



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

**Raymond "Doc" Heath Memorial Boardroom
1301 Pennsylvania Street
Denver, Colorado
March 20, 2015
8:30 a.m.**

Trustees Present: Maryann Motza, Chair, Benjamin H. Valore-Caplan, Vice Chair, James Casebolt, Richard Delk, Karl Fisch, Amy Grant, Carolyn Jonas-Morrison, Susan Murphy, Amy Nichols, Scott Noller, Timothy M. O'Brien, Mason Parsaye, Marcus Pennell, Walker Stapleton, Lynn Turner, Carole Wright

Staff Present: Martha Argo, Ron Baker, Donna Baros, Adam Franklin, Karl Greve, Mary Kay Howard, Katie Kaufmanis, Brenda Meidl, Leslie Oliver, Jennifer Paquette, Karl Paulson, Gregory W. Smith

Maryann Motza, Chair, Board of Trustees, called the meeting to order at 8:31 a.m.

Approval of the Consent Agenda

A motion was made by Amy Nichols and seconded by Carole Wright that, *"The Board approve the Consent Agenda as published with the following items:*

- *The Agenda*
- *The Approval of January 16, 2015, Board Meeting Minutes*
- *The Approval of February 9, 2015, Special Board Meeting Minutes*
- *The Approval of March 5, 2015, Special Board Meeting Minutes*
- *The Sudan Report*
- *Purpose Statement for the Ad Hoc Committee to Negotiate Terms of a Renewal Contract with the Executive Director."*

The motion was approved.

Public Comment

There was no public comment.



Executive Committee Report

Benjamin Valore-Caplan, Vice Chair, Board of Trustees, reported that the Executive Committee met on February 4, 2015, and discussed the Executive Committee Policies and Procedures; the Ad Hoc Committee formed for the purpose of negotiating a contract renewal with the Executive Director; the agenda items for the next regularly scheduled Committee and Board meetings; and scheduling of a special Board meeting on February 9, 2015, to discuss Legislative matters. The Committee also met on Wednesday, March 18, 2015, and approved the January 15, 2015, and February 4, 2015, Executive Committee minutes; reviewed the December 31, 2014, and January 31, 2015, Unaudited Financial Statements; and reviewed the January 31, 2015, and February 28, 2015, Budget Reports. Finally, they reviewed the agenda for the March 20, 2015, Board Meeting.

Delegation of Treasurer Authority

Maryann Motza, Chair, Board of Trustees, provided information regarding a letter from the State Treasurer, requesting Board consent to appoint Jon Forbes, Deputy State Treasurer, to act as a PERA Trustee on behalf of the State Treasurer in his absence; and a letter from Mr. Forbes, accepting the appointment, and acknowledging the statutory and fiduciary duties associated with the appointment. This information was transmitted to Trustees as Tab F on March 10, 2015. Ms. Motza asked for the Board's consideration of the following resolution.

RESOLUTION by the Board of Trustees of Public Employees' Retirement Association of Colorado

Subject: Authority of Deputy State Treasurer, Jon Forbes, to take action on behalf of the State Treasurer, Walker Stapleton, in his absence.

WHEREAS, the Board of Trustees ("Board") of the Public Employees' Retirement Association of Colorado ("PERA") has the responsibilities, duties, and authorities as set forth in the PERA Statutes (C.R.S. §§ 24-51-101, *et seq.*);

WHEREAS, as set forth in PERA Statute (C.R.S. § 24-51-203), the State Treasurer shall hold a seat on the PERA Board of Trustees;

WHEREAS, C.R.S. § 24-9-103 and C.R.S. § 24-36-102(2) provide in pertinent part that the State Treasurer may designate a Deputy State Treasurer;

WHEREAS, the Formal Opinion of the Office of the Colorado State Attorney General dated December 6, 2004, concludes that the Deputy State Treasurer may act in all matters on behalf of the State Treasurer, as and when the Deputy State Treasurer is authorized to do so by the State Treasurer;



WHEREAS, State Treasurer, Walker Stapleton, has requested to delegate to the Deputy State Treasurer, Jon Forbes, authority to act on his behalf as a member of the PERA Board of Trustees when he is absent due to other official duties;

WHEREAS, Deputy State Treasurer, Jon Forbes, has acknowledged and accepted this delegation;

WHEREAS, State Treasurer Walker Stapleton and Deputy State Treasurer Jon Forbes have acknowledged that upon acceptance of this delegation and approval by the Board of Trustees, Deputy State Treasurer Jon Forbes is subject to the provisions of C.R.S. § 24-51-207, and shall act as a fiduciary to the plan members and benefit recipients as specified in C.R.S. § 24-51-207;

WHEREAS, State Treasurer Walker Stapleton and Deputy State Treasurer Jon Forbes have acknowledged that upon acceptance and approval by the Board of Trustees, Deputy State Treasurer Jon Forbes is subject to and required to make financial disclosures pursuant to the provisions of C.R.S. § 24-6-202, as per C.R.S. § 24-51-207(4), and that Deputy State Treasurer Jon Forbes is subject to and required to complete the annual PERA Conflict of Interest and Compliance Questionnaire;

WHEREAS, State Treasurer Walker Stapleton and Deputy State Treasurer Jon Forbes have acknowledged that upon acceptance and approval by the Board of Trustees, the responsibilities of State Treasurer Walker Stapleton and Deputy State Treasurer Jon Forbes shall be combined for the purposes of the PERA Board Education Policy;

WHEREAS, it has been the long standing practice of PERA to allow the delegation of the State Treasurer's authority and responsibilities as a Trustee on the PERA Board of Trustees, and;

WHEREAS, the Board believes that it is prudent in carrying out the Board's responsibilities, duties and authorities to authorize Deputy State Treasurer Jon Forbes to execute, on behalf of State Treasurer Walker Stapleton, any and all actions on behalf of the State Treasurer in all matters and transactions relating to any business of the PERA Board of Trustees in the State Treasurer's absence;

NOW, THEREFORE, BE IT RESOLVED, that Jon Forbes, Deputy State Treasurer, by the adoption of this motion, is hereby authorized to act, on behalf of the State Treasurer, Walker Stapleton, regarding any and all matters relating to any business of the PERA Board of Trustees. All actions taken by Jon Forbes, Deputy State Treasurer, on behalf of Walker Stapleton, State Treasurer, shall be deemed the official vote of the State Treasurer seat of the PERA Board of Trustees.

A motion was made by Walker Stapleton and seconded by Karl Fisch that, *"The Board adopt the forgoing resolution."* The motion was approved.



2015 Board Election

Ron Baker, PERA Chief Administrative Officer, provided information regarding the 2015 Board of Trustee Election. This information was transmitted to Trustees as Tab G1 on March 10, 2015.

A motion was made by Carolyn Jonas-Morrison and seconded by Carole Wright that stated, *“The Board direct staff to conduct an election for one retiree seat to be elected by the retired members of the State, Local Government, and Judicial Divisions, and to include in that election the following slate of candidates:*

- *Gary E. Flansburg*
- *John L. Frazer*
- *Timothy M. O’Brien.”*

The motion was approved.

A motion was made by Carolyn Jonas-Morrison and seconded by Lynn Turner that stated, *“The Board direct staff to conduct an election for one seat in the Judicial Division to be elected by the members of that division and to include in that election the following slate of candidates:*

- *Brian T. Campbell*
- *Richard L. Gabriel.”*

The motion was approved.

Mr. Baker provided information regarding the Trustee candidate questions that will be sent to the foregoing candidates. This information was transmitted to Trustees as Tab G2 on March 10, 2015. Discussion ensued and staff will move forward with providing the questions to the candidates as discussed and amended.

Scott Noller arrived at 8:51 a.m. and Timothy M. O’Brien arrived at 8:53 a.m.

Asset Liability Study

Jennifer Paquette, PERA Chief Investment Officer, provided the framework regarding the Asset Liability Study and discussed the proposed implementation plan. This information was transmitted to Trustees as Tabs H1 and H2 on March 11, 2015. Brady O’Connell, Partner, Aon Hewitt Investment Consulting, Inc. provided information regarding Aon Hewitt’s recommendation to the Board. Ms. Paquette and Mr. O’Connell responded to questions.

Lynn Turner left the meeting via conference call at 8:55 a.m. and arrived in person at 9:06 a.m.

A motion was made by Timothy M. O'Brien and seconded by Marcus Pennell that stated, *"The Board of Trustees approve the elimination of the Fixed Income long duration mandate effective July 1, 2015. The Fixed Income benchmarks, effective July 1, 2015, will be:*

	New Benchmark
Fixed Income Internal Core	<i>BC U.S. Aggregate</i>
Fixed Income Custom Benchmark	<i>BC U.S. Universal</i>

The Total Fund Policy Benchmark and the Public Markets Benchmark will reflect the Fixed Income Custom Benchmark changes on the same effective date. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the change."

The motion was approved.

A motion was made by Carole Wright and seconded by Benjamin Valore-Caplan that stated, *"The Board of Trustees approve changing the name of the Alternative Investment asset class to Private Equity effective July 1, 2015. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the change."*

The motion was approved.

A motion was made by Susan Murphy and seconded by Carolyn Jonas-Morrison that stated, *"The Board of Trustees approve that the Cash Benchmark be the BofA Merrill Lynch U.S. 3-Month Treasury Bill Index effective July 1, 2015. The Total Fund Policy Benchmark will reflect the Cash Benchmark on the same effective date. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the change. Further, the Board of Trustees approves the removal of the legacy Short-term Cash Policy adopted in 2003."*

The motion was approved.

A motion was made by Amy Nichols and seconded by James Casebolt that stated, “The Board of Trustees approve adoption of the following interim and long-term target allocations and target ranges effective July 1, 2015. The Total Fund Policy Benchmark and the Public Markets Benchmark will reflect the interim allocation percentage changes on the same effective date. The Statement of Investment Policy and all other pertinent reports and documents will be updated to reflect the changes. Staff and the Investment Consultant are directed to provide recommended interim policy targets and ranges to the Board annually until the long-term allocations and ranges are achieved.”

	Legacy Target	Interim Target Effective July 1, 2015	Long-Term Target	Target Range
Global Equities	56%	55%	53%	47% to 59%
Fixed Income	25%	24%	23%	18% to 28%
Private Equity	7%	7.5%	8.5%	5% to 12%
Real Estate	7%	7.5%	8.5%	5% to 12%
Opportunity Fund	5%	5%	6%	0% to 9%
Cash	—	1%	1%	0% to 3%

The motion was approved.

The Board recessed at 10:00 a.m. and reconvened at 10:18 a.m.

Funding Policy

Karl Greve, PERA Chief Financial Officer, and Koren Holden, PERA Senior Project Manager, provided information regarding the Funding Policy. This information was transmitted to Trustees as Tabs I1 and I2 on March 11, 2015. Discussion ensued and Mr. Greve, Ms. Holden, and Gregory W. Smith, PERA Executive Director, responded to questions.

Benjamin Valore-Caplan left the meeting at 11:00 a.m.



A motion was made by Carole Wright and seconded by Marcus Pennell that stated, "The Board adopt the Pension Funding Policy as provided as Tab I2 of the Board materials sent on March 11, 2015, amended to reflect a 30-year amortization period on new UAAL and the inclusion in the Comprehensive Annual Financial Report (CAFR) of alternative ADC calculations using a 25-year amortization period, a 20-year amortization period, and a 15-year amortization period on new UAAL." The motion was approved.

Executive Director Performance Plan

Gregory W. Smith, PERA Executive Director, provided a review of the *Communications Strategic Plan*. This information was transmitted to Trustees as Tab J on March 11, 2015.

The Board meeting recessed at 11:43 a.m. Trustees, as well as an outside Audit Committee member, participated in a *Comprehensive Annual Financial Report (CAFR)* workshop provided by Karl Greve, PERA Chief Financial Officer. The Board meeting reconvened at 12:40 p.m.

Walker Stapleton left the meeting at the recess and Jon Forbes took his place.

Legislative Update

Gregory W. Smith, PERA Executive Director, provided a presentation regarding legislation affecting PERA. Information was transmitted to Trustees as Tab K on March 11, 2015. Discussion ensued and Mr. Smith responded to questions. Mr. Smith continued with a presentation regarding federal legislation. Extensive discussion ensued.

Walker Stapleton returned to the meeting at 1:12 p.m.

Member Administrative Appeal

Maryann Motza, Chair, Board of Trustees, stated that in accordance with the Board Agenda, an administrative appeal by Beth Roybal, PERA retiree, was scheduled to be heard. The administrative appeal involved member information, which is deemed confidential by C.R.S. § 24-51-213. Due to Ms. Roybal's absence and the statutory confidentiality of PERA member information the appeal was heard in Closed Executive Session.

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Trustees Marcus Pennell, Amy Grant, and Amy Nichols, who had previous involvement in the petitioner's appeal, recused themselves from the appeal and stepped out of the room. Also, because the Executive Director made the initial determination regarding Ms. Roybal's request, Gregory W. Smith recused himself from the meeting and also stepped out of the room.

The Closed Executive Session began at 1:18 p.m. In addition to the remaining Trustees, Craig Adams, Esq., legal advisor to the Board, Kimberly Gardner, Senior Staff Attorney, Megan Westberg, Staff Attorney, and Brenda Meidl, Manager of the Executive Director's Office, participated in the Closed Executive Session. Ms. Gardner made her statement and responded to questions, concluding at 1:36 p.m. At that point Ms. Gardner, Ms. Westberg, and Ms. Meidl left the room. The Board commenced deliberations at 1:39 p.m. and concluded at 1:46 p.m. The Closed Executive Session ended at 1:46 p.m.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Executive Session involved the Administrative Appeal of Beth Roybal."

Maryann Motza, Chair, Board of Trustees

Benjamin Valore-Caplan returned to the meeting at 1:46 p.m.

A motion was made by Lynn Turner and seconded by Mason Parsaye that stated, "*The Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Beth Roybal's request and conclude that PERA staff acted in an appropriate manner by withholding Ms. Roybal's employee health insurance premium subsidy, offsetting her monthly benefit, and offsetting her Replacement Benefit Arrangement (RBA) payments to collect the unauthorized overpayment from the PERA trust funds.*" The motion passed. Only Trustees who participated in the deliberations participated in the vote.

The Board recessed at 1:49 p.m. and reconvened at 2:02 p.m.

Lynn Turner and Jon Forbes left the meeting at the recess.

Committee Reports

Evaluation Committee

Maryann Motza, Chair, Evaluation Committee, reported that the Committee met the previous day. The Committee was provided information regarding the Board Self-Evaluation, and Board Education Needs, which was transmitted to Trustees in the Evaluation Committee materials as Tabs B and C. The Committee also received information regarding the Executive Director's Evaluation Process, Assessment Report, and the formation of the Ad Hoc Committee to negotiate terms of a renewal contract with the Executive Director.

Audit Committee

Timothy M. O'Brien, Chairman, Audit Committee, reported that the Committee met the previous day. The Committee received an update from KPMG on the 2014 financial Audit. They also received an update from Karl Greve, PERA Chief Financial Officer, on the PERA 2014 *Comprehensive Annual Financial Report*. David Mather, PERA Director of Internal Audit, reviewed PERA's compliance with the Standards of Professional and Ethical Conduct, and the status of the Internal Audit activity status. The Committee also discussed the evaluation of the external audit Committee members and the PERA Director of Internal Audit, and met privately with the PERA Director of Internal Audit.

Benefits Committee

Carolyn Jonas-Morrison, Chair, Benefits Committee, reported that the Committee met the previous day. The Committee received a Capital Accumulation Plan (CAP) annual update by Donna Baros, PERA Chief Benefits Officer, and Rebecca Gratsinger, CEO and Senior Consultant, RVK. In addition, Matt Carroll, PERA Director of Benefit Services, provided information regarding service delivery, and Jay Ringhofer, Senior Vice President, Lockton Companies, provided an update on PERACare.

Investment Committee

Susan Murphy, Chair, Investment Committee, reported the Committee met the previous day. The Committee discussed the *Statement of Investment Policy* and the Investment Philosophy.

Susan Murphy moved that the Investment Committee recommends that, "*The Board of Trustees approve the amended Statement of Investment Policy, which includes the Investment Philosophy, as described and amended in Tab B of the Investment Committee Agenda dated March 19, 2015.*" The motion was approved.

In addition, the Committee received information regarding the *Statement of Investment Policy* and Internal Investment Compliance, a Cost Effectiveness Report, and a Brokerage Commission Report. The Committee reviewed recommended revisions to investment policies.

Susan Murphy moved that the Investment Committee recommends that, "*The Board of Trustees eliminate the following legacy investment policies:*

- *All Country (global) mandate allocation must be less than 20 percent of Global Equity asset class*
- *Internal active global mandate not to exceed 6 percent of Global Equity asset class*



Further, the Investment Committee recommends that the Board of Trustees adopt the following modification for the DPSRS legacy investment policy related to inherited investments:

- *DPSRS compliance reporting on inherited compliance issues will be included in periodic compliance reporting to the Investment Committee.”*

The motion was approved.

Stakeholder Relations Committee

Amy Grant, Chair, Stakeholder Relations Committee, reported that Committee met the previous day and received a report from Gregory W. Smith, PERA Executive Director, regarding the *Strategic Communications Plan* focus on education community outreach.

Lynn Turner returned to the meeting at 2:22 p.m.

Shareholder Responsibility Committee

Lynn Turner, Chair, Shareholder Responsibility Committee, reported that the Committee met the previous day and received information regarding the 2014 proxy season review proxy contests and a preview of the 2015 proxy season. In addition, the Committee received an update regarding securities litigation proceeds and the U.S. Department of Labor's proposed fiduciary rule for investment advisers and broker-dealers.

Staff Reports

Executive Director Report

Gregory W. Smith, PERA Executive Director, reviewed recent PERA and national activities. The information was transmitted to Trustees as Tab L on March 10, 2015. Mr. Smith responded to questions.

Scott Noller left the meeting at 2:45 p.m. and joined via conference call at 2:59 p.m. Carolyn Jonas-Morrison left the meeting at 2:59 p.m. and joined via conference call at 3:04 p.m.

Benefits Update

Donna Baros, PERA Chief Benefits Officer, provided a Benefits update presentation. This information was transmitted to Trustees as Tab N on March 11, 2015. Ms. Baros responded to questions.

Market & Portfolio Update

Jennifer Paquette, PERA Chief Investment Officer, provided a market and portfolio update presentation. The Investment Performance Report was transmitted to Trustees as Tab M on March 10, 2015. Ms. Paquette and Martha Argo, PERA Investment Director, responded to questions.

Cyber Security

At the request of Maryann Motza, Chair, Board of Trustees, Adam Franklin, PERA General Counsel, provided an explanation for the purpose of taking this item into a Closed Executive Session.

Maryann Motza, Chair, Board of Trustees, polled the Trustees in attendance and received consent to go into Closed Executive Session at 3:30 p.m. The issues to be discussed involve details of computer system security arrangements concerning PERA. In addition to the Trustees, the General Counsel, the Chief Officers, the Directors for Planning, Policy, and Budget, the Public Information Officer, and the Manager of the Executive Director's Office participated in the Closed Executive Session. The presentation was made by Ron Baker, PERA Chief Administrative Officer and Kevin Carpenter, PERA Director of Information Technology.

Carolyn Jonas-Morrison left the meeting at 3:37 p.m. Scott Noller left the meeting at 3:48 p.m. and rejoined at 3:51 p.m. Jon Forbes joined the meeting via conference call at 3:49 p.m. Walker Stapleton left the meeting at 3:52 p.m. and did not return. Richard Delk left the meeting at 4:14 p.m. and did not return. Marcus Pennell left the meeting at 4:27 p.m. and joined the meeting via conference call at the same time. Carole Wright left the meeting at 4:38 p.m. and did not return. Benjamin Valore-Caplan left the meeting at 4:47 p.m. and rejoined via conference call at 4:53 p.m.

The Closed Executive Session concluded at 4:58 p.m.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Executive Session involved details of computer system security arrangements concerning PERA."

Maryann Motza, Chair, Board of Trustees

General Counsel Update

Adam L. Franklin, PERA General Counsel, provided an update regarding the Domestic Relations Orders processed and outside counsel fees paid. Mr. Franklin responded to questions.

Mr. Franklin requested that the Board go into Closed Executive Session. The issues to be discussed involved pending or imminent litigation and specific legal questions addressed to the General Counsel regarding the following:

- Settlements
- Securities Litigation
 - Colorado PERA and trust funds *et al.* v. BP, PLC *et al.*



- Trustees of the Mineworkers' Pension Scheme Limited, *et al.* v. The Royal Bank of Scotland Group, PLC
- Disability Cases
 - Hogan v. PERA *et al.*
 - Lawless v. PERA *et al.*
 - Mills v. PERA *et al.*
 - Colleen Verhey v. PERA and Unum
- Tribune Class Action
- Lyondell Chemical Company Bankruptcy
- Janet Walcott v. PERA, Gregory W. Smith, and Brian Pippin
- Elham Salemi v. PERA, Tim Moore, and Angela Setter
- City of Colorado Springs v. PERA

Maryann Motza, Chair, Board of Trustees, polled the Trustees in attendance and received consent to go into Closed Executive Session at 5:11 p.m. The issues to be discussed involved pending or imminent litigation and specific legal questions addressed to legal counsel. In addition to the Trustees, the Executive Director and the General Counsel, all the Chief Officers, the Public Information Officer, the Director of Planning, Policy, and Budget, the Director of Communications and External Affairs, and the Manager of the Executive Director's Office, participated in the Closed Executive Session. The Closed Executive Session concluded at 5:25 p.m.

Benjamin Valore-Caplan left the meeting during the above item at 5:19 p.m. 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 pending and imminent litigation and legal advice related to specific questions involving PERA constituting attorney client communication."

Maryann Motza, Chair, Board of Trustees

Other Business

With no further business to discuss, Ms. Motza adjourned the meeting at 5:28 p.m.



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Board Meeting Dates

June (22) 23, 2015

September 16-18, 2015

November (19) 20, 2015

Respectfully submitted by

Brenda E. Meidl

Manager of the Executive Director's Office

Maryann Motza, Chair, Board of Trustees

Gregory W. Smith, Executive Director

Approval Date: June 23, 2015