



**COLORADO  
PERA®**

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

1301 Pennsylvania  
Denver, Colorado  
November 20, 2009  
9:00 a.m.

**Trustees Present:** Mark Anderson, Board Chair, Sara Alt, Vice Chair, James Casebolt, Howard Crane via conference call, Richard Delk arrived at 12:07 p.m., Carolyn Jonas-Morrison, Maryann Motza, Susan Murphy, Scott Murphy, Amy Nichols, Scott Noller, Marcus Pennell, Andy Raicevich, Eric Rothhaus on behalf of Cary Kennedy arrived at 9:54 a.m., Lynn Turner, Carole Wright

**Trustees Absent:** No Trustees were absent

**Staff Present:** Ron Baker, Karl Greve, Katie Kaufmanis, David Mather, Brenda Meidl, Jennifer Paquette, Karl Paulson, Gregory W. Smith, Donna Trujillo, Meredith Williams

Mark Anderson, Board Chair, called the meeting to order at 9:01 a.m.

**Approval of Agenda**

A motion was made by Scott Noller and seconded by James Casebolt that stated, "*the Agenda be approved as amended for the DPSRS Board Recommendation item to be presented prior to the DPSRS Merger Update item.*" The motion was approved.

**Approval of the October 15 and 16, 2009, Board Meeting Minutes**

A motion was made by Carolyn Jonas-Morrison and seconded by Scott Noller that stated, "*the October 15 and 16, 2009, Board Minutes be approved as published.*" The motion was approved.

**Public Comment**

Mark Anderson, Board Chair, asked all those in the audience to identify themselves and invited any who wished to address the Board to do so. Julie Brown, PERA retiree, expressed her concerns and suggestion regarding the interest rate paid on member accounts.

**Executive Committee Report**

Sara Alt, Vice Chair, Board of Trustees, reported that the Executive Committee had met on October 15, 2009, and Scott Noller, Trustee, attended the meeting. The Committee approved the October 15, 2009, Executive Committee minutes and reviewed the September 30, 2009, Unaudited Financial Statements and the October 31, 2009, Budget Reports. Finally, they reviewed the agenda for the day's meeting.



## **Committee Reports**

### **Audit Committee**

Marcus Pennell, Audit Committee Chair, reported that the Committee had met the previous day. The Committee approved education waivers submitted by Trustees Scott Noller and Maryann Motza. In addition, the Committee discussed with Clifton Gunderson the reporting of the 2008 Denver Public Schools Retirement System (DPSRS) Comprehensive Annual Financial Report and the Committee received a report by Karl Greve, Chief Financial Officer, regarding the progress of the incorporation of DPSRS by January 1, 2010. The Committee also received a presentation from KPMG regarding the annual audit. The Committee was given information regarding the budget and approved the *Internal Audit Plan* and the *Annual Report on Audit Activities*. The *Annual Report on Audit Activities* will be presented at the January 15, 2010, Board meeting for consideration. Finally, the Committee met separately with the Internal Auditor, David Mather.

### **Benefits Committee**

Carole Wright, Benefits Committee Chair, reported that the Committee had met the previous day. The Committee received reports from staff regarding the DPSRS merger and PERACare updates.

### **Enhancing Stakeholder Relations**

Amy Nichols, Enhancing Stakeholder Relations Committee Chair, reported that Katie Kaufmanis, Communications Director, and Eric Anderson, SE2, provided a report regarding the August Listening Tours and October and November Shareholder meetings. Finally, Ms. Nichols reported that the Committee will review a proposed charter for the Enhancing Stakeholder Relations Committee at the March committee meeting for the Board's review at a subsequent date.

### **Investment Committee**

Scott Noller, Investment Committee Chair, reported that the Committee had met the previous day. The Committee received several reports from staff and consultants.

A motion was made by the Investment Committee that stated, *"the Board of Trustees approve replacing the Dow Jones-AIG Commodity Index with the Dow Jones-UBS Commodity Index as the benchmark for the commodities allocation effective May 6, 2009."* The motion was approved.

In addition, Mr. Noller reported that the Committee discussed the integration of DPSRS merger-related investments.

A motion was made by the Investment Committee that stated, *"the Board of Trustees acknowledge the occurrence of investment policy deviations arising from the DPSRS asset transfer scheduled for January 1, 2010, in the areas of*

- *An actively managed U.S. small/mid cap growth equity mandate*
- *DPSRS fixed income portfolios*
- *The Siguler Guff alternative investment funds of funds*
- *REITS, commercial mortgage loans, collateralized debt obligations, commercial mortgage backed securities and related investments*



Staff is directed to provide regular (at least quarterly) reports on the status of such policy deviations and to take appropriate actions to manage the assets giving rise to policy deviations in a manner to promote long-term value to the fund.” The foregoing motion was approved.

Finally, Mr. Noller reported that the Committee reviewed the Investment Department’s work plan.

A motion was made by the Investment Committee that stated, “the Board of Trustees approve the following 2010 Investment Incentive Plan Benchmarks and Performance Award Scales:”

<i>Assets</i>	<i>Benchmark</i>	<i>Performance Award Scale</i>
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 Return	Minus 50 bp – Venture Economics Pooled Return
Opportunity Fund	Public Markets Benchmark	0-100 bp

The foregoing motion was approved.

#### **Shareholder Responsibility Committee**

Maryann Motza, Shareholder Responsibility Committee Chair, reported that the Committee had met the previous day. The Committee received a report and information regarding proxy contests and high profile meetings, and reviewed the Proxy Vote Disclosure Policy, and international proxy voting. In addition, an error in domestic proxy voting by external managers was disclosed. The Committee received reports regarding corporate governance legislation and securities litigation class action activities. Finally, the Committee will receive a draft of proposed changes to the Shareholder Responsibility Committee Charter and the Proxy Voting Policy at the Committee’s March 2010 meeting.

#### **2010 Board Election Calendar**

Gregory W. Smith, Chief Operating Officer/General Counsel, provided information regarding the 2010 Board Election Calendar, which was transmitted to Trustees as Tab C on November 13, 2009.

A motion was made by Marcus Pennell and seconded by Carole Wright that stated, “the 2010 Board Election Calendar be approved as presented in Tab C.”

The foregoing motion was approved.



### **2010 Budget Approval**

In the absence of Richard Delk, Compensation and Budget Committee Chair, Scott Noller, Trustee, provided information regarding the 2010 PERA Budget, which was transmitted to Trustees as Tab F on November 13, 2009.

A motion was made by Susan Murphy and seconded by Carolyn Jonas-Morrison that stated, *"the Board of Trustees approve the 2010 PERA Operating Budget in the total amount of \$56,989,513."* The motion was approved.

### **Strategic Initiatives Update**

Karl Paulson, Manager of Strategic Innovation, reported on activity regarding strategic initiatives. Mr. Paulson reviewed the report that was transmitted to Trustees as Tab G on November 13, 2009.

### **Interest on Member Accounts**

Gregory W. Smith, Chief Operating Officer/General Counsel, and Karl Greve, Chief Financial Officer, provided information regarding the proposed interest rate on member accounts. Extensive discussion ensued and Mr. Smith responded to questions.

A motion was made by Marcus Pennell and seconded by Carole Wright that stated, *"the Board approve 3 percent as the interest rate for member accounts for calendar year 2010 pursuant to C.R.S.24-51-407(4)."* The motion was approved.

### **Staff Reports**

#### **Financial Update**

Karl Greve, Chief Financial Officer, reviewed PERA's financial information and responded to questions.

### **DPSRS Board Recommendation**

Norm Ruggles, Executive Director, DPSRS, John MacPherson, Trustee, DPSRS, and Flick Fornia, Senior Vice President, Aon Consulting, provided a presentation regarding the DPSRS funding projection study. They also read a statement from the DPSRS Board that indicated support of PERA's comprehensive recommendations to the General Assembly and recommended that changes proposed to the PERA School Division also apply to the DPS Division. Mr. Ruggles, Mr. Fornia and Mr. MacPherson responded to questions.

The Board recessed at 10:44 a.m. and reconvened at 10:56 a.m.



### **Rules Hearing**

Gregory W. Smith, Chief Operating Officer/General Counsel, provided a summary of the Rules process and introduced Adam Franklin, Senior Staff Attorney, and Kim Riccardi, Staff Attorney. Mr. Franklin and Ms. Riccardi reviewed the proposed rules changes, which were transmitted to Trustees as Tab D on November 13, 2009. Mr. Smith, Mr. Franklin, and Ms. Riccardi responded to questions.

A motion was made by Scott Noller and seconded by Amy Nichols that stated, *“the Board approve and adopt the proposed amendments, additions, and deletions made to the PERA Rules, along with the Statement of Basis and Purpose, as emergency rules with an effective date of January 1, 2010. As a result of Senate Bill 09-282, which mandated the merger between the Denver Public Schools Retirement System and PERA effective January 1, 2010, it is imperatively necessary to adopt rules on an emergency basis to implement the Act, and such adoption is in accordance with C.R.S. § 24-4-103.”* The motion was approved.

A motion was made by Scott Noller and seconded by Carole Wright that stated, *“the Board approve and adopt the proposed amendments, additions, and deletions made to the PERA Rules, along with the Statement of Basis and Purpose, with a permanent effective date of February 1, 2010.”* The motion was approved.

### **DPSRS Merger Update**

Gregory W. Smith, Chief Operating Officer/General Counsel, Jennifer Paquette, Chief Investment Officer, Ron Baker, Chief Technology Officer, Donna Trujillo, Chief Benefits Officer, and Karl Greve, Chief Financial Officer, provided a report on the DPSRS merger activities.

Mr. Smith provided a review of a proposed policy regarding the effective date of the annual increase payable to members of the DPS benefit structure under part 17 of Article 51 of Title 24. The draft policy was transmitted to Trustees as Tab E on November 13, 2009. Extensive discussion ensued and Mr. Smith responded to questions.

The Board recessed at 1:33 p.m. and reconvened at 2:17 p.m.

### **Public Comment (Continued)**

Mark Anderson, Board Chair, read public comment from Jim Prentice, PERA retiree, who could not speak during the Public Comment section of the day's meeting. Mr. Prentice provided comments regarding his concerns for a projection based on 2010 calculations for the DPSRS and PERA annual increase.



### **DPSRS Merger Update (Continued)**

Discussion continued regarding the proposed policy. Mr. Smith provided clarifying information to the Board and stated that he would craft new language to include in the policy for the Board's review later in the meeting.

### **Legislative Update**

Meredith Williams, Executive Director, with the assistance of PERA lobbyists Beth Minahan and Roberta Robinette, provided information regarding the 2010 legislative activities that involve PERA.

### **DPSRS Merger Update (Continued)**

Mr. Smith provided additional draft language for the proposed policy. Discussion ensued and Mr. Smith responded to questions.

A motion was made by Marcus Pennell and seconded by Scott Noller that the following policy be approved:

*"Policy Regarding Effective Date of Annual Increase Payable to Members of the DPS Benefit Structure Under Part 17 of Article 51 of Title 24*

*On November 2, 2009, the Denver Public Schools Retirement System adopted a Resolution which states:*

*Now therefore, be it resolved by the Board of Trustees of the Denver Public Schools Retirement System that it supports Colorado PERA's comprehensive recommendations to the Colorado General Assembly and recommends to the Board of Trustees of Colorado PERA that any changes proposed for legislation in 2010 with respect to the PERA School Division also be applied to the DPS Division and be included in any forthcoming legislation.*

*Based on this recommendation, and pursuant to the authority vested in the PERA Board of Trustees in C.R.S. 24-51-1747(12), PERA will shift the effective date of the annual increase payable to all members of the DPS benefit structure who were hired prior to July 1, 2005, to the same date that the annual increase is paid to all members of the PERA benefit structure who were hired before January 1, 2007 (the March benefit payment). Effective with the January benefit payment, benefit recipients under the DPS benefit structure will receive an increase in benefit amount based upon one-sixth of the 3.25 percent annual increase provided by the DPSRS Plan Document. PERA staff directly, and with the cooperation of the DPSRS staff, will provide notice of this change as soon as reasonably possible to the individuals impacted by this Policy."*

The motion was approved.



## **Staff Reports**

### **Executive Director Report**

Meredith Williams, Executive Director, reviewed recent activities and commented on current developments. The report was transmitted to Trustees as Tab H on November 13, 2009.

### **Market and Portfolio Update**

Jennifer C. Paquette, Chief Investment Officer, provided a market and portfolio update, which was transmitted to Trustees as Tab I on November 13, 2009. Ms. Paquette responded to questions.

### **General Counsel Update**

Gregory W. Smith, Chief Operating Officer/General Counsel, provided a report pursuant to C.R.S. § 24-51-205(6)(b). In addition, Mr. Smith provided a review of the efforts in Washington, D.C., and with the Council of Institutional Investors regarding activities involving institutional investors. Mr. Smith provided information regarding PERA's IRS filings and reminded the Board of the January 2010 deadline to submit their *Personal Financial Disclosures* to the Office of the Secretary of State. Finally, Mr. Smith reported on a settlement in a securities fraud litigation opt-out case.

Mr. Smith then requested the Board go into Closed Executive Session. The issues to be discussed involved pending or imminent litigation, specific legal questions addressed to General Counsel, and matters that may be subject to negotiation, developing strategies for negotiations and instructing negotiators regarding PERA's benefit and contribution structure. Mark Anderson, Chair, polled the Trustees in attendance and received consent to go into Closed Executive Session at 3:27 p.m. In addition to the Trustees and the Chief Operating Officer/General Counsel, the Executive Director, and all the Chief Officers of PERA, the Director of Communications, the Manager of Strategic Innovation, and the Legal Administrative Assistant remained present for the Closed Executive Session. The Closed Executive Session concluded at 4:44 p.m. During the Closed Executive Session at 4:14 p.m. Marcus Pennell, Trustee, left the meeting and did not return.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Executive Session were regarding matters that may be subject to negotiation, developing strategies for negotiations and instructing negotiators regarding PERA's benefit and contribution structure as well as pending and threatened litigation and legal advice related to specific questions involving PERA constituting attorney client communication."

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Mark Anderson, Board Chair



**Board Meeting Dates**

Mark Anderson, Board Chair, announced that a Board meeting will be scheduled on December 18, 2009. In addition, Mr. Anderson asked for consideration of the following 2010 Board meeting dates:

January 15, 2010

March (18) 19, 2010

June (17) 18, 2010

September 15-17, 2010 – Board Planning Session

November (18) 19, 2010

A motion was made by Carolyn Jonas-Morrison and seconded by Scott Noller that stated, *“the 2010 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 4:43 p.m.

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