



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

**Raymond "Doc" Heath Memorial Boardroom
1301 Pennsylvania Street
Denver, Colorado
January 18, 2019
8:30 a.m.**

Trustees Present: Timothy M. O'Brien, Chairman, Marcus Pennell, Vice Chairman, Ramon Alvarado, William Bain, Thomas Barrett, Guillermo Barriga, Julie Friedemann, Amy Grant, David Hall, Roger Johnson, Suzanne Kubec, Robert Lamb, Tina Mueh, Susan Murphy, Bill Parker, Dave Young

Staff Present: Ron Baker, Kevin Carpenter, Adam Franklin, Katie Kaufmanis, Tara May, Amy C. McGarrity, Brenda Meidl, Karl Paulson Michael Steppat

Timothy M. O'Brien, Chairman, called the meeting to order at 8:30 a.m.

Approval of Consent Agenda

A motion was made by Suzanne Kubec and seconded by Thomas Barrett that, *"the Board of Trustees approve the Consent Agenda as published with the following items:*

- *Approval of Agenda*
- *Approval of November 16, 2018, Board Meeting Minutes (Tab A)*
- *Board Service Provider Report (Tab B)*
- *Committee Assignments (Tab C)*
- *Iran Investment Policy Report (Tab D)*
- *Resolution for Signature Authorization (Tab E)*

The motion was approved.

Proclamation – Walker Stapleton

Marcus Pennell, Vice Chairman, read the following resolution:

Whereas, Walker Stapleton served as an ex officio Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from January 2011 through January 2019 in his capacity as the Colorado State Treasurer, and

Whereas, during his time on the Board, Walker served as a member of the Audit and Investment Committees, as well as a member of the Ad Hoc Executive Director Search Committee in 2018; and

Whereas, Walker participated in PERA meetings and will be remembered for his ability to inquire on a range of issues related to PERA's financial standing; and



Whereas, Walker embodied the highest qualities of a public official and earned the respect and appreciation of PERA Board members and staff; and
Whereas, Walker has completed his term as State Treasurer, thus ending his tenure on the Board of Trustees of PERA, now therefore, be it

Resolved, that with the highest level of appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thank Walker Stapleton for his service to the membership of Colorado PERA during his time as a member of the Board of Trustees, and wish him well as he leaves the PERA Board; and

Resolved, that a copy of this Resolution be placed in the official minutes of the January 18, 2019, PERA Board of Trustees meeting.

A motion was made by Susan Murphy and seconded by Bill Parker that the Board approve the foregoing resolution. The motion was approved.

Deputy Treasurer Delegation of Authority

Timothy M. O'Brien, Chairman, Board of Trustees, stated that a letter was received from the State Treasurer requesting Board consent to appoint Eric Rothaus, Deputy State Treasurer, to act as a PERA Trustee on behalf of the State Treasurer in the Treasurer's absence. In addition, a letter was received from Mr. Rothaus, accepting the appointment and acknowledging the statutory and fiduciary duties associated with the appointment. This information was transmitted to the Trustees as Tab G.

A motion was made by David Hall and seconded by Bill Parker that, *"the Board adopt the resolution included in Tab G, effective immediately."* The motion passed.

Public Comment

Jason Roth, PERA vested inactive member, provided his concerns and questions regarding PERA's investments in fossil fuel. Amy C. McGarrity, PERA Chief Investment Officer, provided information regarding the stewardship report. The Board directed staff to respond to his additional questions.

Committee Reports

Executive Committee

Marcus Pennell, Vice Chairman, Board of Trustees, reported that the Executive Committee met on January 14, 2019, and approved the September 17, 2018, Executive Committee Minutes. The Committee reviewed the October 31, 2018, and November 30, 2018, Unaudited Financial Statements and the November 30, 2018, and December 31, 2018, Budget Reports. In addition, they discussed the November 16, 2018, Board Meeting and reviewed the January 18, 2019, Board Meeting Agenda and Schedule.



Audit Committee

Robert Lamb, Committee Chairman, reported that the Audit Committee met on December 6, 2018, and conducted interviews for the Committee’s Outside Member.

A motion was recommended by the Audit Committee and made by Mr. Lamb that, *“the Board of Trustees appoint Tammie Lowrie as an Outside Member of the Audit Committee.”* The motion passed.

Investment Committee

Susan Murphy, Committee Chair, Investment Committee, provided information regarding the amended *Statement of Investment Policy*.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *“the Board of Trustees approve the amended Statement of Investment Policy, which includes the Investment Philosophy, as described and amended in Tab I of the Investment Committee Agenda, dated November 15, 2018.”* The motion was approved.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *“the Board of Trustees approve the following benchmark changes, effective January 1, 2019. The Total Fund Policy Benchmark, all other benchmarks that incorporate these benchmarks (e.g. the Tactical Opportunities Benchmark), the Statement of Investment Policy, and all other pertinent reports and documents will be updated to reflect the changes.”*

	Old Performance Benchmark	New Performance Benchmark
Private Equity Custom Benchmark	Burgiss Time Weighted Rate of Return	MSCI ACWI IMI (net) with USA Gross plus 150 basis points
Private Equity IRR Benchmark	Long Nickels methodology incorporating Burgiss data	PME calculation using the MSCI ACWI IMI (net) with USA Gross plus 150 basis points. This benchmark will replace all historical benchmarks, and will be supplemented with the MSCI ACWI for periods prior to the inception of the MSCI ACWI IMI
Opportunity Fund	Opportunity Fund Benchmark: A market value weighted aggregate of the benchmarks of the individual strategies included in the Opportunity Fund	Opportunity Fund Custom Benchmark: Weighted average of the HFRI FOF Market Defensive, CPI plus 4%, and the Public Markets Benchmark plus 1.5%

The foregoing motion was approved.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *“the Board of Trustees approve the following 2019 Incentive Award Schedules, and that the Investment Department Incentive Plan Document be amended to reflect the changes.”*

Asset Class		Global Equity	
Benchmark		Global Equity Custom Benchmark	
Period	Weight	Incentive Award Scale	
1 Year	10%	0-50 bp	
3 Year	30%	0-30 bp	
5 Year	60%	0-25 bp	
Asset Class		Fixed Income	
Benchmark		Fixed Income Custom Benchmark	
Period	Weight	Incentive Award Scale	
1 Year	10%	0-15 bp	
3 Year	30%	0-10 bp	
5 Year	60%	0-10 bp	
Asset Class		Private Equity	
Benchmark		Private Equity IRR Benchmark	
Period	Weight	Incentive Award Scale	
10 Year	100%	0-200 bp	

Asset Class		Real Estate	
Benchmark		Real Estate Custom Benchmark	
Period	Weight	Incentive Award Scale	
5 Year	100%	0-50 bp	
Asset Class		Opportunity Fund	
Benchmark		Opportunity Fund Custom Benchmark*	
Period	Weight	Incentive Award Scale	
5 Year	100%	0-100 bp	
*Phase-In Schedule	Opportunity Fund Benchmark (Current)	Opportunity Fund Benchmark (New)	Custom Benchmark
2019	80%	20%	
2020	60%	40%	
2021	40%	60%	
2022	20%	80%	
2023 and onward	0%	100%	

Total Fund		
Benchmark	PERA Policy Benchmark ex-Private Equity, plus Private Equity PME incentive component	
Period	Weight	Incentive Award Scale
1 Year	10%	0-35 bp
3 Year	30%	0-20 bp
5 Year	60%	0-15 bp

The foregoing motion was approved with one dissenting vote by Timothy M. O'Brien.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *“the Board approve all incentive performance calculations be calculated on a net-of-fees basis, and that the Investment Department Incentive Plan Document be amended to reflect the changes.”* The motion was approved.

The Board discussed the incentive payment timeframe.

A motion was made by Susan Murphy and seconded by William Bain that, *“the Board of Trustees approve that the payment of any earned investment incentive be paid without delay in the event of a negative 2018 total fund return, and that the corresponding provision be removed from the Investment Department Incentive Plan Document going forward.”* Discussion ensued and the motion was withdrawn.

A motion was made by Susan Murphy and seconded by David Hall that, *“the Board of Trustees approve that the payment of any earned investment incentive be paid according to schedule in the event of a negative total fund return in 2018 or in any future year, and that the delayed payment schedule be removed from the Investment Department Incentive Plan Document going forward.”* The motion was approved.

Asset Liability Study Update

Amy C. McGarrity, PERA Chief Investment Officer, introduced this item and Steve Cummings, Head of North America Investment Consulting, Aon, and John Lee, Partner, Aon, Mr. Lee and Mr. Cummings provided information regarding the timeline for the asset-liability study and responded to questions. This information was transmitted to the Trustees as Tab H.

The Board recessed at 10:09 a.m. and reconvened at 10:17 a.m.



Ruth Olson—Member Administrative Appeal

Timothy M. O'Brien, Chairman, Board of Trustees, stated that an Administrative Appeal entails member information which is deemed confidential by C.R.S. § 24-51-213. Ruth Olson, PERA Member, Petitioner, requested the appeal be heard in Closed Session.

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Board members Bill Parker, Tina Mueh, and Guillermo Barriga who had previous involvement in the petitioner's appeal excused themselves from the appeal and stepped out of the room. Also, because the Executive Director made the initial determination regarding Mrs. Olson's request, Ron Baker excused himself from the meeting. Additionally, Adam L. Franklin, General Counsel, stepped out of the room and William Bain recused himself.

Thomas J. Kyrsa, Esq., PERA Fiduciary Counsel, Kevin Gallaway, Esq., PERA Staff Attorney, Legal Counsel for PERA Administration, and Megan Peitzmeier, Esq., PERA Staff Attorney, Legal Counsel for PERA Administration, Brenda Meidl, PERA Manager of the Executive Director's Office, and Linda Cruz, PERA Paralegal II, were in attendance for this portion of the meeting.

Ms. Olson began her statement at 10:25 a.m. and concluded 10:29 a.m.

Ms. Peitzmeier began her statement at 10:29 a.m. and concluded at 10:34 a.m.

A motion was made by Susan Murphy and seconded by Thomas Barrett that, "*the Board conduct deliberations in a Closed Executive Session.*" In addition to the remaining Board members, the Board's Fiduciary Counsel remained in the room and all others stepped out of the meeting. The Board continued in Closed Executive Session for deliberations at 10:34 a.m. and concluded at 11:15 a.m. Trustee Roger Johnson arrived at 11:00 a.m.

A motion was made by Suzanne Kubec and seconded by Julie Friedemann that, "*the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Ruth Olson's request.*" The motion passed with three dissenting votes made by Thomas Barrett, David Hall, and Dave Young.

Trustee Self-Evaluation

Timothy M. O'Brien, Chairman, Board of Trustees, informed the Board that they will receive a survey by email on January 18, 2019, from Cortex. Mr. O'Brien requested responses to the survey by February 8, 2019.

Legislative Update

Ron Baker, PERA Executive Director and Tara May, PERA Chief Communications Officer, reviewed the Legislative Update presentation and responded to questions.

Board Divestment Policy

Ron Baker, PERA Executive Director, announced the topic and introduced Amy C. McGarrity, PERA Chief Investment Officer, and Adam Franklin, PERA General Counsel. Ms. McGarrity and Mr. Franklin reviewed the proposed changes to the Board Statement on Divestment. This information was transmitted to Trustees as Tabs I1, I2, and I3. Extensive discussion ensued.

A motion was made by Susan Murphy and seconded by David Hall that, *“the Board of Trustees approve the amended Statement on Divestment, as transmitted to the Board as Tab I2; and that the Board of Trustees rescind the Iran-Related Investment Policy (originally adopted January 18, 2008, and most recently amended January 17, 2014). The Statement of Investment Policy, and all other pertinent reports and documents will be updated to reflect the changes, effective January 18, 2019.”* Extensive discussion ensued.

A motion was made by Tina Mueh and seconded by Bill Parker, *“to amend the last sentence of the proposed Statement on Divestment by replacing it with the following: For these reasons, PERA will oppose divestment efforts unless such opposition is inconsistent with its fiduciary duty, but will implement divestment mandates passed by the Colorado General Assembly.”* The motion passed with one dissenting vote by William Bain.

The Board Chairman called for a vote on the initial motion and it passed.

The Board recessed at 12:35 p.m. and reconvened at 12:57 p.m.

Health Care Workshop

Jessica Linart, PERA Director of Insurance, led the workshop. This information was transmitted to Trustees as Tab J on January 4, 2019, and was included in the meeting materials.

Strategic Planning

Ron Baker, PERA Executive Director, provided information regarding the strategic planning effort and introduced Amy McDuffee, Founder/CEO, Mosaic Governance Advisors, and Allyson Zoellner, Senior Consultant, Mosaic Governance Advisors. Ms. McDuffee and Ms. Zoellner reviewed the proposed strategic plan. This information was transmitted to Trustees as Tabs K1, K2, K3, and K4 in the meeting materials. Ms. McDuffee, Ms. Zoellner, and Tara May, PERA Chief Communications Officer, responded to questions.

A motion was made by Julie Friedemann and seconded by Thomas Barrett that, *“the Board of Trustees approve the Colorado PERA Strategic Plan 2019-2023 as transmitted to the Board as Tab K3.”* The motion was approved.

Staff Reports

Executive Director Report

Ron Baker, PERA Executive Director, reviewed recent activities and responded to questions. This information was transmitted to Trustees as Tab L.

General Counsel Update

A motion was made by Susan Murphy and seconded by Tina Mueh that, *“the Board go into Closed Executive Session to discuss issues that involve 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*
- *PERA v. Leanna Hausdorfer*
- *PERA v. Joanne Brown*
- *PERA v. The Career Building Academy.”*

The motion passed and the Board went into Closed Executive Session at 2:52 p.m. In addition to the Trustees, the Executive Director and the General Counsel participated in the Closed Executive Session. The Closed Executive Session concluded at 3:36 p.m.

Chief Administrative Officer Update

Kevin Carpenter, PERA Chief Administrative Officer, provided highlights of his report which was transmitted to Trustees as Tab N.

Market & Portfolio Update

Amy C. McGarrity, PERA Chief Investment Officer, provided a Market and Portfolio Update presentation. The Investment Performance Report and presentation were transmitted to Trustees as Tab M1 and M2.

Chief Communications Officer Update

Tara May, PERA Chief Communications Officer, reviewed highlights of her report which was transmitted to Trustees as Tab O.

Other Business

Timothy M. O'Brien, Chairman, Board of Trustees, directed staff to begin the research on the PERA disability program. Mr. O'Brien then announced that for the 33rd consecutive year, the Government Finance Officers Association of the United States and Canada had awarded Colorado PERA the Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The 2017



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CAFR for Colorado PERA was judged by an impartial panel and it met the high standards of the program, including demonstrating a constructive “spirit of full disclosure” to clearly communicate Colorado PERA’s financial story. Mr. O’Brien congratulated Lawrence Mundy, PERA Accounting Reporting Manager, and his staff, and Madalyn Knudsen, PERA Director of Creative Services, and her staff for their efforts in producing yet another award-winning Comprehensive Annual Financial Report.

With no further business to discuss, Timothy O’Brien adjourned the meeting at 4:28 p.m.

2019 Board Meeting Dates

- March (14) 15, 2019
- June (20) 21, 2019
- Board Planning Session September 11-13, 2019
- November (14) 15, 2019

Respectfully submitted by

Brenda E. Meill

Manager of the Executive Director’s Office

Timothy M. O’Brien, Chairman, Board of Trustees

Ron Baker, Executive Director
Approval Date: March 15, 2019