



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

**Raymond "Doc" Heath Memorial Boardroom
1301 Pennsylvania Street
Denver, Colorado
March 15, 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, Sara Wager

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

Approval of Consent Agenda

A motion was made by Roger Johnson 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 January 18, 2019, Board Meeting Minutes (Tab A)*
- *Divestment from Companies with Prohibitions Against Israel Restricted*
- *Company List (Tab B)*
- *Committee Assignments (Tab C)*"

The motion was approved.

Public Comment

Dale McCall, Executive Director, Pikes Peak Board of Cooperative Educational Services (BOCES), expressed concerns regarding the need of rural Colorado school districts to hire retired PERA members who support the needs of special education students. He noted that he is working with legislators to develop legislation that would suspend the working after retirement limits for certain educational professionals beyond those occupations included in prior critical shortage legislation.

Board Vacancy Ad Hoc Committee

Timothy M. O'Brien, Chairman, provided information regarding the Board vacancy in the Local Government Division as a result of Robert Lamb's upcoming retirement.

A motion was made by Timothy M. O'Brien and seconded by Susan Murphy that, *"the Board Vacancy Ad Hoc Committee be created to coordinate the search for a qualified local government division Trustee to fill the seat vacated by Robert Lamb on May 1, 2019. The Committee shall work with staff to announce the vacancy and shall ultimately recommend one or more candidates to the full Board for consideration and appointment."* The motion was approved.

Committee Reports **Executive Committee**

Marcus Pennell, Vice Chairman, Board of Trustees, reported that the Executive Committee met on March 11, 2019, and approved the January 14, 2019, Executive Committee Minutes. The Committee reviewed the December 31, 2018, and January 31, 2019, Unaudited Financial Statements and the January 31, 2019, and February 28, 2019, Budget Reports. In addition, the Committee discussed the January 18, 2019, Board Meeting and reviewed the March 14-15, 2019, Board meeting agenda and the Committee meetings schedule.

Audit Committee

Robert Lamb, Committee Chairman, reported that the Committee met the previous day and received an update regarding the Colorado PERA 2018 Financial Audit. The Committee also received information from staff regarding the PERA 2018 *Comprehensive Annual Financial Report*. Additionally, an update on Internal Audit activity was provided. The Committee also met privately and separately with the PERA Executive Director and the PERA Director of Internal Audit.

Benefits Committee

Suzanne Kubec, Committee Chair, reported that the Committee met the previous day. The Committee received a Capital Accumulation Plans (CAP) update from Voya and RVK. The Committee also received information regarding PERA's disability program application process and the statutory requirements of the program. The Committee approved proposed changes to the defined contribution plans' *Statement of Investment Policy* that will be presented to the Board for their consideration at the June meeting.

Compensation and Budget Committee

Suzanne Kubec, Acting Committee Chair, reported that the Committee met the previous day. The Committee reviewed the 2019 Budget and 2018 PERA Employee Metrics. Additionally, the Committee approved an extension of a deadline for education requirements for Marcus Pennell.

Evaluation Committee

Timothy M. O'Brien, Chairman, Board of Trustees, reported that the Committee met the previous day. The Committee reviewed the Board self-evaluation and asked the Audit Committee to look into comments made regarding internal controls and the process for the Board's involvement hiring certain staff. In addition, the Committee approved the evaluation process for Executive Director.

Investment Committee

Susan Murphy, Committee Chair, provided information regarding the previous day's meeting. The Committee approved an asset allocation interim target recommendation and recommended revisions to various investment policies. In addition, the Committee received compliance updates from Aon and staff, and a Global Equities asset class overview from staff.

Shareholder Responsibility Committee

Guillermo Barriga, Committee Chairman, reported that the Committee met the previous day and approved recommended changes to the securities litigation policy. In addition, the Committee received a corporate governance overview.

Stakeholder Relations Committee

Amy Grant, Committee Chair, reported that the Committee met the previous day, and received information on the communication efforts related to enhancing PERA's financial report.

2019 Board Election

Kevin Carpenter, PERA Chief Administrative Officer, provided information regarding the 2019 Board Election.

A motion was made by Bill Parker and seconded by Dave Young that, *"the Board approve the appointment of Judge Rebecca Freyre for the Judicial Division Trustee position on the Board of Trustees for a four-year term beginning July 1, 2019, as she is the sole candidate duly nominated and eligible to be elected to the position. Further, I move that the Board direct staff to not go forward with the election for the Judicial Division position."* The motion was approved.

A motion was made by Suzanne Kubec and seconded by Julie Friedemann that, *"the Board approve the appointment of Timothy M. O'Brien for the Retiree Trustee position elected by the retired members of the State, Local Government, and Judicial Divisions on the Board of Trustees for a four-year term beginning July 1, 2019, as he is the sole candidate duly nominated and eligible to be elected to the position. Further, I move that the Board direct staff to not go forward with the election for the Retiree position."* The motion was approved.

Asset/Liability Study

Amy C. McGarrity, PERA Chief Investment Officer, introduced John Lee, Aon, Partner, Phil Kivarkis, Aon, U.S. Director of Investment Policy Service, Richard Parker, Aon, Associate Partner, Katie Comstock, Aon, Senior Consultant, and Laura Flaum, Aon, Senior Consultant. In addition, Ms. McGarrity introduced PERA Investments staff that were in the audience during this presentation: Gary Ratliff, Tim Moore, CH Meili, Mark Walter, Jim Liptak, and Josh Neugebauer. Ms. McGarrity provided information regarding asset/liability modeling, including the integration of long-term asset class volatility and return expectations. Mr. Lee and Mr. Kivarkis continued the presentation with background information on Aon's capital market assumptions while also responding to questions.



The Board recessed at 10:39 a.m. and reconvened at 10:54 a.m.

Legislative Update

Ron Baker, PERA Executive Director, and Tara May, PERA Chief Communications Officer, reviewed the Legislative Update presentation. Discussion ensued on HB19-1217 regarding PERA Local Government Division Contribution Rates. Mr. Baker and Ms. May responded to questions. The Board directed staff to continue to educate and to adhere to the principles of Senate Bill 18-200.

The Board recessed at 12:25 p.m. and reconvened at 1:17 p.m.

Board Self-Evaluation Discussion

Timothy M. O'Brien, Chairman, Board of Trustees, covered this item earlier in the meeting during the Evaluation Committee report.

Strategic Plan Update

Ron Baker, PERA Executive Director, provided information regarding the strategic planning effort and responded to questions.

Governance Manual Compliance Review

Karl Paulson, PERA Director of Planning, Policy, and Budget, provided information regarding the Governance Manual compliance review. Discussion ensued and Ron Baker, PERA Executive Director, responded to questions.

Cyber Security Update

Kevin Carpenter, PERA Chief Administrative Officer, and John Carreon, PERA Director of Information Technology, requested the Board go into Closed Executive Session.

A motion was made by Robert Lamb and seconded by Suzanne Kubec that, *"the Board hold a Closed Executive Session to discuss details of security arrangements concerning PERA."* The motion passed and the Board went into Closed Executive Session at 1:30 p.m. In addition to the Trustees, the Executive Director and the General Counsel, all the Chief Officers, the Directors of Internal Audit, Planning, Policy, and Budget, and Information Technology, the Public Information Officer, and the Manager of the Executive Director's Office participated in the Closed Executive Session. The Closed Executive Session concluded at 2:43 p.m.



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Staff Reports

Executive Director Report

Ron Baker, PERA Executive Director, reviewed the Executive Director's Report and responded to questions. This presentation was transmitted to Trustees as Tab F. Mr. Baker responded to questions.

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 Tabs G1 and G2.

General Counsel Update

Adam Franklin, PERA General Counsel, reviewed the General Counsel Report. The Report was transmitted to Trustees as Tab H1.

Other Business

With no further business to discuss, Timothy M. O'Brien, Chairman, Board of Trustees, adjourned the meeting at 3:24 p.m.

2019 Board Meeting Dates

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

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: June 21, 2019