



**COLORADO
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Record of Proceedings

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

1300 Logan Street
Denver, Colorado
March 21, 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, Susan Murphy, Amy Nichols, Scott Noller, Lynn Turner, Carole Wright

Trustees Absent: Scott Murphy

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 8:30 a.m.

Mr. Anderson congratulated Maryann Motza, Trustee, for receiving a Certificate of Distinction in Board Governance within the Scholar Series from the International Foundation of Employee Benefit Plans (IFEBP). In addition, the Board congratulated Susan Beeman, Trustee. Ms. Beeman received a Certificate of Achievement in Public Plan Policy-Employee Pensions, also from the IFEBP.

Approval of Agenda

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

Scott Noller, Trustee, arrived 8:37 a.m. and Lynn Turner, Trustee, arrived 8:38 a.m.

Approval of January 18, 2008, Board Meeting Minutes

A motion was made by Howard Crane and seconded by Maryann Motza that *"the January 18, 2008, 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 January 17, 2008, Executive Committee minutes and reviewed the December 31, 2007 and January 31, 2008, Unaudited Financial Statements and the January 31, 2008 and February 29, 2008 Budget Reports.



In addition, the Committee reviewed information regarding the Supplemental Amortization Equalization Disbursement (SAED) and the Amortization Equalization Disbursement (AED). The Committee also reviewed the final candidate list for the upcoming Board elections. Ms. Alt announced that Carol Hoglund, Trustee, will be resigning from the Board, effective May 31, 2008, due to her retirement; this matter will be discussed later in the day's meeting. In addition, the Committee discussed the September Board Planning Session and the Board considerations list discussed at the February 29, 2008 Ad Hoc Committee on Enhancing Stakeholder Relations meeting. Ms. Alt also reported that the Committee had reviewed and considered the proposed *Iran Related Investment Policy Report*. Finally, they reviewed the agenda for today's meeting.

Susan Murphy, Trustee, arrived at 8:46 a.m.

Mr. Anderson introduced Byung Min, Property Management, PERA's newest citizen of the United States of America. Mr. Min passed his citizenship test and became a U.S. citizen on February 20, 2008 and was congratulated by the Board and staff.

Committee Reports

Investment Committee

Maryann Motza, Chair, Investment Committee, reviewed the previous day's committee meeting and responded to questions. The Committee decided to extend the contract with Ennis Knupp, PERA's investment consultant, until July 2009. In addition, the Committee reviewed the proposed *Iran Related Investment Policy Report*.

A motion was made by Scott Noller, and seconded by Carole Wright that, "*the Board of Trustees acknowledge the receipt of the staff-prepared Iran Related Investment Policy Report dated March 21, 2008.*" Discussion ensued and the motion was approved.

Cary Kennedy, Trustee, arrived at 8:54 a.m.

Jennifer Paquette, Chief Investment Officer, provided a review of the report regarding Global Equity made by Mike Sebastian, Ennis Knupp.

Investment Committee moved that "*the Board approve the following, effective January 1, 2009:*

- *Combine the domestic and international equity asset classes into a global equity asset class;*
- *The global equity asset class will have an asset allocation target of 58%;*
- *The global equity asset class will have a custom asset class benchmark consisting of 74% DJ Wilshire 5000 Index and 26% MSCI ACWI ex-US Index;*
- *There will no longer be a minimum required allocation to an international equities passive portfolio or a maximum limit on the international equities small capitalization allocation; and*
- *Approve a global equity mandate to be managed externally by one or more managers. The global equity mandate will have a benchmark of the*



MSCI ACWI Index. This mandate will not exceed 20% of the global equity asset class.”

The foregoing motion was approved.

The Investment Committee moved that *“the Board direct Ennis Knupp and staff to research and make recommendations prior to January 1, 2009 regarding the following:*

- *Recommend an asset allocation range for global equity; and*
- *Recommend an active risk maximum for global equities.”*

The foregoing motion was approved.

The Investment Committee moved that, *“the Board approve the following 2008 Investment Incentive Plan Benchmarks and Performance Award Scales:”*

Assets	Benchmark	Performance Award Scale
Total Fund	Policy Benchmark	0-40 bp
Domestic Equities	Wilshire 5000	0-35 bp
International Equities	ACWI-Ex U.S.	0-75 bp
Fixed Income	Lehman Universal	0-25 bp
Real Estate	NFI net + 100	0-50 bp
Alternatives	Venture Economics Pooled	Minus 50bp-Venture Economics Pooled

The foregoing motion was approved.

Ms. Paquette explained the proposed changes to update the *Statement of Investment Policy*. A hard copy of the Policy was provided to the Board.

The Investment Committee moved that, *“the Board adopt the revision to the Statement of Investment Policy as described in Tab D of the Investment Committee agenda.”* The motion was approved.

Ad-hoc Custodial RFP Committee

Tamela Long, Chair, Ad-hoc Custodial RFP Committee, reviewed the previous day’s committee meeting, the January 17, 2008, committee meeting, and the completed due diligence visits that the Committee had completed in February and March.

The Ad Hoc Custodial RFP Committee moved that, *“the Board of Trustees instruct staff to enter contract negotiations with Northern Trust. In the event satisfactory completion of contract negotiations is reached, staff shall be authorized to retain Northern Trust as Colorado PERA’s custodial bank.”* Discussion ensued and the motion was approved.

Additionally, Mr. Anderson discussed correspondence received from a member who is currently going through the appeal process. Discussion ensued and Gregory W. Smith, General Counsel, agreed to investigate how to inform



members or retirees in the appeal process that they are not to contact Board members prior to their appeal hearing.

The Board recessed at 9:32 a.m. and reconvened at 9:38 a.m.

Member Administrative Appeal by Anne Berg, PERA Member

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by Anne Berg, PERA member, would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Ms. Berg 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, Sara Alt, and Tamela Long had previous involvement in Ms. Berg's appeal and stepped out of the meeting. Scott Murphy was absent from 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 Trustees and staff present introduced themselves.

Ms. Berg began her statement at 9:42 a.m. and concluded at 9:43 a.m.

Mr. Franklin began his statement at 9:43 a.m. and concluded at 9:52 a.m.

Mr. Franklin and Ms. Berg responded to questions.

Ms. Berg stepped out of the meeting.

Member Administrative Appeal by Peggy Jackson, PERA Member

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by Peggy Jackson, PERA member, would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Ms. Jackson 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, Sara Alt, and Tamela Long had previous involvement in Ms. Berg's appeal and stepped out of the meeting. Scott Murphy was absent from the meeting. In addition, Trustee James Casebolt recused himself from the proceedings. Meredith Williams, Executive Director, made the initial determination regarding the request and was not in the meeting. Gregory W. Smith, General Counsel stepped out of the meeting. The Trustees and staff present introduced themselves.

Ms. Jackson began her statement at 10:06 a.m. and concluded at 10:13 a.m. Ms. Jackson responded to a question.

Mr. Franklin began his statement at 10:13 a.m. and concluded at 10:15 a.m.

Ms. Jackson stepped out of the meeting.



Member Administrative Appeal Madeline Meacham, PERA Member

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by Madeline Meacham, PERA member, would be heard. Ms. Meacham was available for the hearing via conference call.

An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Ms. Meacham 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, Sara Alt, and Tamela Long had previous involvement in Ms. Berg's appeal and stepped out of the meeting. Scott Murphy was absent from 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 was not in the meeting. The Trustees and staff present introduced themselves.

Ms. Meacham began her statement at 10:36 a.m. and concluded at 10:40 a.m. Ms. Meacham responded to questions.

Mr. Franklin began his statement at 10:41 a.m. and concluded at 10:42 a.m. Mr. Franklin and Ms. Meacham responded to questions.

The Board agreed to call Ms. Meacham after deliberations. Ms. Meacham disconnected from the call.

Retiree Administrative Appeal Sandra Parkins, PERA Retiree

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by Sandra Parkins, PERA Retiree, would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Ms. Parkins 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, Sara Alt, and Tamela Long had previous involvement in Ms. Berg's appeal and stepped out of the meeting. Scott Murphy was absent from the meeting. Meredith Williams, Executive Director, made the initial determination regarding the request and was not in the meeting. In addition, Trustee James Casebolt recused himself from the proceedings. The Trustees and staff present introduced themselves.

Ms. Parkins began her statement at 10:50 a.m. and concluded at 10:53 a.m. Ms. Parkins responded to questions.

Mr. Franklin did not make a statement. Mr. Franklin responded to questions.

The Board recessed at 11:01 a.m. and reconvened at 11:12 a.m.

Mr. Anderson polled the Trustees and received the consent of the Trustees present to go into Closed Session for deliberation. The Board went into Closed Session for deliberation at 11:13 a.m. In addition to the Trustees, Mr. Craig Adams, Legal Advisor to the Board of Trustees, remained present for the deliberation. The Closed Session concluded at 11:38 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 appeals of PERA members Peggy Jackson, Anne Berg, Madeline Meacham, and Sandra Parkins, PERA retiree."

Mark Anderson, Board Chair

Ms. Meacham joined the meeting via conference call.

A motion was made by Scott Noller and seconded by Carole Wright that, *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Berg's request that the highest average salary used to compute her cost to purchase service credit be reduced by her accelerated contributions to the Boulder County § 125 plan in 2005."* The motion was approved.

A motion was made by Scott Noller and seconded by Carole Wright that, *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Jackson's request that the highest average salary used to compute her cost to purchase service credit be reduced by her accelerated contributions to the Boulder County § 125 plan in 2005."* The motion was approved.

A motion was made by Scott Noller and seconded by Carole Wright that, *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Meacham's request that the highest average salary used to compute her cost to purchase service credit be reduced by her accelerated contributions to the Boulder County § 125 plan in 2005."* The motion was approved.

A motion was made by Scott Noller and seconded by Carole Wright that, *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ms. Parkins' request that the highest average salary used to compute her cost to purchase service credit be reduced by her accelerated contributions to the Boulder County § 125 plan in 2005."* The motion was approved.

Ms. Meacham disconnected from the call.

Committee Reports (Continued)

Benefits Committee

Carole Wright, Chair, Benefits Committee, reviewed the previous day's committee meeting. The Committee received a report by David F. Maurek, Chief Operating Officer and Becky Gratsinger, R.V. Kuhns & Associates regarding the *401(k) and Defined Contribution Plan Statement of Investment Policy*. Appendix B is not included in the changes.

The Benefits Committee moved that, *"the 401(k) and Defined Contribution Plan Statement of Investment Policy be approved as modified."* The motion was approved.



In addition, the Committee received a report and discussed a replacement for the GMO fund and an interview schedule, which were distributed to the Board as hard copies at the day's meeting.

The Benefits Committee moved that, *"the Rainier Investment Management's Large Cap Growth Equity Fund replace the GMO large cap growth option in the 401(k) and Defined Contribution Plan effective July 1, 2008."* The motion was approved.

The Committee received a report from Northern Trust and endorsed a conservative money market option and authorized staff to begin the transition. Additionally, Wendy Tenzyk, Director, Insurance, provided an update to the Committee regarding the PERACare Survey that will be implemented this year. David F. Maurek, Chief Operating Officer, provided information regarding the Option 4 Benefit, which was discontinued in 1987. The Committee instructed staff to create communication going forward and will discuss the matter at its June 19, 2008, Committee meeting. Finally, the Committee discussed the disability insurance contract renewal and matters regarding the UNC faculty coming back into the defined benefit plan.

The Board recessed at 11:53 a.m. and reconvened at 12:35 p.m.

Audit Committee

James Casebolt, Chair, Audit Committee, reviewed the previous day's committee meeting. The Committee received an update from Steve Shanks, Manager, Clifton Gunderson LLP, regarding the 2007 PERA Financial Audit. The Committee discussed the PERA Audit Scope Document, the overview of other Audits performed and significant review of activities that take place at PERA, and passed out the report received from Meredith Williams, Executive Director. In addition, the Committee reviewed items discussed in its meeting with Gregory W. Smith, General Counsel on November 15, 2007 and the evaluation of outside Audit Committee members. Finally, the Committee reviewed the annual performance evaluations of the Internal Audit Director and General Counsel from Mr. Williams.

Shareholder Responsibility Committee

Tamela Long, Chair, Shareholder Responsibility Committee, reviewed the previous day's committee meeting. The Committee received a recap of the 2007 proxy season, an overview of the 2008 Proxy Season, and a recap of the proxy contests and share lending. The Committee also reported the intention of Gregory W. Smith, General Counsel, to run for the Council of Institutional Investors Board. Finally, the Committee received an update regarding securities litigation.

Compensation & Budget Committee

Scott Noller, Chair, Compensation & Budget Committee, reviewed the previous day's committee meeting. The Committee received a report regarding employee retention at PERA. The Committee also discussed an amendment to the approved 2008 Budget, due to upcoming events and projects.

The Compensation & Budget Committee moved that *"the Board amend the 2008 PERA Operating Budget by the addition of \$570,563 as presented by staff."* The motion was approved.



Board Self-Evaluation

Mark Anderson, Chair, Board of Trustees, reported that the Evaluation Subcommittee met the previous day and discussed the results of the Board Self-Evaluations.

Cavanaugh Macdonald–Financial Economics Discussion Workshop

Tom Cavanaugh and Ed Macdonald, Cavanaugh Macdonald, provided a Financial Economics Discussion Workshop. Mr. Cavanaugh and Mr. Macdonald responded to questions. Extensive discussion ensued.

Legislative Report

Meredith Williams, Executive Director, with the assistance of Steve Adams, Beth Minahan, and Roberta Robinette, PERA lobbyists, provided information regarding PERA-related legislation. Mr. Williams reported that he and staff had discussions with Denver Public Schools Retirement System (DPSRS) representatives regarding a possible merger to become effective January 1, 2009. Extensive discussion ensued. Mr. Anderson stated that a special meeting regarding Legislation may take place in April. Mr. Williams and Gregory W. Smith, General Counsel, responded to questions. The Board authorized staff to continue discussions with DPSRS

The Board recessed at 3:15 p.m. and reconvened at 3:26 p.m.

Scott Noller, Trustee, left the meeting at 3:15 p.m. and did not return.

Staff Reports

Executive Director Report

Meredith Williams, Executive Director, reviewed the Executive Director's Report, which was transmitted to Trustees as Tab B on March 14, 2008. 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 C on March 14, 2008. Ms. Paquette discussed PERA's estimated exposure and risk mitigation in Domestic Equity and Fixed income portfolio's related to Bear Stearns. Staff will continue to research the exposure.

Benefits Update

David F. Maurek, Chief Operating Officer, provided an update on Defined Contribution (DC) Plan statistics. Mr. Maurek reported that he and staff had met with the State's Department of Personnel and Administration to discuss the possibility of combining PERA's and the State's Plans. Mr. Maurek responded to questions.

Follow-up on Medicare Part A

David F. Maurek, Chief Operating Officer, introduced Wendy Tenzyk, Director of Insurance and Liz Leif, FSA, Leif Associates. Ms. Leif provided a report on Medicare Part A Replacement Coverage. Ms. Leif responded to questions.



Cary Kennedy left the meeting at 4:32 p.m. and did not return.

Strategic Initiatives Update

David F. Maurek, Chief Operating Officer, provided an update regarding the Strategic Initiatives. Mr. Maurek provided a copy of the Progress Report and the 2007 Strategic Planning Timeline. Mr. Maurek reported that the Ad Hoc Committee on Enhancing Stakeholder Relations met on February 29, 2008. Mr. Maurek responded to any questions.

2008 Board Election

Gregory W. Smith, General Counsel, reported that petitions and background checks were completed on all nominees for the Board elections. Mr. Smith responded to questions.

A motion was made by Carole Wright and seconded by Howard Crane that, *"the Board direct staff to conduct an election for one seat in the School Division to be elected by the members of that division, and to include in that election the following slate of candidates: Amy Nichols and Joe Waneka."* The motion was approved.

A motion was made by Tamela Long and seconded by Howard Crane that, *"the Board direct staff to conduct an election for one seat in the State Division to be elected by the members of that division, and to include in that election the following slate of candidates: Richard Delk, Michael Karbach, and Christopher "Todd" Phillips."* The motion was approved.

Discussion ensued regarding Carol Hoglund's retirement and early departure from the Board. Ms. Hoglund will leave a State employee of Higher Education position open for a one year term until the next regular election. Currently, there is no policy for this situation. Mr. Anderson suggested asking for applications or interest, forming a possible Ad-hoc Committee, and having the Executive Committee review the candidates and present them to the full board for a approval of an appointment. Discussion ensued.

Tamela Long, Trustee, left the meeting at 4:50 p.m. and did not return.

Resolution for Signature Authorization

Gregory W. Smith, General Counsel, stated that the Board may wish to consider the following updated resolution:

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

In the regular meeting on the 21st day of March 2008, the Board of Trustees of the Public Employees' Retirement Association adopted the following resolution:

WHEREAS, the Board of Trustees ("Board") of the Public Employees' Retirement Association of Colorado ("PERA") has the responsibilities,



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duties and authorities as set forth in the PERA Statutes (C.R.S. §§ 24-51-101, et seq.);

WHEREAS, C.R.S. § 24-51-205(6)(a) authorizes the Board to delegate any of its responsibilities, duties and authorities as set forth in the PERA Statutes to the Executive Director of PERA or designated agents of PERA;

WHEREAS, C.R.S. § 24-51-207(1) states that the Trustees of the Board shall be held to the standard of conduct of a fiduciary in the discharge of their functions; and

WHEREAS, the Board believes that it is prudent in carrying out the Board's responsibilities, duties and authorities to authorize the Executive Director and/or any Chief Officer of PERA to execute, on behalf of PERA, any and all documents and instruments in all matters and transactions relating to any business of PERA, including but not limited to any security, investment, investment agreement, contract or other document;

NOW, THEREFORE, BE IT RESOLVED, that Meredith Williams, Executive Director; and/or David F. Maurek, Chief Operating Officer; Jennifer Paquette, Chief Investment Officer; and Gregory W. Smith, General Counsel, be and are hereby authorized to execute, on behalf of PERA, any and all documents and instruments in all matters and transactions relating to any business of PERA, including without limitation, to hold, manage, control, improve, partition, invest, reinvest, sell, exchange, grant, convey, deliver, assign, transfer, lease, option, mortgage, pledge, borrow, contract, bargain, agree, purchase, assign, endorse, transfer, pay, make, execute and/or deliver on behalf of PERA any monies, security instrument, guarantee, application, representation, affidavit, letter, statement, warranty, waiver, receipt, release, assignment, transfer, note, certificate, stock, bond, investment, investment agreement, contract and/or other document, instrument or undertaking.

I hereby certify that the foregoing Resolution is a full, true and correct copy of the Resolution duly adopted on the 21st day of March 2008, by the Board of Trustees of the Public Employees' Retirement Association of Colorado ("PERA"). I further certify that due notice of the meeting was duly given to each Trustee and that a quorum was present at the meeting.

A motion was made by Howard Crane and seconded by Susan Murphy that, "*the foregoing resolution be adopted.*" The motion was approved.

General Counsel Update

Gregory W. Smith, General Counsel, informed the Board on C.R.S. § 24-51-205(6) (b) matters. Additionally, Mr. Smith provided an update regarding the relocation to the Penn Center and discussed the Lexin vs. Superior Court ruling regarding Board members who violated their fiduciary duty and reviewed the risk comparison to that of PERA Trustees. Mr. Smith reported on activities and events



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that he will be and had been involved in. Finally, Mr. Smith provided an annual update regarding outside counsel fees and Domestic Relation Orders (DROs) handled in the Legal Division. 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 5:11 p.m. In addition to the Trustees and the Executive Director, General Counsel, the Chief Financial 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 5:24 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

Other Business

With no further business to discuss, Mr. Anderson adjourned the meeting at 5:25 p.m.

Board Meeting Dates

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