



**COLORADO
PERA®**

Record of Proceedings

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

1300 Logan Street
Denver, Colorado
January 18, 2008
8:30 a.m.

Trustees Present: Mark Anderson, Board Chair, Sara Alt, Vice Chair, Susan Beeman, James Casebolt, Howard Crane, Carol Hoglund, Cary Kennedy, Tamela Long, Maryann Motza, Scott Murphy, Susan Murphy, Amy Nichols, Scott Noller, Lynn Turner arrived at 9:30 a.m., Carole Wright

Trustees Absent: No Trustees were absent.

Staff Present: Lisa Fedak, Adam Franklin, Katie Kaufmanis, Karl Greve, 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 8:32 a.m.

Mr. Anderson announced that for the 22nd consecutive year, the Colorado Public Employees' Retirement Association had been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Financial Officers Association of the United States and Canada (GFOA).

The Certificate of Achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. As determined by an impartial panel, it recognizes PERA's 2006 *Comprehensive Annual Financial Report* or *CAFR* for meeting the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the *CAFR*.

PERA also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its 2006 *Popular Annual Financial Report* or *PAFR*, a summary of the *CAFR* that is mailed to members and benefit recipients. To receive the award for the *PAFR*, an impartial panel determined that the content met the high program standard for creativity, presentation, understandability, and reader appeal.

The comprehensive annual report and the popular annual report represent the output of the entire PERA operation and staff. Mr. Anderson recognized Karl Greve, Chief Financial Officer, John Spielman, Director of Internal Audit, Katie Kaufmanis, Director of Communications, and Madalyn Knudsen, Creative Services Manager and their staffs for their role in leading the PERA accountability effort.



Additionally, Mr. Anderson announced that Karl Greve, in recognition of his wide-ranging responsibilities and his many contributions to PERA's financial well-being, had been promoted to the position of PERA's Chief Financial Officer.

Approval of Agenda

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

Approval of November 16, 2007, Board Meeting Minutes

A motion was made by Maryann Motza and seconded by Howard Crane that "*the November 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 and approved the November 15, 2007, Executive Committee minutes and reviewed the October 31, 2007, and November 30, 2007, Unaudited Financial Statements and the November 30, 2007, and December 31, 2007, Budget Reports. They reviewed information regarding the September 2008 Planning Session and they discussed the remodel progress of the first floor Penn Center conference room. Ms. Alt asked for volunteers from the Board to work with Gregory W. Smith, General Counsel, for the finalization of the design plans. Trustees Carole Wright and Amy Nichols volunteered to represent the Board. Finally, they reviewed the agenda for the day's meeting.

Economic Commentary

Jennifer Paquette, Chief Investment Officer, introduced Dr. Allen Sinai, Chief Global Economist, Decision Economics. Mr. Sinai provided the Board with his economic outlook and market perspectives for the upcoming year. Mr. Sinai responded to questions.

Member Administrative Appeal

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by Jane Hickey, PERA member, would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Mike Ogborn, Esq. of Ogborn, Summerlin & Ogborn, LLC, Legal Counsel 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 Scott Murphy, Scott Noller, and Susan Beeman had previous involvement in Ms. Hickey'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.

Mr. Ogborn began his statement at 9:44 a.m. and concluded at 9:57 a.m. Mr. Ogborn responded to questions.

Mr. Franklin began his statement at 9:59 am and concluded at 10:08 a.m. Mr. Franklin responded to questions.

Mr. Anderson polled the Trustees in attendance and received the consent of all members present to go into Closed Session for deliberation. The Board went into Closed Session for deliberation at 10:22 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 11:00 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 Jane Hickey, PERA member."

Mark Anderson, Board Chair

A motion was made by Tamela Long and seconded by Carol Hoglund that *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Hickey's request for PERA membership from September 1998 through June 2004."* The motion was approved with two dissenting votes by Trustees Lynn Turner and Carole Wright.

The Board recessed at 11:02 a.m. and reconvened at 11:11 a.m.

Member Administrative Appeal

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

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Trustees Scott Murphy, Scott Noller, and Susan Beeman had previous involvement in Mr. Oldani's appeal and were not in the meeting. Meredith Williams, Executive Director, made the initial determination regarding the request from the proceedings and was not in the meeting. In addition, Trustee James Casebolt recused himself from the meeting.

Mr. Oldani began his statement at 11:15 a.m. and concluded at 11:24 a.m. Mr. Oldani responded to questions.

Mr. Franklin began his statement at 11:25 a.m. and concluded at 11:28 a.m. Mr. Franklin responded to questions.

Mr. Anderson polled the Trustees in attendance and received the consent of all members present to go into Closed Session for deliberation. The Board went into Closed Session for deliberation at 11:29 a.m. In addition to the Trustees, Gregory



COLORADO PERA®

Record of Proceedings
January 18, 2008
Page 4 of 11

W. Smith, Counsel to the Board of Trustees, remained present for the deliberation. The Closed Session concluded at 12:07 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 John Oldani, PERA retiree."

Mark Anderson, Board Chair

A motion was made by Amy Nichols and seconded by Lynn Turner that, *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Mr. Oldani's request that he be allowed to purchase service credit at the cost using the incorrect highest average salary."* The motion was approved.

Mr. Anderson asked Mr. Oldani to discuss with Mr. Smith a possible resolution regarding his appeal.

Cary Kennedy, Trustee, left the meeting at 11:15 a.m.

Ad-hoc Custodial RFP Committee

Tamela Long, Committee Chair, reviewed the previous day's committee meeting and complimented PERA's staff and Ennis Knupp on the work performed. The Committee expects to announce the finalists by February 4, 2008.

Trustees Self-Evaluation

Mark Anderson, Board Chair, introduced David F. Maurek, Chief Operating Officer, who provided the changes and instructions for completing the Trustee Self-Evaluation online by January 31, 2008. In addition, Mr. Anderson informed the Board that the performance evaluation for Meredith Williams, Executive Director, would be sent out by the first week of February and asked that it be completed within two weeks of receiving it.

Strategic Initiatives Update

Karl Paulson, Manager of Strategic Innovation, provided a handout of the final Strategic Plan Outline. Mr. Paulson informed that Board that he would be contacting the volunteers for the Ad-hoc Committee for Enhanced Stakeholder Relations within the next couple of weeks.

The Board recessed for lunch at 12:15 p.m. and reconvened at 12:49 p.m.



Cavanaugh Macdonald – Actuarial Assumptions Workshop

Mark Anderson, Board Chair, introduced Tom Cavanaugh, CEO and Ed Macdonald, President, Cavanaugh Macdonald. Mr. Macdonald and Mr. Cavanaugh provided a workshop regarding actuarial assumptions. Mr. Macdonald and Mr. Cavanaugh responded to questions.

Cary Kennedy, Trustee, returned to the meeting at 1:01 p.m.

Investment Report

Jennifer Paquette, Chief Investment Officer, introduced Jim Liptak, Director of Equities, Maruti More, Director of Fixed Income, Jim Lavan, Director of Real Estate, and Timothy Moore, Director of Alternative Investments.

Each Director provided a report regarding his respective asset class and each Director responded to questions.

The Board recessed 2:57 p.m. and reconvened at 3:09 p.m.

Sudan Legislation Follow-Up

Gregory Smith, General Counsel, and Jennifer Paquette, Chief Investment Officer, discussed the process that had been implemented under Statute. Mr. Smith discussed the timeline and the proposed changes to be made to the list adopted by the Board on July 20, 2007. Copies of the updated list were provided at the day’s meeting. Mr. Smith responded to questions.

A motion was made by Carole Wright and seconded by Lynn Turner that *“the Board approve the following list as the updated Scrutinized Company List effective January 18, 2008, as required by C.R.S. § 24-54.8-103:”*

Company name Active Operations	Country	Date Added
Alstom	France	7/20/2007
Wuhan Boiler Co (sub of Alstom)		1/18/2008
AREF Investment Group	Kuwait	7/20/2007
AviChina (AviChina Industry & Technology Company Ltd)	China	7/20/2007
Jiangxi Hongdu Aviation (sub of AviChina)		7/20/2007
Hafei Aviation Industry (sub of AviChina)		7/20/2007
Jiangxi Changhe Automobile Co (sub of AviChina)		7/20/2007
Harbin Dongan Auto Engine Co (sub of AviChina)		7/20/2007
Bauer AG	Germany	1/18/2008
Bharat Heavy Electricals Ltd	India	7/20/2007
Dongfeng Motor Group Co	China	7/20/2007
Dongfeng Automobile Co Ltd (sub of Dongfeng Motor Group Co)		7/20/2007
Electricity Generating Public Company (EGCO)	Thailand	7/20/2007
Khanom Electricity Generating Co Ltd (sub of EGCO)		1/18/2008
Harbin Power Equipment Co	China	7/20/2007
Indian Oil Corp (IOCL)	India	7/20/2007
Lanka IOC Ltd (sub of Indian Oil Corp)		7/20/2007
Chennai Petroleum Corp Ltd (sub of Indian Oil Corp)		7/20/2007



COLORADO PERA®

Record of Proceedings
January 18, 2008
Page 6 of 11

Bongaigaon Refinery & Petrochemicals Ltd (sub of Indian Oil Corp)		7/20/2007
Kejuruteraan Samudra Timur Bhd	Malaysia	7/20/2007
Kencana Petroleum Bhd	Malaysia	7/20/2007
Lundin Petroleum AB	Sweden	7/20/2007
Lundin International SA (sub of Lundin Petroleum)		1/18/2008
Mangalore Refinery and Petrochemicals Ltd (sub of ONGC)	India	7/20/2007
MISC Berhad (Malaysian International Shipping Co) (sub of Petronas)	Malaysia	7/20/2007
Muhibbah Engineering Bhd	Malaysia	7/20/2007
Oil & Natural Gas Corp Ltd (ONGC)	India	7/20/2007
PECD Bhd	Malaysia	7/20/2007
Petrochina Co (sub of CNPC)	China	7/20/2007
CNPC Hong Kong Ltd (sub of CNPC)	Hong Kong	7/20/2007
Petrofac Ltd	United Kingdom	7/20/2007
Petronas (Petroleum Nasional Bhd)	Malaysia	7/20/2007
Petronas Dagangan Bhd	Malaysia	7/20/2007
Petronas Gas Bhd	Malaysia	7/20/2007
Petronas Capital Limited		1/18/2008
Optimal Olefins (Malaysia) SDN Berhad		1/18/2008
Petronas Fertilizer (Kedah) SDN Berhad		1/18/2008
Petronas Assets SDN Berhad		1/18/2008
Midciti Resources SDN Berhad		1/18/2008
Ranhill Bhd	Malaysia	1/18/2008
Scomi Group Bhd	Malaysia	7/20/2007
Scomi Engineering Bhd (sub of Scomi Group)		7/20/2007
KMCOB Capital Berhad (sub of Scomi Group)		1/18/2008
Sinopec Shanghai Petrochemical Co (sub of Sinopec Corp)	China	7/20/2007
China Petroleum & Chemical Corp (Sinopec Corp) (sub of Sinopec Group)		7/20/2007
Sinopec Kantons Holdings (sub of Sinopec Corp)		7/20/2007
Wartsila Oyj	Finland	1/18/2008
Inactive Operations		
Atlas Copco	Sweden	
Bharat Electronics Ltd	India	
Bolloré	France	
Kamaz	Russia	
La Mancha Resources	Canada	
Man AG	Germany	
Mercator Lines Ltd	India	
Mitsui Engineering & Shipbuilding (MES)	Japan	
Boustead Heavy Industries Corporation (formerly PSC Industries)	Malaysia	
Reliance Industries Limited	India	
Schlumberger Ltd	France	
Sterlite Optical Technologies Ltd	India	
Sudan Telecommunications Co Ltd (Sudatel)	Sudan	
Total SA	France	
UMW Holdings	Malaysia	

The foregoing motion was approved.



Legislative Report

Meredith Williams, Executive Director, provided information regarding potential legislation for mandatory divestment from Iran related investments. Extensive discussion ensued and Mr. Williams and Gregory W. Smith, General Counsel, responded to questions.

Mark Anderson, Board Chair, made the following statement:

“As the Board considers the adoption of this policy, it is important to note that Colorado PERA serves the singular purpose of operating the retirement system serving more than 400,000 current and former public servants. In meeting its fiduciary responsibilities, PERA seeks to maximize long term risk-adjusted investment returns. In accordance with its fiduciary obligation, PERA’s Board of Trustees determines the investment fund’s overall risk profile and risk constraints.

PERA has adopted a total fund strategy to address specific risks related to direct public investments in foreign companies doing business in Iran. Historically, the evaluations of these risks have been executed at the asset class and portfolio level by PERA’s staff and by PERA’s external managers. The Board has established a policy that will provide additional resources for researching and analyzing Iran-related risk. The policy includes phases for identifying a list of public companies doing business in Iran, criteria that will be used, periods of time for engagement with companies identified, investment moratorium requirements, and other possible actions including potential divestment.

Should the Board adopt this policy, it would demonstrate that PERA’s Board believes that the additional resources and the centralization of research required by this policy will improve the ability to assess Iran-related risk. This investment process modification will also improve reporting on Iran-related risk for the total fund.”

A motion was made by Scott Noller and seconded by Amy Nichols that “*the Board adopt the Iran Related Investment Policy (draft dated January 9, 2008, distributed at the meeting and reprinted below):*”

Colorado Public Employees’ Retirement Association Iran Related Investment Policy

PERA will initiate a phased strategy to address PERA’s direct public investments in foreign companies doing business in the Islamic Republic of Iran. The strategy will address and will include a number of actions, up to and including possible divestment. PERA recognizes the federal government has sole responsibility for the conduct of American foreign policy. PERA is acting out of a fiduciary concern for the welfare of its member’s assets which requires a broad horizon and sensitivity to the potential risks posed by investment in Iran.

The United States prohibits loans from U.S. financial institutions and direct investment in the Iranian energy and defense sectors. The U.S. government can also impose economic sanctions on foreign companies investing in Iran’s petroleum and natural gas sector. It is widely reported that Iran supports terrorism, supplies explosively formed penetrators for use against our troops in Iraq, continues to develop the infrastructure to support advanced nuclear



technology, and that its president publicly calls for the destruction of the State of Israel.

PERA must be managed for the benefit of the members, retirees and beneficiaries, and this policy is developed to address the potential for risk presented by pension fund investments in companies doing business in Iran

Accordingly the PERA Board of Trustees adopts a policy consisting of the following phases:

- Phase I: Commencing immediately, staff shall undertake research to identify a list of public companies doing business in Iran which meet the following criteria: (This list will be developed through staff research of publicly available information that may include the retention of external third party researchers and/or other information provided by other public funds, pension systems and investor organizations)
 - 1) That have made an investment on or after August 5, 1996, or in any combination in any 12 month period, of \$20,000,000 or more, in Iran's energy sector; or
 - 2) Are engaged in business with any Iranian organization labeled by the U.S. government as a terrorist organization; or
 - 3) Are engaged in any business that facilitates Iranian acquisition of nuclear, chemical or biological weapons technology or military equipment.
- Phase II: Upon a company being included on the list that meets the criteria set forth under Phase I in which PERA holds a direct public investment, staff shall within 30 days after identifying such a company, engage such company and ask them to:
 - 1) Provide a detailed description of the nature, extent, duration, and full history of the companies' business activities in Iran;
 - 2) Provide an explanation as to how these activities are consistent with a sound and prudent long-term investment strategy;
 - 3) Report how they are engaging the government of Iran regarding its conduct and how they are mitigating investment risks posed by doing business in Iran;
 - 4) Report whether substantial action has been taken to affect the policies and practices of the government of the Islamic Republic of Iran; and
 - 5) Additionally, staff shall, where practical, confer and work with other pension systems and investor organizations regarding information stemming from their engagement with such companies and potentially cooperate in taking joint action in engaging such companies.
- Phase III: Upon a company being included on the list that meets the criteria set forth under Phase I, the Board enacts a moratorium on direct public investments in companies in which PERA currently holds no



interest. The moratorium shall apply upon the date that staff determines such a company meets the criteria. The Board shall give 90-days advance notice before the effective date of any amendment or repeal of this moratorium to the public, the General Assembly and the Governor.

- Phase IV: Within 90 days after engaging such a company, staff shall evaluate the companies' responses and determine if they have taken sufficient steps to minimize risk to PERA and /or whether additional time is required to effectively engage such company. If not, staff shall analyze:
 - 1) The available strategies for addressing the risk presented;
 - 2) The viability of working with other interested parties and investors to affect the policies and practices of companies with business operations in Iran;
 - 3) The materiality of the company's Iranian operations in regards to their overall operations; and
 - 4) The availability of alternative direct public investments providing similar diversity and return expectations.

- Phase V: Staff shall report to the Board its findings, actions and recommendations concerning individual companies on the list at every regularly scheduled Board meeting. This report shall be made available to the public and forwarded to the General Assembly and the Governor; provided, however, the first public report shall be made no later than March 21, 2008. Should adequate mitigation of risk not be possible, the PERA Board of Trustees, consistent with its fiduciary obligations and responsibilities, will thereafter direct staff to:
 - 1) Withhold additional or new direct public investments in non-complying companies; and/or
 - 2) Divest current direct public investments in the companies.

The foregoing motion was approved.

Mr. Smith provided an explanation of HB 08-1179, concerning the circumstances under which distributions payable by the Public Employees' Retirement Association may be subject to legal process, sponsored by Rep. Cory Gardner (R-Yuma). Mr. Smith responded to questions.

A motion was made by Lynn Turner and seconded by Scott Noller that "*the Board support HB 08-1179.*" The motion was approved.

Finally, Mr. Williams provided an overview of other potential PERA-related legislation and responded to questions.



Other Business

James Casebolt, Audit Committee Chair, reviewed the December 18, 2007, Committee meeting. The Committee extensively discussed the scope of the external audit overseen by the Office of the State Auditor. Other audit resources were discussed as well as the internal resources in various departments which are involved in valuation of assets and ensuring accurate financial reporting. In addition, the Committee received an extensive briefing regarding errors identified by staff related to service credit purchase agreements, the statistical data regarding volume of purchase applications and actions taken to meet volume demands. Thereafter, the Committee passed a motion to be brought to the full Board to authorize staff to address correction of the errors.

The Audit Committee moved "to authorize the General Counsel to implement a correction program related to the service credit purchase calculation errors. The correction program shall undertake a return of all overpayments to the member and the pursuit of all underpayments for service that exceed \$1,000. Collection of the underpayments will be undertaken by allowing affected members to pay the amount due to receive the full service credit applied for at the rates existing at the time of the original agreement or, at the member's option, by a reduction of the purchased service credit to the amount that was actually paid for at the then-existing purchase rates. The member will be permitted a 90-day period to pay without interest or to pay in installments over time at the usual interest rate." The motion was approved.

Executive Director Discussion

Mr. Anderson stated that in accordance with the Agenda the Board would discuss a specific employee personnel issue involving Meredith Williams, Executive Director, which is deemed confidential pursuant to the Colorado Open Meetings Act. Discussion ensued regarding Closed Executive Sessions and Mr. Smith responded to questions. Pursuant to C.R.S. § 24-6-402(3)(b)(I) Mr. Anderson polled the Trustees in attendance and received consent to go into Closed Session at 4:50 p.m. Trustees Lynn Turner and Scott Murphy opposed going into Closed Executive Session. Only the Trustees remained present for the Closed Executive Session.

Amy Nichols, Trustee, left the meeting at 5:15 p.m. and did not return. The Closed Session concluded at 5:34 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 involving Meredith Williams, Executive Director."

Mark Anderson, Board Chair



**COLORADO
PERA®**

*Record of Proceedings
January 18, 2008
Page 11 of 11*

A motion was made by Tamela Long and seconded by Scott Noller that *“the following changes are to be made to Mr. Williams’ contract:*

On January 1, 2008, begin a 4 percent COLA increase to the base salary thereafter 3 percent on the first day of each following year/annually if his overall performance meets expectations.

An additional bonus compensation not includable as salary each year of up to 12 percent annually based on the criteria established by the Board for 2008 and thereafter subject to change of objectives as directed by the Board. These goals are identified in his performance evaluations with defining criteria and can be changed by agreement or specified by the Board.

Payment of the bonus will be made on completion and evaluation of the performance for the year.” The motion was approved.

With no further business to discuss, Mr. Anderson adjourned the meeting at 5:35 p.m.

Board Meeting Dates

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