



COLORADO PERA®

Record of Proceedings

Colorado Public Employees' Retirement Association Board Meeting Minutes

1300 Logan Street
Denver, Colorado
March 16, 2007
9:00 a.m.

Trustees Present: Mark Anderson, Board Chair, Sara Alt, Vice Chair, Susan Beeman, F. Elizabeth Friot, Carol Hoggund, Patricia Kelly, Cary Kennedy arrived at 9:20 a.m., Tamela Long, Maryann Motza, Amy Nichols, Marcus Pennell, Carole Wright

Trustees Absent: James Casebolt, Scott Murphy, Scott Noller

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

Mark Anderson, Board Chair, called the meeting to order at 9:00 a.m.

Mr. Anderson announced that he had appointed State Treasurer Cary Kennedy to the Investment and Shareholder Responsibility Committees.

Approval of Agenda

A motion was made by Amy Nichols and seconded by F. Elizabeth Friot that *"the Agenda be approved as amended to include an agenda item titled: Appointment of State Treasurer Designee"*. The motion was approved.

Approval of February 16, 2007, Board Meeting Minutes

A motion was made by Tamela Long and seconded by Patricia Kelly that *"the February 16, 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 with Tamela Long, Trustee, in attendance. The Committee approved the February 15, 2007, Executive Committee Minutes and reviewed the January 31, 2007, Unaudited Financial Statements and the February 28, 2007, Budget Report. They also reviewed information on monthly operations and the Executive Director's Evaluation form. Finally, the Committee reviewed the agenda for the day's meeting.



2007 Board Election

Gregory W. Smith, General Counsel, reviewed the status of the Board election for the Judicial Division and for the Retiree seat. Mr. Smith responded to questions.

A motion was made by Patricia Kelly and seconded by Marcus Pennell that *“the appointment of James Casebolt for the Judicial Division Trustee position on the Board of Trustees for a four-year term beginning July 1, 2007, be made as he is the sole candidate duly nominated and eligible to be elected to the position. Further, I move that the Board direct staff to not go forward with the election for the Judicial Division position.”* The motion was approved.

A motion was made by Patricia Kelly and seconded by Carol Hoglund that *“the Board direct staff to conduct an election for one seat in the Retiree Division to include state, local government, and judicial retirees and to include in that election the following slate of candidates: Harlen Ainscough, Sara Alt, Thomas Hadden, Luis Rovira.”* The motion was approved with Sara Alt abstaining from the vote.

Monthly Reports

Benefits Administration Update

David Maurek, Chief Operating Officer, provided an update on the Defined Contribution Plan statistics for 2006 and 2007, and updated the Board on the 2006 401(k) Plan statistics and on future marketing goals. Mr. Maurek responded to questions.

Committee Reports

Audit Committee

Tamela Long, Chair, Audit Committee, reported that the Committee had met the previous day and received a report from John Spielman, Internal Audit Director, regarding the current audit activities and special projects. Meredith Williams, Executive Director, provided the annual performance evaluations of the Internal Audit Director and the General Counsel. The Committee also received a report from Gregory W. Smith, General Counsel regarding the relocation of PERA operations and the continued monitoring of Amendment 41 with regard to the *PERA Governance Manual, Gift Policy*. Finally, Ms. Long explained the application review process for the open outside Audit Committee member position. The Committee considered seven applicants; two candidates were interviewed.

A motion was made by the Audit Committee that *“the Board appoint Warren Malmquist to fill the open outside Audit Committee member position.”* The motion was approved.

Member Administrative Appeal

Mr. Anderson stated that in accordance with the Board Agenda, an administrative appeal by vested inactive PERA member, Donald Lowe, would be heard. An Administrative Appeal involves member information, which is



deemed confidential by C.R.S. § 24-51-213. Mrs. Kathryn Lowe, Attorney in Fact for the petitioner, requested that the appeal be heard in Open Session.

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Trustees Amy Nichols, Elizabeth Friot, and Maryann Motza had previous involvement in Mr. Lowe's appeal and stepped out of the meeting. Meredith Williams, Executive Director, made the initial determination regarding the request and also stepped out of the meeting.

The remaining Trustees introduced themselves. In addition, Gregory W. Smith, Counsel to the PERA Board, David Maurek, Chief Operating Officer, and Adam Franklin, Staff Attorney, representing the PERA Administration introduced themselves. Mrs. Lowe introduced her husband and herself.

Mrs. Lowe began her statement at 9:33 a.m. and concluded at 9:43 a.m.

Mr. Franklin began his statement at 9:44 a.m. and concluded at 9:47 a.m.

Mr. Anderson polled the Trustees in attendance and received the consent of all members present to go into Closed Session for deliberation at 9:49 a.m. In addition to the Trustees, Gregory W. Smith, Counsel to the PERA Board of Trustees remained present for the Closed Session. The Closed Session concluded at 10:01 a.m.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Session were regarding the appeal of Donald Lowe, vested inactive PERA member."

Mark Anderson, Board Chair

A motion was made by Patricia Kelly 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 Mr. Lowe's application for disability retirement because he did not meet the statutory requirements to be eligible to apply for PERA disability retirement."* The motion was approved.

A motion was made by Carole Wright and seconded by Susan Beeman that *"the Benefits Committee review and study the PERA Disability Program."* The motion was approved.

The Board recessed for break at 10:03 a.m. and reconvened at 10:15 a.m.

Legislative Report

Meredith Williams, Executive Director, with the assistance of Beth Minahan and Roberta Robinette, PERA Lobbyists, provided an update on HB 07-1184, Sudan Divestment. Mr. Williams responded to questions.

Mr. Williams reported on the steps that have been taken to implement the expansion of retirement plan choice to institutions of higher education, a provision of SB 06-235, and the possibility of a bill being introduced to amend or repeal the provision of the legislation. Mr. Williams and Gregory W. Smith, General Counsel, responded to questions.



Cary Kennedy, Trustee, left the meeting at 10:15 a.m. and returned at 10:44 a.m.

Follow-Up on Medicare Part A

David Maurek, Chief Operating Officer, introduced Wendy Tenzyk, Insurance Director, and David Sigley, Leif Associates. Mr. Sigley provided a report on how Medicare Part A fits into PERACare and the projections for future expenses factored into the plan design. Ms. Tenzyk reviewed the effort to gather more information on retirees' eligibility for Medicare Part A to minimize the financial impact on the Health Care Trust Fund. Mr. Sigley and Ms. Tenzyk responded to questions.

Committee Reports (Continued)

Benefits Committee

Amy Nichols, Chair, Benefits Committee, reported that the Committee had met the previous day and reviewed a proposal covering retired teachers by Tony Villani, Creative Public Solutions, which will be reviewed in June after PERA staff has had time to review the details. The Committee also received a presentation from Prepaid Legal Services representatives regarding their services. The Committee will discuss this item at the next Committee meeting. The Committee will develop guidelines for a survey to seek feedback from retirees regarding PERACare. Finally, the Committee received updates from David Maurek, Chief Operating Officer, regarding the Caremark and CVS merger.

Compensation and Budget Committee

Sara Alt, Vice Chair, presented the Committee Report in the absence of Scott Noller, Chair, Compensation and Budget Committee. Ms. Alt reported that the Committee had met the previous day and received a report from Karl Paulson, Manager, Strategic Innovation, regarding the possibility of a separate capital budget for PERA. The Committee was in consensus that there is not a need for a capital budget at this time. The Committee also received an update from Gregory W. Smith, General Counsel, regarding the relocation of PERA operations to the Penn Center. Finally, the Committee received an update from Sharyl Harston, Director, Human Resources, on the PERA employee total compensation and general succession planning.

Investment Committee

Marcus Pennell, Chair, Investment Committee, reported that the Committee had met the previous day and received a report from Ennis Knupp that reviewed the process of divestment from Sudanese related investments.

Mr. Pennell announced that an Ad Hoc Committee would be created to develop Request for Proposal criteria to seek Custodial Services and asked for volunteers and to inform Mark Anderson, Board Chair, of their interest. Maryann Motza volunteered to be on the Ad Hoc Committee.



Shareholder Responsibility Committee

Carole Wright, Chair, Shareholder Responsibility Committee, reported that the Committee had met the previous day and received a report regarding the 2006 Proxy season. The Committee also received a report regarding securities lending and its impact of proxy voting, which the Legal Division will continue to monitor.

Cary Kennedy left the meeting at 11:17 a.m. and did not return.

Evaluation Subcommittee

Mark Anderson, Chair, Evaluation Subcommittee, reported that the Committee had met the previous day and received a report regarding the results of the Board Self Evaluation. The Committee also discussed topics that will be discussed further at the Board Planning Session, which included attendance of meetings by Trustees, reporting on communication with stakeholders, and the process of evaluating the Executive Director. Finally, the Board will receive the 2006 Self-evaluation from Meredith Williams by mid April. John Spielman, Internal Audit Director, will send the Executive Director's Performance Evaluation to the Board electronically.

Monthly Reports (Continued)

Market & Portfolio Update

Jennifer Paquette, Chief Investment Officer, reviewed the market and portfolio report, which was transmitted to Trustees as Tab C on March 9, 2007. Ms. Paquette also reviewed recent reductions in the international equity portfolio and increases in the fixed income portfolio.

Executive Director Report

Meredith Williams, Executive Director, reviewed the monthly information report presentation, which was transmitted to Trustees as Tab B on March 9, 2007.

The Board recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m.

General Counsel Update

Gregory W. Smith, General Counsel, provided a report pursuant to C.R.S. § 24-51-205(6)(b). Mr. Smith reported on the volume of Domestic Relations Orders handled by PERA Legal staff in 2006 and the process involved. Additionally, Mr. Smith also reported on the total external counsel fees paid in 2006.

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 the consent to go into Closed Executive Session at 1:18 p.m. In addition to the Trustees and the General Counsel, the Executive Director, the Chief Investment Officer and Chief Operating Officer, the Directors of Internal Audit and Communications, and the Legal Executive Administrative Assistant remained present for the Closed Executive Session.

The Closed Executive Session concluded at 1:30 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

Designation of Deputy State Treasurer

Mark Anderson, Board Chair, informed the Board that a written request had been made by Cary Kennedy, State Treasurer, to allow Eric Rothaus, Deputy State Treasurer, to act as a PERA Trustee on her behalf in her absence. Also, a written acknowledgement was received from Mr. Rothaus accepting the designation. Gregory W. Smith, General Counsel, noted that they both acknowledged their fiduciary responsibility to the PERA membership. Mr. Smith then presented a resolution to the Board which, upon adoption, would authorize the Deputy State Treasurer, Eric Rothaus, to act as a PERA Trustee on behalf of State Treasurer, Cary Kennedy, in her absence. The resolution was presented to the Board as follows:

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

Subject: Authority of Deputy State Treasurer, Eric Rothaus, to take action on behalf of the State Treasurer, Cary Kennedy, in her absence.

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, as set forth in PERA Statute (C.R.S. § 24-51-203), the State Treasurer shall hold a seat on the PERA Board of Trustees;

WHEREAS, C.R.S. § 24-36-102.2 provides in pertinent part that the State Treasurer may designate a deputy to exercise and perform all or any portion of the powers and duties of the State Treasurer;

WHEREAS, State Treasurer, Cary Kennedy, has requested to delegate to the Deputy State Treasurer, Eric Rothaus, authority to act on her behalf as a member of the PERA Board of Trustees when she is absent due to other official duties;

WHEREAS, Deputy State Treasurer, Eric Rothaus, has acknowledged and accepted this delegation;

WHEREAS, State Treasurer Cary Kennedy and Deputy State Treasurer Eric Rothaus have acknowledged that upon acceptance of this delegation and approval by the Board of Trustees, Deputy State Treasurer Rothaus is subject to the provisions of C.R.S. § 24-51-207, and shall act as a fiduciary to the plan members and benefit recipients as specified in C.R.S. § 24-51-207;

WHEREAS, it has been the long standing practice of PERA to allow the delegation of the State Treasurer's authority and responsibilities as a Trustee on the PERA Board of Trustees, and;



WHEREAS, the Board believes that it is prudent in carrying out the Board's responsibilities, duties and authorities to authorize the Deputy State Treasurer to execute, on behalf of Cary Kennedy, any and all actions on behalf of the State Treasurer in all matters and transactions relating to any business of the PERA Board of Trustees in the State Treasurer's absence;

NOW, THEREFORE, BE IT RESOLVED, that Eric Rothaus, Deputy State Treasurer, by the adoption of this motion, is hereby authorized to act, on behalf of the State Treasurer, Cary Kennedy, regarding any and all matters relating to any business of the PERA Board of Trustees. All actions taken by Eric Rothaus, Deputy State Treasurer, on behalf of Cary Kennedy, State Treasurer, shall be deemed the official vote of the State Treasurer seat of the PERA Board of Trustees.

A motion was made by Patricia Kelly and seconded by Tamela Long that *"the foregoing resolution be adopted."* The motion was approved.

Mr. Rothhaus took Treasurer. Kennedy's place at the table at 1:35 p.m.

The Board recessed for a break at 1:40 p.m. and reconvened at 1:51 p.m.

Focus Group Update

David Maurek, Chief Operating Officer, introduced Katie Kaufmanis, Communications Director, and Eric Sondermann, Eric Anderson, and Illana Poley, of Sondermann E-Squared Partners Inc. (SE2). SE2 provided a report on the results of their Focus Group research. Mr. Sondermann, Mr. Anderson, Ms. Poley, and Ms. Kaufmanis responded to questions.

Other Business

With no further business to discuss, Mr. Anderson adjourned the meeting at 2:40 p.m.

Board Meeting Dates

April 20, 2007
June (14) 15, 2007
July 18-20, 2007 (Planning Session)
September (20) 21, 2007
October 19, 2007
November (15) 16, 2007

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

Mark Anderson, Board Chair

Meredith Williams, Executive Director