



Record of Proceedings

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

1300 Logan Street
Denver, Colorado
June 15, 2007
8:30 a.m.

Trustees Present: Mark Anderson, Board Chair, Sara Alt, Vice Chair, Susan Beeman, James Casebolt, F. Elizabeth Friot, Carol Hoglund, Patricia Kelly, Cary Kennedy, Tamela Long, Maryann Motza, Scott Murphy, Amy Nichols, Scott Noller, Marcus Pennell, Carole Wright

Trustees Absent: No Trustees were absent

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 8:28 a.m.

Approval of Agenda

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

Approval of April 20, 2007, Board Meeting Minutes

A motion was made by James Casebolt and seconded by Scott Noller that *"the April 20, 2007, Board Meeting Minutes be approved as published."* The motion was approved.

Mr. Anderson and the Board expressed their gratitude by acclamation to departing Trustees F. Elizabeth Friot from the State Division (Higher Education), Patricia Kelly from the Local Government Division, and Marcus Pennell from the School Division. Their terms will expire on June 30, 2007, and three Trustees appointed by the Governor and confirmed by the Senate will join the Board effective July 1, 2007.

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 April 19, 2007, Executive Committee minutes and reviewed the March 31, 2007, and April 30, 2007, Unaudited Financial Statements and the April 30, 2007, and May 31, 2007, Budget Reports. Finally, they reviewed the agenda for the day's meeting and preparations for the Board's July planning meeting. The Board was given an outline for the July planning session and asked for their input.

Board Election Results

John Spielman, Internal Audit Director, reviewed the election results and responded to questions.

A motion was made by Carole Wright and seconded by Scott Noller that *"the published June 6, 2007, Retirement Board Election Results be affirmed and that Sara Alt is duly elected to a four-year Board term from the Retiree Division."* The motion was approved.

Release of the CAFR

Tamela Long, Chair, Audit Committee, provided positive comments regarding the Comprehensive Annual Financial Report for 2006.

The Audit Committee moved that *"the Board authorize the release of the 2006 Comprehensive Annual Financial Report."* The motion was approved.

Sudan Legislation Update

Gregory W. Smith, General Counsel and Jennifer Paquette, Chief Investment Officer, informed the Board of the process to create the list of scrutinized companies as required by law. At the July Planning Session the Board will be shown different methodologies that can be used to create the list and staff will provide a recommendation, at which time the Board will establish and adopt a list. Mr. Smith and Ms. Paquette responded to questions.

Committee Reports

Benefits Committee

Amy Nichols, Chair, Benefits Committee, reviewed the previous day's committee meeting and responded to questions. The Committee received a report from Rick Larson, Benefits Services Director, regarding PERA's Disability Program. They also discussed with Becky Gratsinger, RV Kuhns and Associates, the possibility of offering a Socially Responsible Investment option (SRI) for the 401(k)/DC Plans. The Benefits Committee passed a motion to direct the 401(k) Investment Advisory Committee to pursue an SRI option for the 401(k)/DC Plans and to conduct a search for an appropriate manager. Wendy Tenzyk, Insurance Director, discussed a timeline for a retiree health care survey to obtain feedback from retirees on PERACare. The Committee also reviewed the timeline for the 2010 health care program cycle. Ms. Nichols reported that a



letter was sent to Tony Villani, Creative Public Solutions, from Gregory Smith, General Counsel, on behalf of the Benefits Committee, that stated PERA does not feel it is appropriate to endorse his company or its actions. In addition, a letter will be sent to Pre-Paid Legal Services, Inc. regarding their identity theft protection product from David Maurek, Chief Operating Officer, on behalf of the Benefits Committee indicating that PERA is not interested in offering their product to the PERA membership. Finally, the Committee discussed the Public Safety Health Care Options as outlined in the Pension Protection Act.

Audit Committee

Tammy Long, Chair, Audit Committee, reviewed the previous day's committee meeting. The Committee received a review from Karl Greve, Accounting Director, of the CAFR highlights. Also, Jim Comisky and Steve Shanks, Clifton Gunderson, External Auditor, provided a report of the 2006 Annual Financial Audit of PERA and Meredith Williams provided PERA's response. The Committee also received a report from John Spielman, Internal Audit Director, on Internal Audit activities. Finally, Gregory Smith gave an update on PERA's relocation efforts.

Legislative Report

Meredith Williams, Executive Director, with the assistance of Roberta Robinette, PERA lobbyist, informed the Board of possible future legislative issues. Mr. Williams and Ms. Robinette responded to questions.

Member Administrative Appeal

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by PERA member Frances Flicker would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Howard Flicker, Esq., Legal Counsel for the Member 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, F. Elizabeth Friot, and Maryann Motza had previous involvement in Ms. Flicker's appeal and stepped out of the meeting. In addition, Board member 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.

Mr. Flicker began his statement at 9:32 a.m. and concluded at 9:42 a.m. Ms. Flicker began her statement 9:43 a.m. and concluded 9:44 a.m.

Mr. Franklin, representing PERA staff, began his statement at 9:44 a.m. and concluded at 9:49 a.m.

The Board went into Closed Session for deliberations at 9:59 a.m. In addition to the Trustees, Gregory W. Smith, Counsel to the Board of Trustees, remained present for the deliberations in the Closed Session. The Closed Session concluded at 10:35 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 Frances Flicker, PERA member."

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. Flicker's request to allow her to purchase 1.453 years of service credit at the cost calculation in effect in 2001."* The motion was approved.

The Board recessed for a break at 10:37 a.m. and reconvened at 10:45 a.m.

Actuarial Report Presentation

Thomas Cavanaugh, CEO and Edward Macdonald, President of Cavanaugh Macdonald, reviewed the Annual Actuarial Valuation for year ended December 31, 2006. Mr. Macdonald and Mr. Cavanaugh responded to questions.

Investment Performance Report

Brian Birnbaum, Principal, Ennis Knupp reviewed the Investment Performance Report, which was transmitted to Trustees as Tab B on Friday, June 8, 2007. Mr. Birnbaum responded to questions.

Marcus Pennell, Trustee, left the meeting at 11:00 a.m. and returned at 11:35 a.m.

Committee Reports (Continued)

Compensation and Budget Committee

Scott Noller, Chair, Compensation and Budget Committee, reviewed the previous day's meeting where the Committee reviewed the *2008 Budget Timeline*, which was provided as a handout at the meeting.

Investment Committee

Marcus Pennell, Chair, Investment Committee reviewed the previous day's committee meeting where the Committee discussed including the Timber asset class in a separate fund to be called the Opportunity Fund, and passed a motion for Ennis Knupp and staff to continue the research. Finally, the Committee passed a motion recommending adding a long-term duration bond portfolio, which the Board will consider at a future Board meeting.

Shareholder Responsibility Committee

Carole Wright, Chair, Shareholder Responsibility Committee, reviewed the previous day's committee meeting and discussed proxy contest information. The Committee reviewed all Shareholder policies; non-substantive recommendations were made for changes. The Committee was advised that PERA's proxy voting advisor Glass Lewis had been sold to Xiang Tau. Legal



staff will monitor the effects of this change. Finally, the Committee heard a report about possible securities litigation.

The Board recessed for Lunch at 11:45 a.m. and reconvened at 12:35 p.m.

Alternative Investments Proposal

Mark Anderson, Board Chair, requested the Board go into Closed Executive Session to discuss issues that involve private equity investment issues required to be kept confidential by C.R.S. § 24-51-213. The Board Chair polled the Trustees and received consent to go into Closed Executive Session at 12:37 p.m. In addition to the Trustees and the General Counsel, the Chief Investment Officer and Chief Operating Officer, the Directors of Alternative Investments, Internal Audit and Communications, Dan Chilton, Alternative Investment Analyst, and the Legal Executive Administrative Assistant remained present for the Closed Executive Session.

The Closed Executive Session concluded at 12:55 p.m.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Executive Session involved private equity investment issues."

Mark Anderson, Board Chair

A motion was made by Patricia Kelly and seconded by Susan Beeman that "*the Board approve a commitment of \$200 million in the Warburg Pincus Private Equity X, L.P. subject to staff's satisfaction with final due diligence and final legal negotiations.*" The motion was approved.

Monthly Reports

Executive Director Report

Meredith Williams, Executive Director, announced the three milestones that have been reached by PERA: 400,000 in total membership, \$40 billion in assets, and 75,000 benefit recipients. Mr. Williams reviewed the report, which was transmitted to Trustees as Tab C on June 8, 2007.

Market & Portfolio Update

Jennifer Paquette, Chief Investment Officer, reviewed the market and portfolio performance information report, which was transmitted to Trustees as Tab D on June 8, 2007.

Benefits Update

David F. Maurek, Chief Operating Officer, provided an update on DC Plan Statistics and responded to questions.

The Board recessed for a break at 1:45 p.m. and reconvened at 2:00 p.m.



General Counsel Update

Gregory W. Smith, General Counsel, introduced new Staff Attorney, Julie Master. Mr. Smith reported on his attendance at the World Pension Forum in May, and his focus on the judicial system and corporate governance issues in Asia. In addition, Mr. Smith informed the Board about an Amicus Brief submitted by the Council of Institutional Investors regarding the possible elimination of "Scheme Liability" in securities litigation. Mr. Smith provided an update on the "Teacher on Special Assignment" issue. Finally, Mr. Smith provided an update on the office relocation efforts that are underway.

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 2:14 p.m. In addition to the Trustees and the Executive Director, General Counsel, 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 2:46 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

Executive Director's Performance Evaluation

Meredith Williams, Executive Director, requested the Board go into Closed Executive Session pursuant to C.R.S. § 24-6-402(3)(b)(I). The matter to be discussed involves a specific employee personnel issue. Mark Anderson, Chair, polled the Trustees in attendance and received the consent to go into Closed Executive Session at 2:47 p.m. In addition to the Trustees, the Executive Director participated in the closed session.

Tamela Long, Trustee, left the meeting at 3:00 p.m. and did not return.

The Closed Executive Session concluded at 3:20 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 a specific employee personnel issue."

Mark Anderson, Board Chair



Other Business

With no further business to discuss, Mr. Anderson adjourned the meeting at 3:23 p.m.

Board Meeting Dates

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