



**COLORADO  
PERA®**

*Record of Proceedings*

**Colorado Public Employees' Retirement Association  
Board Meeting Minutes  
1301 Pennsylvania Street  
Denver, Colorado  
June 20, 2008  
8:30 a.m.**

**Trustees Present:** Mark Anderson, Board Chair, Sara Alt, Vice Chair, Susan Beeman, James Casebolt, Howard Crane, Tamela Long, Maryann Motza, Scott Murphy, Susan Murphy, Amy Nichols, Scott Noller, Eric Rothaus arrived at 9:00 a.m., Lynn Turner, Carole Wright

**Trustees Absent:** No Trustees were absent

**Staff Present:** Lisa Fedak, Karl Greve, Katie Kaufmanis, 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.

**Approval of Agenda**

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

**Approval of the March 21, 2008, Board Meeting Minutes and the April 18, 2008, Special Board Meeting Minutes**

A motion was made by Howard Crane and seconded by Scott Noller that *"the March 21, 2008, Board Meeting Minutes and the April 18, 2008, Special 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 March 20, 2008, Executive Committee minutes and reviewed the February 29, 2008, March 31, 2008 and April 30, 2008, Unaudited Financial Statements and the March 31, 2008, April 30, 2008, and May 31, 2008, Budget Reports. In addition, the Committee discussed the Board seat vacancy for the State Division and the September Board Planning Session. They also discussed the Board planning consideration list and the November 12, 2008, Governor's Economic Summit which will be held at the Grand Hyatt Denver. Finally, they reviewed the agenda for today's meeting.



### **Board Election Results**

John Spielman, PERA Internal Audit Director, reviewed the Board election results. A copy of the results was provided to the Trustees.

A motion was made by Tamela Long and seconded by Scott Noller that "*the published June 9, 2008, Retirement Board Election Results be affirmed and that Amy Nichols is duly elected to a four-year Board term from the School Division and Richard Delk is duly elected to a four-year Board term from the State Division.*" The motion was approved.

### **Trustee Vacancy Discussion**

Mark Anderson, Board Chair, read the following proclamation:

#### Proclamation Concerning Carol Hoglund

**Whereas**, Carol Hoglund, served as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from July 2006 through May 2008 as a representative from the State Division, and

**Whereas**, through Carol's devoted attention to the membership of Colorado PERA she earned the admiration of the PERA Board members and staff, and

**Whereas**, Carol served PERA's membership with loyalty, dedication, and integrity through her active and faithful participation at regularly scheduled meetings of the Board and its committees, and

**Whereas**, Carol has now retired from her position as Chief Business Officer at Aims Community College effective June 1, 2008, making her ineligible to continue serving on the Board of Trustees of PERA, now, therefore, be it

**Resolved**, that with appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thank Carol Hoglund for her constancy of service to the membership of Colorado PERA during her time as a member of the Board of Trustees, and wish her much future enjoyment in her retirement, and

**Resolved**, that a copy of this Resolution be placed in the official minutes of the June 20, 2008, PERA Board of Trustees meeting.

Submitted by Mark J. Anderson, Board Chair  
Colorado Public Employees' Retirement Association  
June 20, 2008

In addition, Mr. Anderson discussed the creation of an ad hoc committee to begin the process of filling the vacant State Division Board seat. Sara Alt will Chair the ad hoc committee and members of the Committee will include State Division Trustees Maryann Motza and Richard Delk. Mr. Anderson responded to questions.



The Executive Committee moved that *"the candidates for the vacant State Division Board seat be reviewed by the sitting State Division Board members and that the resulting recommendation be forwarded for the full Board's review and consideration."* The motion was approved.

**CEM Benchmarking, Inc. (CEM) 2007 Report**

Karl Paulson, Manager of Strategic Innovation, introduced Jan Hartford, Director, CEM. Ms. Hartford reviewed the CEM 2007 Report for PERA. A copy of the report was provided to the Trustees. PERA received a number one ranking over all of the 77 participating international pension funds when considering overall service, while maintaining a significantly lower than average administrative cost. Ms. Hartford responded to questions.

Eric Rothaus, Trustee, arrived at 9:00 a.m.

The Board recessed 9:24 a.m. and reconvened at 9:33 a.m.

**Member Administrative Appeals by PERA Members Karen Bradley and Susan Gleeson**

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, administrative appeals by PERA members Karen Bradley and Susan Gleeson would be heard. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Burkeley N. Riggs, Esq., legal counsel for the petitioners requested that the appeals be heard in Closed Session.

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, Trustees Susan Beeman, Howard Crane, and Tamela Long had previous involvement in Ms. Bradley's and Ms. Gleeson's appeals 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.

The Closed Session began at 9:37 a.m. In addition to the Trustees, Mr. Smith, legal advisor to the Board, Adam Franklin, PERA Staff Attorney, Jeannette Walker Kornreich, Esq., legal counsel for the Colorado Judicial Department, and the Executive Administrative Assistant remained present for the Closed Session.

The Board commenced the Closed Session for deliberations at 10:09 a.m. In addition to the Trustees, Mr. Smith, legal advisor to the Board, remained present for the Closed Session.

The Closed Session concluded at 10:18 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 Karen Bradley and Susan Gleeson."

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Mark Anderson, Board Chair



### **Member Administrative Appeals Decisions**

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. Bradley’s request for PERA service credit from 1979 through 1991.”* 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. Gleeson’s request for PERA service credit from 1981 through 1991.”* The motion was approved.

The Board recessed at 10:19 a.m. and reconvened at 10:30 a.m.

Mr. Anderson announced that former Trustee Gary Kasson had passed away on June 17. Mr. Kasson had served on PERA’s Board from 2000 to 2003.

### **Actuarial Valuation Report**

Karl Paulson, Manager of Strategic Innovation, introduced Thomas Cavanaugh, CEO, and Ed Koebel, Senior Actuary of Cavanaugh Macdonald. Mr. Cavanaugh and Mr. Koebel presented the annual actuarial valuation results for 2007. Discussion ensued and Mr. Cavanaugh and Mr. Koebel responded to questions.

A motion was made by Carole Wright and seconded by Howard Crane that, *“the Board retain Cavanaugh Macdonald Consulting to perform an actuarial study on the Local Government Division pursuant to 24-51-411 (3.5) C.R.S. and to deliver a report of their findings for consideration at the Board’s November meeting.”* The motion was approved.

### **Release of the Combined Annual Financial Report (CAFR)**

James Casebolt, Chair, Audit Committee, reported that Audit Committee had met the previous day and reviewed the CAFR for 2007.

The Audit Committee moved that *“the Board authorize the release of the 2007 Comprehensive Annual Financial Report.”* The motion was approved.

### **Committee Reports**

#### **Benefits Committee**

Carole Wright, Chair, Benefits Committee, reported that the Benefits Committee had met the previous day and received updates regarding the PERACare Satisfaction Survey, the PERAFit program, and the communication efforts to Option 4 beneficiaries. The Committee also received information regarding the switch to Rainier from GMO and the Defined Contribution (DC) Plan strategic project. In addition, the Committee reviewed the format of the proposed annual retiree statements and received information regarding a Roth 401(k) option.

The Board recessed at 12:08 pm and reconvened at 12:53 p.m.



### **Investment Performance Report**

Jennifer Paquette, Chief Investment Officer, introduced Ennis Knupps' Mike Sebastian and Tracey Nykiel, who reviewed the *Investment Performance Report*. A summary of the report was transmitted to Trustees as Tab C, Friday, June 13, 2008. Mr. Sebastian and Ms. Nykiel responded to questions.

### **Committee Reports (Continued)**

#### **Audit Committee**

James Casebolt, Chair, Audit Committee, reported that Audit Committee had met the previous day. The Committee discussed the 2007 Annual Financial Audit of PERA and met privately with the independent auditors, Clifton Gunderson LLP. The Committee also reviewed the final draft of the *CAFR* and received an update from John Spielman, Internal Audit Director, on other audits, significant review activities, and Internal Audit activity reports and special projects. They also reviewed the effectiveness and monitored compliance with the provisions of PERA's *Standards of Professional and Ethical Conduct*. In addition, the Committee received information from Gregory W. Smith, regarding Optional Retirement Plans (ORPs), and possible changes to the administrative review process, which would require a Rule change. Finally, the Committee discussed the drafting of the Internal Audit Charter.

Mr. Casebolt announced that Mr. Spielman will retire at the end of July. Mr. Casebolt thanked Mr. Spielman for his service and congratulated him on his upcoming retirement.

Mr. Casebolt also noted that the Audit Committee will schedule an annual meeting with PERA's Chief Financial Officer as a regular practice going forward.

#### **Compensation and Budget Committee**

Scott Noller, Chair, Compensation and Budget Committee, reported that the Compensation and Budget Committee had met the previous day and discussed the 2009 budget timeline.

#### **Investment Committee**

Maryann Motza, Chair, Investment Committee, reported that Investment Committee had met the previous day and received a report from Ennis Knupp regarding first quarter performance. In addition, the Committee discussed several action items.

The Investment Committee moved that *"a discretionary allocation to commodities be made within the Opportunity Fund, that the commodities portfolio be actively managed by one or more external managers and be benchmarked to the Dow Jones-AIG Commodity Index. The timing of implementation will be at staff's discretion."* The motion was approved.

The Investment Committee moved that *"the Board approve the revised methodology for creation of Scrutinized Company list required by C.R.S. § 24-54.8-103:*

*A. The Board shall use the most current Sudan Divestment Task Force Scrutinized Company List (SDTF SCL) to create the Colorado PERA Scrutinized Company List (PERA SCL).*



*B. The Board shall update the PERA SCL at the regularly scheduled PERA Board meeting which allows for updates to be effective at six-month intervals. The PERA SCL shall not change or be modified until officially updated by the Board except that if PERA becomes aware that a company with active business operations in Sudan (at the time of the creation of the most current PERA SCL) has ceased such active business operations and has been removed from the active business operations portion of the most current SDTF SCL, then that company will be immediately removed as a company with active business operations on the PERA SCL.”* The motion was approved.

The Investment Committee moved that, “*the Board of Trustees acknowledge the receipt of the staff-prepared Iran-Related Investment Policy Report dated June 20, 2008.*” Discussion ensued and the motion was approved.

#### **Shareholder Responsibility Committee**

Tamela Long, Chair, Shareholder Responsibility Committee, reported that the Shareholder Responsibility Committee had met the previous day. The Committee received information regarding proxy contests, subprime lender annual meetings, and RiskMetrics’ annual meeting. The Committee also received information regarding The Corporate Library and Spotlight Capital Management. Finally, the Committee received a recap of the Council of Institutional Investors Spring conference and updates regarding securities litigation.

#### **Strategic Initiatives Update**

Karl Paulson, Manager of Strategic Innovation, provided an update regarding the Strategic Initiatives; hard copies of the progress report were distributed.

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

Jennifer Paquette, Chief Investment Officer, and Gregory W. Smith, General Counsel, provided an update regarding Sudan Legislation. A copy of the presentation was transmitted to Trustees as Tab D, Friday, June 13, 2008. In July 2008, the Board will need to approve an updated Scrutinized Company List. By October 2008, PERA’s commingled passively managed accounts will need to be free of scrutinized companies and staff is on track to meet the deadline. Mr. Smith and Ms. Paquette responded to questions.

#### **Legislative Report**

Meredith Williams, Executive Director, with the assistance of Gregory W. Smith, General Counsel, and Roberta Robinette, PERA lobbyist, provided a progress report regarding the Denver Public Schools Retirement System (DPSRS) merger negotiations. In addition, Mr. Williams provided information regarding the State of Colorado’s 401(a)/457 Committee’s recent vote to undertake negotiations to transfer administration of their plans to PERA, which will require legislation. Mr. Williams and Mr. Smith responded to questions.



### **Staff Reports**

#### **Executive Director Report**

Meredith Williams, Executive Director, reviewed the Executive Director's Report, which was transmitted to Trustees as Tab E on June 13, 2008.

### **Staff Reports (Continued)**

#### **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 F on June 13, 2008.

The Board recessed at 2:28 p.m. and reconvened at 2:40 p.m.

Scott Murphy, Trustee, left the meeting at 2:28 p.m. and did not return.

#### **Benefits Update**

David F. Maurek, Chief Operating Officer, provided an update on DC Plan statistics from January 1, 2008, through May 31, 2008. Mr. Maurek also provided copies of an inflation payment comparison spreadsheet. Mr. Maurek responded to questions.

#### **General Counsel Update**

Gregory W. Smith, General Counsel, informed the Board regarding corrections of administration errors pursuant to C.R.S. § 24-51-205(6) (b). Mr. Smith reported that PERA's legal action to prevent taxation in Canada was successful. Additionally, Mr. Smith provided an update regarding the relocation of PERA operations to the Penn Center and provided a correction regarding the amount of the 2007 fees paid to outside counsel that were reported in March. Finally, Mr. Smith informed the Board of the selection process for Administrative Review Panels.

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 3:08 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 3:29 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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**Other Business**

Mr. Anderson thanked Tamela Long, Trustee, for her service to the PERA Board and wished her well in her upcoming retirement. In addition, copies of the final *CAFR* were made available to the Board. The Board was informed that a Board meeting in July would be scheduled to approve the new Sudan Scrutinized Company List. With no further business to discuss, Mr. Anderson adjourned the meeting at 3:31 p.m.

**Board Meeting Dates**

September 17 -19, 2008 (Planning Meeting)  
November (20), 21, 2008

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