



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

**Virtual
November 20, 2020
9:00 a.m.**

The meeting was held remotely by using a teleconferencing service and a livestream service in order to comply with recommendations from the Governor to minimize the size of groups gathering due to the COVID-19 pandemic.

Trustees Present: Timothy M. O'Brien, Chairman, Marcus Pennell, Vice Chairman, Ramon Alvarado, Guillermo Barriga, Rebecca Freyre, Julie Friedemann, Nathan Geroche, Amy Grant, David Hall, Suzanne Kubec, Tina Mueh, Susan Murphy, Cheryl Pattelli, David Young

Trustees Absent: Thomas Barrett

Staff Present: Ron Baker, Kevin Carpenter, Adam Franklin, Patrick Lane, Amy C. McGarrity, Brenda Meidl, Joshua Neugebauer, Ande Sailer, Rebecca Shelton, Sarah Wager

Others Present: Katie Comstock, Aon; Laura Flaum, Aon; Melissa Krumholz, Segal; John Lee, Aon; Brad Ramirez, Segal; Matt Strom, Segal

Timothy M. O'Brien, Chairman, called the Board meeting to order at 8:00 a.m.

Approval of Consent Agenda Action

A motion was made by Suzanne Kubec and seconded by Julie Friedemann that stated, *"the Board approve the Consent Agenda which includes the following items:*

- a. Approval of Agenda*
- b. Approval September 10, 2020, Board Planning Session Minutes*
- c. Approval of September 11, 2020, Board Meeting Minutes"*

The motion was approved.

Public Comment Information

There was no public comment.



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Proclamation - Roger Johnson

Whereas, Roger P. Johnson served as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from June 2015 through July 2020 and was a Governor-appointed Trustee of the Board, an appointment initially made by Governor John Hickenlooper, and was subsequently reappointed for a second term by Governor Hickenlooper; and

Whereas, Roger served as an external member of the Audit Committee from June 2012 until his appointment to the Board in 2015; and

Whereas, during his time on the Board, Roger served as a member of the Audit, Evaluation, Investment, and Stakeholder Relations Committees, and chaired the Compensation and Budget Committee from 2016 until 2020; and

Whereas, Roger participated in the actuarial consulting firm selection process as a member of the Ad Hoc Actuarial Services RFP Committee in 2016, and served on the Ad Hoc Executive Director Search Committee in 2018; and

Whereas, Roger contributed to extensive discussions on legislative matters to ensure PERA's path to long-term sustainability through Senate Bill 18-200; and

Whereas, Roger brought his extensive background, experience, and knowledge to deliberations of the Board, and demonstrated his dedication to the retirement security of the membership during his time on the Board; and

Whereas, Roger will be known for his thoughtful and measured approach with the issues that faced the Board; and

Whereas, Roger embodied the highest qualities of a Trustee and earned the admiration and esteem of the PERA Board members and staff; and

Whereas, Roger's term on the PERA Board of Trustees ended in July 2020; now, therefore, be it

Resolved, that with the highest level of appreciation and congratulations, the PERA Board of Trustees formally recognizes and thanks Roger P. Johnson for his service to the PERA membership during his time as a Trustee, and wishes him well as he leaves the PERA Board of Trustees; and

Resolved, that a copy of this Resolution be placed in the official minutes of the November 20, 2020, PERA Board of Trustees meeting.

A motion was made by Marcus Pennell and seconded by Susan Murphy that stated, "*the Board approve the foregoing Proclamation.*" The motion was approved.

Committee Reports

Executive Committee

Marcus Pennell, Vice Chairman, Board of Trustees, reported that The Executive Committee met on November 16, 2020, and approved the September 8, 2020, Committee Minutes. The Committee reviewed the August 31, 2020, September 30, 2020, and October 31, 2020, Unaudited Financial Statements; and the August 31, 2020, and September 30, 2020, Budget Reports. The Committee also reviewed the November 19-20, 2020, Board Schedule and Agenda.

Audit Committee

David Hall, Chairman, Audit Committee, reported that the Committee met the previous day and received the information regarding the PERA 2020 Financial Audit Plan. The Committee reviewed the PERA Comprehensive Annual Financial Report Timetable and proposed changes. The Benefits Services Division provided a presentation regarding compliance activities. In addition, the Committee received the Internal Audit 2020 Risk Assessment, the 2021 Audit Plan, the Internal Audit 2021 proposed budget, the Internal Audit Activity, and the Annual Summary Report. Finally, the Committee met separately with the Executive Director, the General Counsel, and the Director of Internal Audit.

Benefits Committee

Suzanne Kubec, Chair, Benefits Committee, reported that the Committee met the previous day. The Committee received an update regarding the Defined Contribution (DC) Recordkeeper RFP. In addition, the Committee was provided information regarding the Annual Review of the Disability Program, the Life Insurance Program, the 2022 Healthcare and Pharmacy Benefit Providers, the 2021 PERACare Open Enrollment, and the Capital Accumulation Plans (CAP).

Compensation & Budget Committee

Amy Grant, Chair, Compensation & Budget Committee, reviewed the November 4, 2020, Committee meeting.

Suzanne Kubec moved that the Compensation and Budget Committee recommends that *“the Board of Trustees approve the 2021 PERA Operating Budget in the total amount of \$94,558,555.”* The motion was approved.

Investment Committee

Susan Murphy, Chair, Investment Committee, reported that the committee met the previous day and approved the following recommendations.

Rebecca Freyre moved that the Investment Committee recommends that, *“the Board of Trustees approve the following 2021 Permissible Asset Allocation Range. The range will be set yearly based on final 12/31 weights in conjunction with the Policy Benchmark Weight. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the changes.”*

| | 2021 Permissible Range |
|------------------------|-------------------------------|
| Global Equities | 50% to 62% |
| Fixed Income | 19% to 29% |
| Private Equity | 4% to 13% |
| Real Estate | 4% to 13% |
| Alternatives | 0% to 12% |
| Cash | 0% to 3% |

The foregoing motion was approved.

Tina Mueh moved that the Investment Committee recommends that, *“the Board of Trustees approve the amended Proxy Voting Policy, as described and amended in Tab F of the Investment Committee Agenda, dated November 19, 2020, effective January 1, 2021. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the changes.”*

David Young provided his view regarding his “No” vote for the Committee’s foregoing motion. Discussion ensued and Ms. Murphy provided information regarding the discussion of the motion that was passed at the Committee meeting.

An amendment to the motion on the floor was made by David Young and seconded by Julie Friedemann that stated, *“the Board consider action on the foregoing motion to be held over for consideration at the January 15, 2021, Board meeting.”*

The motion was approved.

The Investment Committee will meet on December 11, 2020, to discuss potential recommended amendments to the *Proxy Voting Policy*.

Ms. Murphy reported that the Committee also received proposed changes to the *Combined Investment Fund (CIF) Statement of Investment Policy & Philosophy* and approved the recommended changes, which the Board will consider at the January 15, 2021, Board Meeting. Additionally, the Committee received the 3rd Quarter Performance Reports for the CIF and CAPs, as well as information regarding CAP fees and CIF investment costs and private market fees.

Board Officer Election

Timothy M. O'Brien, Chairman, had technical difficulties and Ron Baker, PERA Executive Director, asked for nominations of the Chairperson.

A nomination for Marcus Pennell for Board Chairman was made by Susan Murphy and seconded by David Young. Mr. O'Brien rejoined the meeting. Mr. Pennell accepted the nomination. With no other nominations, the process was closed and Mr. Pennell was elected Board Chairman by acclamation.

Mr. O'Brien opened the floor for nominations of the Board Vice Chairperson. A nomination for David Hall to be the Board Vice Chairman was made by Amy Grant and seconded by David Young. Mr. Hall accepted the nomination. With no other nominations, the process was closed and Mr. Hall was elected Board Chairman by acclamation.

2021 Board Election Calendar

Kevin Carpenter, PERA Chief Administrative Officer, and Sarah Wager, PERA Director of Internal Audit, provided information regarding the 2021 Board of Trustees' Election. Discussion ensued, and Mr. Carpenter and Ms. Wager responded to questions.

A motion was made by Suzanne Kubec and seconded by Ramon Alvarado that stated, *"the 2021 Board Election Calendar be approved as it appears in Tab D of the meeting materials."* The motion was approved.

Member Contribution Interest Rate

Ron Baker, PERA Executive Director, provided information regarding the Member Contribution Interest Rate. Mr. Baker responded to questions.

A motion was made by Susan Murphy and seconded by Ramon Alvarado that stated, *"the Board approve 3.0 percent as the member contribution interest rate for 2021 pursuant to CRS 24-51-407(4)."* The motion was approved.

The Board recessed at 9:48 a.m. and reconvened at 10:05 a.m.

Actuarial Experience Study

Ron Baker, PERA Executive Director, introduced Segal Consulting Actuaries: Brad Ramirez, Matt Strom, and Melissa Krumholz; who reviewed the studies related to the Pension Actuarial Experience and the OPEB Actuarial Experience. Mr. Baker and Segal consulting actuaries responded to questions.

A motion was made by Ramon Alvarado and seconded by David Hall that stated, *"the Board of Trustees adopt the demographic and economic assumption recommendations contained in the Pension Actuarial Experience Review and the OPEB Actuarial Experience Review as sent to the Board on November 4, 2020 for the 2020 valuation and be effective January 1, 2021 for administrative purposes."*

The motion was approved.

The Board recessed at 11:57 a.m. and reconvened at 12:30 p.m.

Legislative Update

Ron Baker, PERA Executive Director, and Michael Steppat, PERA Public & Government Affairs Manager, reviewed the Legislative Update, which was transmitted to Trustees as Tab G. Mr. Baker and Mr. Steppat responded to questions.

Strategic Plan Update—Review of Mission and Vision Statements

Ron Baker, PERA Executive Director, Jeffrey Sprole, PERA Community Affairs Manager, and Kurt Woock, PERA Editorial Services Manager, reviewed the presentation regarding the proposed Mission and Vision Statements, which was transmitted to Trustees as Tab H.

A motion was made by David Hall and seconded by Rebecca Freyre that stated, “*the Board adopt the following Mission and Vision Statements:*”

Mission Statement: *To provide retirement security for our members while ensuring the sustainability of the fund.*

Vision Statement: *To innovate and build on a tradition of service by being a trusted partner in order to meet the changing needs of our diverse membership.”*

The motion was approved.

Combined Investment Fund (CIF) Investment Consultant RFP Results

Amy C. McGarrity, PERA Chief Investment Officer, introduced Rebecca Shelton, PERA Investment Operating Officer, and Joshua Neugebauer, PERA Assistant Director of Investment Administration. Ms. Shelton and Mr. Neugebauer presented the results of the RFP, which was transmitted to Trustees as Tab I. Discussion ensued, and staff responded to questions.

A motion was made by David Hall and seconded by David Young that stated, “*the Board of Trustees retain Aon Investments USA Inc. as the CIF Investment Consultant, subject to successful contract negotiations.*” The motion passed with one dissenting vote by Ramon Alvarado.

Cybersecurity

A motion was made by David Hall and seconded by Rebecca Freyre that stated, “*the Board go into Closed Executive Session pursuant to § C.R.S. 24-6-402(3)(a)(IV). The issues to be discussed involve details of security arrangements concerning PERA.*”

The motion was approved.

The Trustees; the Executive Director; the General Counsel; all Chief Officers; the Director of Internal Audit; the IT Project Audit Manager; David Stauss, Partner, Husch Blackwell; a PERA Senior Staff Attorney; and the Manager of the Executive Director's Office participated in the Closed Executive Session. The Closed Executive Session began at 1:47 p.m. and concluded at 2:23 p.m.

Staff Reports

Executive Director Report

Ron Baker, PERA Executive Director, reviewed the Executive Director Report, which was transmitted to Trustees as Tab J. Mr. Baker responded to questions.

Market and Portfolio Update

Amy C. McGarrity, PERA Chief Investment Officer, reviewed the Market and Portfolio Update presentation, which was transmitted to Trustees as Tab K.

General Counsel Update

Adam L. Franklin, PERA General Counsel, provided information regarding the conclusion of the IRS payroll audit.

A motion was made by Tina Mueh and seconded by David Hall that, "*the Board go in to Closed Executive Session.*" The motion was approved and the Board went into Closed Executive Session at 3:00 p.m. The issues discussed involved pending or imminent litigation and specific legal questions addressed to General Counsel regarding the following:

- Settlements
- Colorado PERA and trust funds *et al.* v. BP. PLC *et al.*
- Volkswagen Foreign Litigation
- Petrobras Arbitration
- In re Mitsubishi Motors Corporation International Securities Litigation
- Novo Nordisk Foreign Litigation
- Nissan Foreign Litigation
- Danske Bank Foreign Litigation
- PERA v. PERA LLC
- PERA v. The Career Building Academy
- Doris Behr 2012 Irrevocable Trust v. Johnson & Johnson

The Closed Executive Session concluded at 3:26 p.m.

Calendar Year 2021 Committee Preferences

Timothy M. O'Brien, Chairman, Board of Trustees, asked the Trustees to email their 2021 Committee preferences to Ron Baker for consideration by the incoming Chairman Marcus Pennell prior to the January 15, 2021 Board Meeting.



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Other Business

With no further business to discuss, Timothy M. O'Brien, Chairman, Board of Trustees, adjourned the Board meeting at 3:27 p.m.

2021 Board Meetings

- January 15, 2021
- March (18) 19, 2021
- June (17) 18, 2021
- September 15-17, 2021 Planning Session
- November (18) 19, 2021

Respectfully submitted by

Brenda E. Meidl

Manager of the Executive Director's Office

Marcus Pennell, Chairman, Board of Trustees

Ron Baker, Executive Director
Approval Date: January 15, 2021