



**COLORADO  
PERA®**

*Record of Proceedings*

**Colorado Public Employees' Retirement Association  
Board Meeting Minutes  
1301 Pennsylvania Street  
Denver, Colorado  
November 21, 2008  
8:30 a.m.**

**Trustees Present:** Mark Anderson, Board Chair, Sara Alt, Vice Chair, Susan Beeman, James Casebolt, M. Judy Chavez, Howard Crane, Richard Delk, Cary Kennedy, Maryann Motza, Scott Murphy, Susan Murphy, Amy Nichols, Scott Noller, Lynn Turner, Carole Wright

**Trustees Absent:** No Trustees were absent

**Staff Present:** Karl Greve, Mary Kay Howard, Katie Kaufmanis, David F. Maurek, Brenda Meidl, Jennifer Paquette, Karl Paulson, Gregory W. Smith, Meredith Williams

Mark Anderson, Board Chair, called the meeting to order at 8:29 a.m.

**Approval of Agenda**

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

**Approval of September 17, 2008, Special Board Meeting Minutes, September 19, 2008, Board Meeting Minutes, October 17, 2008, Special Board Meeting Minutes**

A motion was made by Susan Beeman and seconded by Judy Chavez that, *"the September 17, 2008, Special Board Meeting Minutes, September 19, 2008, Board Meeting Minutes, and October 17, 2008, Special Board Meeting Minutes be approved as published."* Maryann Motza, Trustee, asked for clarification on the information reported in the Legislative Report of the September 19, 2008, Meeting Minutes. The motion was approved.

**Public Comment**

There was no public comment.

Mark Anderson, Board Chair, presented a Certificate of Achievement in Public Plan Policy–Employee Pensions, from the International Foundation of Employee Benefit Plans to Howard Crane, Trustee.



### **Executive Committee Report**

Sara Alt, Vice Chair, reported that the Executive Committee had met the previous day and approved the September 17, 2008, Executive Committee minutes and reviewed the August 31, 2008, and September 30, 2008, Unaudited Financial Statements and the September 30, 2008, and October 31, 2008, Budget Reports. The Committee also reviewed Board Planning considerations. In addition, the Committee reviewed information on PERA operations. Finally, they reviewed the Agenda for the day's meeting.

At the request of the Executive Committee, Meredith Williams, Executive Director, provided a report regarding the current state of the national economy and its impact on the fund. Discussion ensued and Mr. Williams responded to questions.

### **Board Committee and Committee Chair Assignments**

Mark Anderson, Board Chair, distributed a copy of the proposed Committee Appointments which was also transmitted to Trustees as Tab D on November 14, 2008.

A motion was made by Carole Wright and seconded by Maryann Motza that, "*the 2008-2009 PERA Board Committee Assignments be approved as published.*" The motion was approved.

### **2009 Board Election Calendar**

Gregory W. Smith, General Counsel, reviewed the 2009 Election Calendar, which was transmitted to Trustees as Tab E on November 14, 2008.

A motion was made by Howard Crane and seconded by Richard Delk that, "*the 2009 Board Election Calendar be approved as presented in Tab E.*" The motion was approved.

### **2009 Budget Approval**

Scott Noller, Compensation and Budget Committee Chair, reported that the Committee had met on October 9, 2008. The Committee received information regarding the transfer policy, the employee data matrix, the impact of the consolidation of PERA's operations into one building, and the compensation charter. Finally, the Committee reviewed the 2009 Budget. The report of the Budget was transmitted to Trustees as Tab F on November 14, 2008. Discussion ensued.

A motion was made by Scott Noller and seconded by Howard Crane that, "*the Board of Trustees adopt a two-year phased implementation of the Investment Staff Compensation Competitiveness Initiative and approve the 2009 PERA Operating Budget in the total amount of \$48,593,282.*" The motion was approved.



### **Sudan Legislation Follow-Up**

Jennifer Paquette, Chief Investment Officer, and Gregory W. Smith, General Counsel, reviewed the Sudan Legislation report, which was transmitted to Trustees as Tab G on November 14, 2008. Ms. Paquette stated that PERA was in compliance with the requirements of legislation and that a recent audit conducted by PERA's Internal Audit Division also reported PERA's compliance with the legislation. Mr. Smith responded to questions.

### **Iran Related Investment Policy Follow-up**

Martha Argo, Investment Director, presented a review of the *Iran-Related Investment Policy Report*, which was transmitted to Trustees as Tab H on November 14, 2008.

A motion was made by Howard Crane and seconded by Scott Noller that, "*the Board of Trustees acknowledge the receipt of the staff-prepared Iran-Related Investment Policy Report dated November 21, 2008.*" The motion was approved.

The Board recessed at 9:15 a.m. and reconvened at 9:30 a.m.

### **Member Administrative Appeal**

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an Administrative Appeal by Joseph Tarbet, PERA retiree, would be heard. Mr. Tarbet and his counsel had advised that they would not be appearing for the hearing and would rest on the previous position statement. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Mr. Anderson stated that in the absence of a waiver from the Appellant to hold the hearing in Open Session, the Appeal will be held in a Closed Session due to the statutory confidentiality of PERA member information. Mr. Anderson polled the Trustees in attendance and received the consent of all members to go into Closed Session.

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Board members who had any previous involvement in Mr. Tarbet's appeal needed to step out of the meeting, however, there were no current board members who heard Mr. Tarbet's appeal. Meredith Williams, Executive Director, made the initial determination regarding Mr. Tarbet's request and stepped out of the meeting. In addition, James Casebolt and Scott Murphy, Trustees, recused themselves from the proceedings. The Board commenced the Closed Session at 9:33 a.m. The Closed Session concluded at 9:58 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 Administrative Appeal of Joseph Tarbet, PERA retiree."

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Mark Anderson, Board Chair



### **Administrative Appeal Decision**

A motion was made by Howard Crane and seconded by Scott Noller that, *“the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Mr. Tarbet’s request in its entirety and to determine that PERA properly excluded certain payments reported to PERA as salary and recalculated Mr. Tarbet’s retirement benefit. Further, PERA must return the erroneous employer and employee contributions to the District which were reported on these payments and recover the overpayment of benefits in the amount of \$62,711.43 by offsetting Mr. Tarbet’s monthly benefit.”* The motion was approved.

### **Local Government Actuarial Study**

Karl Paulson, introduced Ed Koebel, Cavanaugh Macdonald. Mr. Koebel reviewed the Local Government Actuarial Study, which was transmitted to Trustees as Tab I on November 14, 2008. Mr. Koebel responded to questions.

A motion was made by Susan Murphy and seconded by Howard Crane that, *“the Board of Trustees accept the Cavanaugh Macdonald study on the Local Government Division concerning the AED (Amortization Equalization Disbursement) and SAED (Supplemental Amortization Equalization Disbursement).”* The motion was approved.

### **Interest on Member Accounts**

David F. Maurek, Chief Operating Officer, with the assistance of Karl Greve, Chief Financial Officer, reviewed the proposed policy of interest on member accounts, which was provided as a handout. Discussion ensued and Mr. Maurek and Gregory W. Smith, General Counsel, responded to questions.

A motion was made by Howard Crane and seconded by Maryann Motza that, *“the Board approve the following additional policy language for setting the interest credit annually: In any future year where the year-to-date investment returns experienced by PERA are negative after three quarters, the Board may modify the calculated benefit credit interest rate, reducing it up to two percent in whole numbers at their discretion. This modification will be made when the Board decides that current economic conditions warrant modification of the rate calculated within the grid.”* The motion was approved.

A motion was made by Lynn Turner and seconded by Howard Crane that, *“the Board approve 3.0 percent as the interest rate for member accounts for calendar year 2009 pursuant to C.R.S.24-51-407(4).”* The motion was approved.

### **Risk Presentation**

Nauman Ahmed, Senior Investment Risk Consultant, and Rita Curtain, Relationship Manager, with Northern Trust, reviewed the Risk Presentation, which was transmitted to Trustees Tab K on November 14, 2008. Mr. Ahmed responded to questions.



### **Rules Hearing**

Gregory W. Smith, General Counsel, with the assistance of Adam Franklin, Senior Staff Attorney, reviewed the proposed rules changes that had been discussed at the September 2008, Board Planning Session and were revised and transmitted to Trustees as Tab J on November 14, 2008. Mr. Smith and Mr. Franklin responded to questions.

A motion was made by Scott Noller and seconded by Carole Wright that, *“the Board approve and adopt the proposed amendments, additions, and deletions made to the PERA Rules as presented along with the Statement of Basis and Purpose, with an effective date of January 1, 2009.”* The motion was approved.

### **Governance Manual Review Update**

David F. Maurek, Chief Operating Officer provided an update on the proposed changes to the Governance Manual and will provide an update to the Board in early 2009. Mr. Maurek responded to questions.

### **Committee Reports**

#### **Benefits Committee**

Carole Wright, Benefits Committee Chair, reported that the Benefits Committee had met the previous day and received detailed information regarding the Defined Contribution Plan Qualified Default Investment Alternative (QDIA) matter.

The Benefits Committee moved that, *“the Board ratify the QDIA error correction plan as outlined to the Benefits Committee and direct staff to implement such plan.”* The motion was approved.

Ms. Wright provided a review of the results of the PERACare survey and reported that participants are overall satisfied. In addition, Ms. Wright reported that a compliance audit on Standard Insurance was conducted with positive results.

The Benefits Committee moved that, *“U.S. Care Management, PERA’s long term care program manager, be authorized to negotiate with MetLife and Long Term Care Financial Partners (LTCFP) to develop an updated long term care insurance offering for PERA members, to become available as soon as possible in 2009.”* The motion was approved. David Maurek, Chief Operating Officer, responded to questions.

The Board recessed for lunch 11:55 a.m. and reconvened at 12:45 p.m.



**Committee Reports (Continued)**

**Audit Committee**

James Casebolt, Audit Committee Chair, reported that the Committee had met the previous day. The Committee had reviewed the scope and general extent of the planned 2008 annual financial audit examination from Clifton Gunderson LLP. The Committee also reviewed Information provided from the State Auditor’s Office on reports by the independent auditors describing their most recent internal controls review and a peer review. The Committee also discussed the proposed changes to the Internal Audit Division Charter, which will be presented to Board at its January 2009 meeting. Additionally, the Committee reviewed the Internal Audit budget for 2009 and received a report regarding the Internal Audit Division activity and special projects reviews by Mary Kay Howard, Interim Internal Audit Director. The Committee reviewed Trustee education compliance with the Board Education Policy and received a waiver by Susan Beeman and an extension request from Lynn Turner, for their education requirements pursuant to the Policy. Finally, the Committee received an update from Gregory W. Smith, General Counsel, regarding the Optional Retirement Plans (ORPs).

**Investment Committee**

Maryann Motza, Investment Committee Chair, reported the Committee had met the previous day. The Committee received several reports and recommendations on several items from staff and Ennis Knupp, Investment Consultants.

The Investment Committee moved that, *“the Board of Trustees approve the following 2009 Investment Incentive Plan Benchmarks and Performance Award Scales:”*

Assets	Benchmark	Performance Award Scale
Total Fund	Policy Benchmark	0-40 bp
Global Equities	74% DJ Wilshire 5000 and 26% MSCI ACWI ex-US	0-35 bp
Fixed Income	Lehman Universal	0-25 bp
Real Estate	NFI net + 100	0-50 bp
Alternatives	Venture Economics Pooled	Minus 50 bp – Venture Economics Pooled

The foregoing motion was approved.

The Investment Committee moved that, *“the internal fixed income portfolio benchmark be 93 percent Lehman Aggregate Bond Index, 3.5 percent Lehman Emerging Markets B3/B – Index and 3.5 percent Lehman Long Government / Credit Index, effective January 1, 2009.”* The motion was approved.

The Investment Committee moved that, *“the benchmark for the Schroder International Small Cap Portfolio be the S&P Developed Small Cap Euro-Pacific Index, effective October 1, 2008.”* The motion was approved.



### **Investment Committee (Continued)**

The Investment Committee moved that, *“the Board of Trustees approve an actively managed global equity mandate, not to exceed 6 percent as part of the previously approved 20 percent allocated to the global equity mandate to be managed internally by PERA staff. The global equity mandate will have a benchmark of the MSCI All-Country World Index (ACWI).”* The motion was approved.

### **Shareholder Responsibility Committee**

Lynn Turner, Shareholder Responsibility Committee Chair, reported that the Committee had met the previous day. The Committee received several updates from staff and discussed proxy governance contracts and the initiatives in making proxy votes available to the public.

### **Strategic Initiatives Update**

Karl Paulson, Manager of Strategic Innovation, provided an update regarding the Strategic Initiatives. A hard copy of the update was provided to Trustees during Mr. Paulson's presentation.

### **Legislative Report**

Meredith Williams, Executive Director, Beth Minahan, PERA Lobbyist, and Gregory W. Smith, General Counsel, provided an update on the ongoing discussions with Denver Public Schools and Denver Public Schools Retirement System.

Mr. Smith provided an update regarding the consolidation of the administration of the State's Defined Contribution and 457 plans under PERA. He reported that the State Deferred Compensation and Public Officials' and Employees' Defined Contribution Plan Committee voted the previous day to support the consolidation and that PERA will review draft legislation. The Legislative Audit Committee will be asked to sponsor in the 2009 Legislative session. Mr. Smith and Mr. Williams responded to questions.

Mr. Williams and Mr. Smith discussed the possibility of 2009 legislation being introduced that would include modifications to Optional Retirement Plans in Higher Education and a furlough program by the City of Colorado Springs. Mr. Smith reported that staff will continue to work with employers on these issues. In addition, Mr. Smith reported that staff has had discussions with the State Treasurer's Office regarding unclaimed property.

The Board recessed at 2:18 p.m. and reconvened at 2:30 p.m.



## **Staff Reports**

### **Executive Director Report**

Meredith Williams, Executive Director, reviewed the Executive Director's Report, which was transmitted to Trustees as Tab L on November 14, 2008.

### **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 M on November 14, 2008. Ms. Paquette also provided an update on the Investment staff positions recently filled and those remaining open.

### **Benefits Update**

David F. Maurek, Chief Operating Officer, provided a Benefits Update, which was transmitted to Trustees as Tab N on November 14, 2008. Mr. Maurek responded to questions

### **General Counsel Update**

Gregory W. Smith, General Counsel, informed the Board regarding a correction of administrative errors pursuant to C.R.S. § 24-51-205(6) (b). Mr. Smith also provided an update on the consolidation of PERA operations. In addition, Mr. Smith reported that PERA has prepared and will submit the IRS Determination Letters for Cycle C; however the deadline has been extended to 2011.

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 3:21 p.m. In addition to the Trustees and the Executive Director, General Counsel, the Chief Financial Officer, the Chief Investment Officer and Chief Operating Officer, the Director of Communications and the Interim Director of Internal Audit, the Communications Videographer, Senior Staff Attorneys, and the Legal Executive Administrative Assistant remained present for the Closed Executive Session. The Closed Executive Session concluded at 4:46 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."

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Mark Anderson, Board Chair



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**Board Meeting Dates for 2009**

Mark Anderson, Board Chair, asked for the Board's discussion and approval for the upcoming Board meeting and Committee meeting dates:

January 16, 2009  
March (19) 20, 2009  
June (18) 19, 2009  
September 16-18, 2009 – Board Planning Session  
November (19) 20, 2009

A motion was made by Howard Crane and seconded by Scott Noller that, "*the 2009 Board Meeting Dates be approved as published.*" The motion was approved.

**Other Business**

With no further business to discuss Mr. Anderson adjourned the meeting at 4:48 p.m.

**Board Meeting Dates**

January 16, 2009  
March (19) 20, 2009  
June (18) 19, 2009  
September 16-18, 2009 – Board Planning Session  
November (19) 20, 2009

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

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Mark Anderson, Board Chair

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Meredith Williams, Executive Director