



**COLORADO
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Record of Proceedings

**Colorado Public Employees' Retirement Association
Board Meeting Minutes
1300 Logan Street
Denver, Colorado
November 16, 2007
8:30 a.m.**

Trustees Present: Mark Anderson, Board Chair, Sara Alt, Vice Chair, Susan Beeman, James Casebolt, Howard Crane, Carol Hoglund, Eric Rothaus arrived at 8:48 a.m., Tamela Long, Maryann Motza, Scott Murphy, Susan Murphy, Amy Nichols, Scott Noller, Lynn Turner, Carole Wright

Trustees Absent: No Trustees were absent

Staff Present: Lisa Fedak, Adam Franklin, Katie Kaufmanis, David F. Maurek, Brenda Meidl, Jennifer Paquette, Karl Paulson, Gregory W. Smith, John Spielman, Meredith Williams

Mark Anderson, Board Chair, called the meeting to order at 8:33 a.m.

Approval of Agenda

A motion was made by Scott Noller and seconded by Carol Hoglund that *"the Agenda be approved as published."* The motion was approved.

Approval of October 19, 2007, Board Meeting Minutes

A motion was made by Amy Nichols and seconded by Scott Noller that *"the October 19, 2007, Board Meeting Minutes be approved as published."* The motion was approved.

Public Comment

There was no public comment.

Executive Committee Report

Sara Alt, Vice Chair, reported that the Executive Committee had met the previous day and approved the October 18, 2007, Executive Committee Minutes and reviewed the September 30, 2007, Unaudited Financial Statements and the October 31, 2007, Budget Report. They reviewed a new reporting method that illustrates the Defined Contribution and 401(k) plans separately. They also reviewed information on monthly operations and reviewed the proposed 2008 Board calendar, which would be discussed later in the day. Finally, they reviewed the agenda for the day's meeting.



Interest Rate on PERA Accounts

David F. Maurek, Chief Operating Officer, reviewed the *Interest Rate on PERA Accounts* information, which was transmitted to Trustees as Tab B on Friday, November 9, 2007. Discussion ensued and Mr. Maurek responded to questions.

A motion was made by Scott Noller and seconded by Howard Crane to “*approve 5.0 percent as the interest rate for member accounts for calendar year 2008, pursuant to C.R.S. § 24-51-407(4).*” The motion was approved.

2008 Board Election Calendar

John Spielman, Internal Audit Director, reviewed the 2008 Board Election Calendar, which was transmitted to Trustees as Tab C on Friday, November 9, 2007. Mr. Spielman informed the Board that the two open seats were for the School Division and the State Division both for four-year terms. Mr. Spielman responded to questions.

A motion was made by Carole Wright and seconded by Lynn Turner that “*the 2008 Board Election Calendar be approved as presented in Tab C.*” The motion was approved.

2008 Budget

Scott Noller, Compensation and Budget Committee Chair, discussed the 2008 Budget, which was distributed at the October 19, 2007, Board meeting and was transmitted to Trustees as Tab D on Friday, November 9, 2007.

The Compensation and Budget Committee moved that “*the Board approve the 2008 PERA operating budget in the amount of \$42,280,330.*” The motion was approved.

Strategic Planning

Mark Anderson, Board Chair, introduced Karl Paulson, Manager of Strategic Innovation. Mr. Paulson began the discussion of the proposed Strategic Plan Initiatives, which was transmitted to Trustees as Tab E on Friday, November 9, 2007. Mr. Paulson and Mr. Anderson responded to questions.

The Board discussed, provided comments and suggested revisions to initiatives 1 and 2. Due to the timing requirements of the next scheduled Agenda item the Board tabled the remaining initiatives for discussion following the *Member Administrative Review*.

Member Administrative Appeal

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by Valorie Locricchio, PERA retiree, would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213.

William S. Finger, Esq., Frank & Finger, P.C., Legal Counsel for the Petitioner, requested that the appeal be heard in Closed Session.



Mr. Anderson polled the Trustees in attendance and received the consent of all members present to go into Closed Session.

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Trustee Amy Nichols had previous involvement in Ms. Locricchio's appeal and stepped out of the meeting. In addition, Trustee James Casebolt recused himself from the proceedings. Meredith Williams, Executive Director, made the initial determination regarding the request and also stepped out of the meeting.

The Board went into Closed Session at 9:30 a.m. In addition to the Trustees, Gregory W. Smith, Counsel to the Board of Trustees, Adam Franklin, Senior Staff Attorney, and the Legal Executive Administrative Assistant remained present for the Closed Session. The Board went into Closed Session for deliberation at 9:55 a.m. In addition to the Trustees, Gregory W. Smith, Counsel to the Board of Trustees, remained present for the deliberation. The Closed Session concluded at 10:27 a.m.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Sessions were regarding the appeal of Valorie Locricchio, PERA retiree."

Mark Anderson, Board Chair

A motion was made by Scott Noller and seconded by Tamela Long that *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Locricchio's request to treat \$29,580.10 received by Ms. Locricchio as part of a settlement agreement with the University of Colorado as PERA-includable salary."* The motion was approved with one abstaining vote by Carol Hoglund, Trustee.

The Board recessed at 10:28 a.m. and reconvened at 10:40 a.m.

Strategic Planning (Continued)

Mark Anderson, Board Chair, continued the discussion of the proposed Strategic Planning Initiatives, a previous agenda item. Extensive discussion ensued.

A motion was made by Scott Noller and seconded by Maryann Motza that *"the staff proceed to pursue the six strategic initiatives as amended and discussed in the 2008 Strategic Planning Outline and to report staffs' progress at each Board meeting."* The motion was approved.

Committee Reports

Investment Committee

Maryann Motza, Committee Chair, reviewed the previous day's committee meeting. The Committee received reports from Brian Birnbaum, Ennis Knupp and Jennifer Paquette, Chief Investment Officer, regarding the *Statement of Investment Policy* compliance and revisions, the *Real Estate Strategic Plan* revision, the Long Duration Bond Benchmark, the Opportunity Fund, and the Third Quarter Performance results.



The Investment Committee moved that *“the Real Estate Strategic Plan, adopted April 15, 2005, be amended to exempt two existing mortgage investments (Core Mortgage Fund I and Lincoln Crossing) from the December 31, 2007, disposition deadline and staff be instructed to continue its best efforts to liquidate them as soon as practical.”* The motion was approved.

The Investment Committee moved that *“the Statement of Investment Policy be amended as described in Tab D of the Investment Committee agenda dated November 15, 2007.”* The motion was approved.

The Investment Committee moved that *“the fixed income long duration portfolio be managed internally and use the Lehman Brothers U.S. Long Government/Credit Bond Index as its portfolio benchmark.”* The motion was approved.

The Investment Committee moved that *“a 3 percent target allocation to the Opportunity Fund be made. The primary benchmark will be the total public markets index and the secondary benchmark will be an aggregation of individual strategy benchmarks. All Opportunity Fund investments need to be approved by the Investment Committee and the Board of Trustees. Allocation for the Opportunity Fund will be provided by the current Timber allocation of 1 percent, with 2 percent drawn from Domestic Equity. The effective date will be January 1, 2008.”* Discussion ensued and the motion was approved.

Benefits Committee

Carole Wright, Committee Chair, reviewed the previous day’s committee meeting. The Committee received information regarding Life Cycle Funds and discussed possible default investment options for the PERA 401(k) and Defined Contribution (DC) plans.

The Benefits Committee moved that *“the default investment for the PERA 401(k) and DC plans become the Dodge & Cox Balanced Fund, effective December 24, 2007, for all monies received from plan participants after that date without an investment selection indication.”* The motion was approved. Ms. Wright responded to questions.

The Committee also received information from and discussed PERACare enrollment with Wendy Tenzyk, Director of Insurance. The Committee also discussed the purchase of “airtime” and voted not to move forward with future legislation regarding this issue. Finally, the Committee discussed Annual Statement variations and they deferred discussion on a comparison of PERA and Social Security.

Audit Committee

James Casebolt, Committee Chair, reviewed the previous day’s committee meeting. The Committee received information of the scope and general extent of the 2007 Annual Financial Audit Examination from Jim Comisky, Partner, and Steve Shanks, Manager, Clifton Gunderson LLP. The Committee also met separately with Gregory W. Smith, General Counsel, as required by the *Audit Committee Charter*. The Committee also provided input for the Annual Performance Evaluation of the Internal Audit Director, General Counsel, and other



matters to Meredith Williams, Executive Director. In addition, the Committee discussed Internal Audit activity and special projects and approved the Internal Audit Budget for 2008. Finally, they reviewed the 2008 Audit Plan and approved the proposed Annual Report to Board of Trustees on Audit Committee Activities, which was distributed for review. The Committee will meet in December to discuss the 2008 Audit Plan, functions of the Internal Audit Department, and additional information regarding the 2007 external audit. Mr. Casebolt responded to questions.

Shareholder Responsibility Committee

Tamela Long, Committee Chair, reviewed the previous day's committee meeting. The Committee received information concerning Proxy Contests, Council of Institutional Investors (CII) projects, Securities and Exchange Commission's (SEC) decision on access to Proxy proposals, Securities Litigation, and information regarding a new staff person hired in the Legal Division to aid with engagement of companies required by the new divestment law.

Ad-hoc Custodial RFP Committee

Tamela Long, Committee Chair, reviewed the previous day's committee meeting. The Committee discussed the letters of intent, questions received and the process for evaluating the RFP's.

Board Resolutions

Mark Anderson, Chair, Board of Trustees, recognized former Trustees and offered the following proclamations for Elizabeth Friot, Patricia Kelly, and Marcus Pennell.

PROCLAMATION CONCERNING ELIZABETH FRIOT

Whereas, Elizabeth "Liz" Friot, served as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from October 2002 through June 2007 as the representative from the State Division, and

Whereas, through Liz's dedication and contributions, she earned the respect of the PERA Board members and staff, and

Whereas, Liz served PERA's membership with loyalty, dedication and integrity, and

Whereas, through legislative change, the composition of the Board of Trustees of the Public Employees' Retirement Association of Colorado was modified effective July 1, 2007, and

Whereas, this legislative change replaced the board seat in which Liz Friot had served with a Governor-appointed seat on the Board of Trustees of PERA, now therefore, be it

Resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thank Elizabeth Friot for her dedicated service to the membership of Colorado PERA, her contributions during her years of service as a member of the Board of Trustees, and wish her much future success, and



Resolved that a copy of this Resolution be placed in the official minutes of the November 16, 2007, PERA Board of Trustees meeting.

**PROCLAMATION CONCERNING
PATRICIA KELLY**

Whereas, Patricia "Pat" Kelly, served as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from July 1993 through June, 2007 as the representative from the Municipal/Local Government Division, and

Whereas, Pat Kelly served as a dedicated Chair of several standing and ad-hoc committees of the Board during her tenure, and

Whereas, through Pat's sincerity, business acumen, dedication and analytical abilities, she earned the respect, confidence, appreciation and esteem of the PERA Board members, staff and members of public retirement industry organizations, and

Whereas, Pat served PERA's membership with loyalty, dedication and integrity by providing valuable counsel to the PERA Board and staff, and

Whereas, through legislative change, the composition of the Board of Trustees of the Public Employees' Retirement Association of Colorado was modified effective July 1, 2007, and

Whereas, this legislative change replaced the board seat in which Pat Kelly had served with a Governor-appointed seat on the Board of Trustees of PERA, now therefore, be it

Resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thank Patricia Kelly for her dedicated and conscientious service to the membership of Colorado PERA, her contributions and accomplishments during her years of service as a member of the Board of Trustees, and wish her much future success, and

Resolved that a copy of this Resolution be placed in the official minutes of the November 16, 2007, PERA Board of Trustees meeting.

**PROCLAMATION CONCERNING
MARCUS PENNELL**

Whereas, Marcus Pennell, served as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from July 2003 through June 2007 as the representative from the School Division, and

Whereas, through Marcus' dedication, thoroughness and thoughtful commentary, he earned the respect, confidence, appreciation and esteem of the PERA Board members and staff, and

Whereas, Marcus served PERA's membership with loyalty, dedication and integrity by providing valuable insights and contributions to the PERA Board and staff, and



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Whereas, through legislative change, the composition of the Board of Trustees of the Public Employees' Retirement Association of Colorado was modified effective July 1, 2007, and

Whereas, this legislative change replaced the board seat in which Marcus Pennell had served with a Governor-appointed seat on the Board of Trustees of PERA, now therefore, be it

Resolved, that with deep appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thank Marcus Pennell for his dedicated service to the membership of Colorado PERA, his contributions during his four years of service as a member of the Board of Trustees, and wish him much future success, and

Resolved that a copy of this Resolution be placed in the official minutes of the November 16, 2007, PERA Board of Trustees meeting.

A motion was made by Carole Wright and seconded by Scott Noller that "*the foregoing proclamations be adopted.*" The motion was approved.

The Board recessed for lunch 11:35 a.m. and reconvened at 12:32 p.m.

Eric Rothaus, Trustee, left the meeting at 11:35 am and did not return.

Legislative Report

Meredith Williams, Executive Director, with the assistance of Steve Adams, Beth Minahan, and Roberta Robinette, PERA lobbyists, reported on recent activities and current developments. Mr. Williams and Gregory W. Smith, General Counsel, responded to questions. Mr. Williams provided a copy of the proposed *Statement of Funding Policy* to the Board. Extensive discussion ensued.

A motion was made by Scott Noller and seconded by Lynn Turner that "*the Board adopt the funding resolution as amended and published as Tab F of today's meeting materials.*" The motion was approved.

2008 Board Meeting Schedule

Mark Anderson, Board Chair, discussed the schedule for the proposed 2008 Board meetings to be held January, March, June, September, and November. In addition, it was noted that meetings can be called at the discretion of the Board. Extensive discussion ensued. Mr. Williams, Mr. Anderson, and Mr. Smith responded to questions

A motion was made by Howard Crane and seconded by Lynn Turner that "*the 2008 Board Meeting Dates be approved as published.*" The motion was approved with one dissenting vote, made by Carole Wright.

The Board recessed at 1:57 p.m. and reconvened at 2:07 p.m.



401(k) Plan Document Changes

David F. Maurek, Chief Operating Officer, reviewed the proposed updates to the *401(k) Plan Document*, which were transmitted to Trustees as Tab G on Friday, November 9, 2007. Mr. Maurek responded to questions.

A motion was made by Carole Wright and seconded by Tamela Long “to approve the 401(k) Plan Document *modifications presented in Tab G, effective January 1, 2008.*” The motion was approved.

Staff Reports

Executive Director Report

Meredith Williams, Executive Director, reviewed the *Executive Director’s Report*, which was transmitted to Trustees as Tab H on Friday, November 9, 2007. Mr. Williams responded to questions.

Market & Portfolio Update

Jennifer Paquette, Chief Investment Officer, provided a market and portfolio update. Ms Paquette reviewed portfolio performance which was transmitted to Trustees as Tab I on Friday, November 9, 2007.

Benefits Update

David F. Maurek, Chief Operating Officer, provided an update on Defined Contribution (DC) Plan statistics. Mr. Maurek responded to questions.

General Counsel Update

Gregory W. Smith, General Counsel, informed the Board on a C.R.S. § 24-51-205(6) (b) matter. Mr. Smith also informed the Board about the recent indictment of a former employee of a Boulder County Charter School. Mr. Smith provided an update on the office relocation efforts and the approval of *PERA Rules* by the Attorney General’s Office, for an effective date of January 1, 2008. Finally, Mr. Smith reminded the Board of the January 10, 2008, deadline to submit their *Personal Financial Disclosures* to the Office of the Secretary of State. Mr. Smith responded to questions.

Mr. Smith then requested the Board go into Closed Executive Session to address pending or imminent litigation and legal advice on specific legal questions regarding PERA, pursuant to C.R.S. §§ 24-6-402(3)(a)(2) and 24-6-402(4)(b). Mark Anderson, Chair, polled the Trustees in attendance and received consent to go into Closed Executive Session at 3:11 p.m. In addition to the Trustees and the Executive Director, General Counsel, the Chief Investment Officer and Chief Operating Officer, the Director of Communications, and the Legal Executive Administrative Assistant remained present for the Closed Executive Session. The Closed Executive Session concluded at 3:28 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 as well as legal advice related to specific questions involving PERA constituting attorney client communication."

Mark Anderson, Board Chair

Finally, Mr. Smith responded to questions regarding the Sudan Divestment engagement process.

The Board recessed at 3:33 p.m. and reconvened at 3:45 p.m.

Executive Director Discussion

The Board met separately with Meredith Williams, Executive Director.

Other Business

The Board had a discussion regarding the employment contract of Meredith Williams, Executive Director. With no further business to discuss, Mr. Anderson adjourned the meeting at 5:15 p.m.

Board Meeting Dates

January 18, 2008
March 20, 21, 2008
June 19, 20, 2008
September 17 -19, 2008 (Planning Meeting)
November 20, 21, 2008

Respectfully submitted by
Brenda E. Meidl
Executive Administrative Assistant
Office of the General Counsel

Mark Anderson, Board Chair

Meredith Williams, Executive Director