped out of the meeting at 3:10 p.m. and did not return.

The Closed Executive Session concluded at 3:17 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 involving PERA," Board Chair James Casebolt.

James Casebolt, Chair



Monthly Reports (Continued)

DC Plan Update

David Maurek, PERA Chief Operating Officer, reviewed the current status regarding the DC Plan implementation.

Joanne Hill stepped out the meeting at 3:21 p.m. and did not return.

Mark Hillman stepped out of the meeting at 3:38 p.m. and did not return. Ben Stein, Deputy State Treasurer, took Mr. Hillman's place.

Mr. Maurek responded to questions.

Other Business

James Casebolt, Chair, announced that the next Board meeting would be held on September 26. With no further business to discuss, Mr. Casebolt adjourned the meeting at 3:44 p.m.

2005 Board Meeting Dates

September 26, 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