



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

**Raymond "Doc" Heath Memorial Boardroom
1301 Pennsylvania Street
Denver, Colorado
November 15, 2019
8:00 a.m.**

Trustees Present: Timothy M. O'Brien, Chairman, Marcus Pennell, Vice Chairman, Ramon Alvarado, Thomas Barrett, Guillermo Barriga, Julie Friedemann, Rebecca Freyre, Amy Grant, David Hall, Roger Johnson, Suzanne Kubec, Tina Mueh, Bill Parker, Cheryl Pattelli, David Young

Trustee Absent: Susan Murphy

Staff Present: Ron Baker, Kevin Carpenter, Adam Franklin, Tara May, Amy C. McGarrity, Brenda Meidl, Sarah Wager, Kurt Woock, Annie Yao

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

Approval of the Agenda

A motion was made by Cheryl Pattelli and seconded by Bill Parker that, "*the Board of Trustees approve the Consent Agenda as published with the following items:*

- a. *Approval of Agenda*
- b. *Approval of September 11, 2019, Board Planning Session Minutes*
- c. *Approval of September 12, 2019, Board Planning Session Minutes*
- d. *Approval of September 13, 2019, Board Meeting Minutes*"

The motion was approved.

Public Comment

PERA members and retirees from Fossil Free PERA, Roberta Mooney, Jim Horan, Devon Reynolds, Marie Venner, Frances Frain-Aguirre, and Elizabeth Comeaux, provided their views and opinions related to divestment from fossil fuels.



Interest on Member Accounts

Karl Paulson, PERA Director of Planning, Policy, and Budget, provided information regarding the interest on member accounts.

A motion was made by Roger Johnson and seconded by David Hall that, *“the Board approve 3.0 percent as the interest credit rate on member accounts for 2020 pursuant to CRS 24-51-407(4).”* The motion was approved.

Asset/Liability

Amy C. McGarrity, PERA Chief Investment Officer, introduced this agenda item and Ron Baker, PERA Executive Director, provided information regarding PERA’s historical strategic asset allocation targets and actuarial assumed rates of return.

John Lee, Aon, Partner, began the presentation with a brief recap of what the Board has been presented to date. Richard Parker, Aon, Associate Partner, provided the Asset/Liability Study findings. Discussion ensued and staff and Aon responded to questions.

A motion was made by Ramon Alvarado and seconded by Cheryl Pattelli that, *“the Board of Trustees approve adoption of the following long-term target allocations and target ranges, effective January 1, 2020, and reaffirm the investment return assumption of 7.25%. The Total Fund Policy Benchmark and the Public Markets Benchmark will reflect the allocation percentage changes on the effective date. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the changes.”*

	Current Interim Target	Long-Term Target	Target Range
Global Equities	53.5%	54%	48% to 60%
Fixed Income	23.5%	23%	18% to 28%
Private Equity	8.5%	8.5%	4% to 13%
Real Estate	8.5%	8.5%	4% to 13%
Alternatives	5%	6%*	0% to 12%
Cash	1%	0%	0% to 3%

*Maximum allocation to Alternatives. The Policy Benchmark weight will be set yearly based on final 12/31 weights, rounded to the nearest 0.5%. Any uninvested allocation will be re-allocated to the Public Markets Benchmark.

The motion was approved.

A motion was made by David Young, moved and seconded by Roger Johnson that, *“the Board of Trustees approve changing the name of the Opportunity Fund asset class to Alternatives, effective January 1, 2020. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the change.”*

The motion was approved.

Mr. O'Brien welcomed Pension Review Subcommittee member Jim Manatelli to the meeting.

CAP Investment Consultant Review

Amy C. McGarrity, PERA Chief Investment Officer, Rebecca Shelton, PERA Investment Operating Officer, and Joshua Neugebauer, PERA Assistant Director of Investment Administration, provided information on the consultant review process.

Staff recommended the Board consider three finalists to invite to present their proposals to the Board:

- Aon Hewitt Investment Consulting, Inc.
- Callan LLC
- Mercer Investments LLC

Extensive discussion ensued and the team responded to questions.

A motion was made by Marcus Pennell and seconded by Bill Parker that, *“the Board interview the three proposed finalists and include the Meketa Investment Group as well.”* The motion failed.

A motion was made by David Hall and seconded by Ramon Alvarado that, *“the Board accept staff's recommendation and interview the three proposed finalists.”* The motion was approved.

The Board recessed at 9:56 a.m. and reconvened at 10:03 a.m.

Member Administrative Appeal

A motion was made by Tina Mueh and seconded by David Hall that, *“the Board go in to Closed Executive Session to discuss the administrative appeal by Rebecca Brown Adelman.”*

The motion was approved and the Board went into Closed Executive Session at 10:06 a.m. In addition to the Trustees, Thomas J. Krysa, Esq., Brownstein, Hyatt, Farber, Schreck, PERA Fiduciary Counsel, participated in the Closed Executive Session.



In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Board members, Roger Johnson, Julie Friedemann, and Ramon Alvarado had previous involvement in the petitioner's appeal and stepped out of the room. Also, since the Executive Director is part of the Administrative Review process, Mr. Baker left the meeting. In addition, Rebecca Freyre recused herself from the proceedings and Trustee Susan Murphy was absent from the day's meeting. Kevin Carpenter, Chief Administrative Officer, Adam Franklin, PERA General Counsel, Tara May, Chief Communications Officer, and Amy C. McGarrity, PERA Chief Investment Officer, also left the room and did not participate in the deliberation.

Benjamin Wilson, Ms. Brown Adelman's attorney, informed PERA that his client did not wish to present an oral argument. Mr. Wilson and the PERA Administration rested their case on the briefs and the Board's decision would be based on the existing record.

Since there was no oral arguments, the Board went into deliberations at 10:10 a.m. The Closed Executive Session and Deliberations concluded at 10:18 a.m.

A motion was made by David Hall and seconded by Thomas Barrett that, *"the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Rebecca Brown Adelman's request."*

The motion was approved.

Legislative Update

Ron Baker, PERA Executive Director, and Tara May, PERA Chief Communications Officer, reviewed the Legislative Update presentation, which was transmitted to Trustees as Tab G. Mr. Baker and Ms. May responded to questions.

Committee Reports

Executive Committee

Marcus Pennell, Vice Chairman, Board of Trustees, reported that the Committee met on November 13, 2019. The Committee approved the June 17, 2019, Committee Minutes. The Committee reviewed the August 31, 2019, and September 30, 2019, Unaudited Financial Statements and the September 30, 2019, Budget Report. The Committee also reviewed the November 14-15, 2019, Board Meeting Agenda and Schedule.

Audit Committee

David Hall, Chairman, Audit Committee, reported that the Committee met the previous day. The Committee approved an extension of a contract with the outside Audit Committee member. The Committee received information regarding the Colorado PERA 2019 Financial Audit Plan and they reviewed the CLA reports relative to the Independent Auditor. In addition, the Committee approved the Colorado PERA Comprehensive Annual Financial Report timetable and proposed changes.

The Committee also received information regarding the Internal Audit 2019 Risk Assessment and 2020 Audit Plan, Internal Audit Activity, and the Annual Summary Report to the Board of Trustees on Audit Committee Activities. The Committee approved the Internal Audit 2020 Proposed Budget. Finally, the Committee met privately and separately with the Executive Director, 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 discussed the Disability Program application deadline and will continue the discussion at the next Committee meeting in March 2020. Additionally, the Committee received a Capital Accumulation Plans (CAP) update.

Compensation & Budget Committee

Roger Johnson, Chairman, Compensation & Budget Committee, reported that the Committee met on November 1, 2019, and approved the 2020 Operating Budget. In addition, Mr. Johnson reported that the Board was provided a Budget Workshop prior to the start of this meeting.

Mr. Johnson moved that the Compensation & Budget Committee recommends, *“the Board of Trustees approve the 2020 PERA Operating Budget in the total amount of \$90,114,975.”* The motion was approved.

Evaluation Committee

Timothy M. O'Brien, Chairman, Board of Trustees, reported that the Committee met the previous day and reviewed and approved the 2020 Executive Director Performance Evaluation instrument. The Board will be receiving the information from Cortex in December. The Committee will hold a meeting in early January to review the results of the Executive Director Performance Evaluation.

Investment Committee

Roger Johnson, Acting Chairman, Investment Committee, reported that the Committee met the previous day. The Committee received an overview about Real Estate and information regarding the Investment Department costs. Additionally, the Committee received information regarding Private Market fees and the Strategic Plan: Direct Investing. Finally, the Committee received a presentation about third quarter 2019 performance.

Shareholder Responsibility Committee

Guillermo Barriga, Chairman, Shareholder Responsibility Committee, reported that the Committee met the previous day. The Committee received a Corporate Governance and Investment Stewardship update.

Stakeholder Relations Committee

Amy Grant, Chair, Stakeholder Relations Committee, reported that the Committee met the previous day. The Committee received a report about the communications discovery project and implications.

2020 Board Election Calendar

Kevin Carpenter, PERA Chief Administrative Officer, reviewed information regarding the 2020 Board Election Calendar.

A motion was made by Suzanne Kubec and seconded by Rebecca Freyre that, *“the 2020 Board Election Calendar be approved as it appears in Tab J of the meeting materials.”*

The motion was approved.

Staff Reports

Executive Director Report

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

The Board recessed at 11:40 a.m. and reconvened at 12:30 p.m.

Governance Best Practices and Governance Manual Review

Ron Baker, PERA Executive Director, introduced Tom Iannucci, Cortex Applied Research, President. Mr. Iannucci provided a presentation, which was a primer on governance and board effectiveness.

A motion was made by Cheryl Pattelli and seconded by Suzanne Kubec that, *“the Board approve the Governance Manual as published in Tab I3 of the meeting materials effective January 1, 2020.”*

The motion was approved.

Staff Reports (Continued)

Market and Portfolio Update

Amy C. McGarrity, PERA Chief Investment Officer, reviewed the Market and Portfolio Update presentation. The presentation and the investment portfolio report was transmitted to Trustees as Tabs J1 and J2. Ms. McGarrity responded to questions.

Cyber Security

A motion was made by Marcus Pennell and seconded by David Hall that, *“the Board go in to Closed Executive Session to discuss issues that involve details of security arrangements concerning PERA.”*



The motion was approved and the Board went into Closed Executive Session at 1:40 p.m. In addition to the Trustees, the Executive Director and the General Counsel, all the Chief Officers, the Internal Audit Manager, and the Manager of the Executive Director's Office participated in the Closed Executive Session. The Closed Executive Session concluded at 2:26 p.m.

Staff Reports (Continued)

Benefits Update

Ron Baker, PERA Executive Director, reviewed the Benefits Update presentation. This information was transmitted to Trustees as Tab M.

General Counsel Update

Adam Franklin, PERA General Counsel, provided an update on staff and responded to questions.

Calendar Year 2020 Committee Preferences

Timothy M. O'Brien, Chairman, Board of Trustees, reminded Trustees to fill out the form with their 2020 Committee preferences.

Other Business

With no further business to discuss, Timothy M. O'Brien, Chairman, Board of Trustees, adjourned the Board meeting at 2:53 p.m.

Board Meetings

December 10, 2019

January 17, 2020

March (19) 20, 2020

June (18) 19, 2020

September 9-11, 2020 Planning Session

November (19) 20, 2020

Respectfully submitted by

Brenda E. Meidl

Manager of the Executive Director's Office

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

Ron Baker, Executive Director

Approval Date: January 17, 2020