



**COLORADO  
PERA®**

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

1301 Pennsylvania Street

Denver, Colorado

June 19, 2009

8:30 a.m.

**Trustees Present:** Mark Anderson, Board Chair, Sara Alt, Vice Chair, James Casebolt, M. Judy Chavez, Howard Crane, Richard Delk, Cary Kennedy, Maryann Motza, Scott Murphy, Susan Murphy, Amy Nichols, Scott Noller, Andy Raicevich, Lynn Turner, via conference call until he joined the meeting in person, Carole Wright

**Trustees-elect:** Carolyn Jonas-Morrison, Marcus Pennell. See Board Election Results (continued) on page 2 of these minutes. Mr. Pennell participated as a trustee following his appointment.

**Trustees Absent:** No Trustees were absent

**Staff Present:** Adam Franklin, Karl Greve, Katie Kaufmanis, David Mather, David F. Maurek, Brenda Meidl, Jennifer Paquette, Karl Paulson, Kimberly Riccardi, Gregory W. Smith, via conference call

Mark Anderson, Board Chair, called the meeting to order at 8:30 a.m.

Mr. Anderson announced that Susan Beeman, Trustee, had retired since the last meeting and her seat is thus vacated. Mr. Anderson also recognized M. Judy Chavez, Trustee, whose term as a Trustee expired after the meeting. In addition, Mr. Anderson introduced and welcomed the new members of the Board of Trustees, Marcus Pennell and Carolyn Jonas-Morrison. The election results were affirmed later in the meeting.

**Approval of Agenda**

A motion was made by Howard Crane and seconded by Scott Noller that stated, "*the Agenda be approved as published.*" The motion was approved.

**Approval of the May 29, 2009, Board Meeting Minutes**

A motion was made by Howard Crane and seconded by Scott Noller that stated, "*the May 29, 2009, Board Meeting Minutes be approved as published.*" The motion was approved.

**Public Comment**

There was no public comment.



### **Executive Committee Report**

Sara Alt, Vice Chair, reported that the Executive Committee had met the previous day and that Trustee Scott Noller and Trustee-elect Marcus Pennell were in attendance. The Committee approved the May 28, 2009, Executive Committee minutes and reviewed the April 30, 2009, Unaudited Financial Statements and the May 31, 2009, Budget Report. Finally, they reviewed the agenda for the day's meeting.

### **Board Election Results**

David Mather, Internal Audit Director, reviewed the election results, which were provided as a handout to Trustees. Mr. Mather responded to questions.

A motion was made by Amy Nichols and seconded by Howard Crane that stated, "*the published June 8, 2009, Retirement Board Election Results be affirmed and that Scott Noller and Marcus Pennell are duly elected to a four-year Board term from the School Division, Maryann Motza and Carolyn Jonas-Morrison are duly elected to a four-year and one-year Board term, respectively, from the State Division, and Carole Wright is duly elected to a four-year Board term from the Retiree Division.*" The motion was approved.

### **Legislative Report**

Karl Paulson, Manager of Strategic Innovation, Mark Anderson, Board Chair, and David Maurek, Chief Operating Officer, provided an update on the current status of the proposed legislation timeline and discussed the August Listening Tours. Mr. Paulson, Mark Anderson, Chair, and Mr. Maurek responded to questions.

### **Board Election Results (Continued)**

Mr. Anderson noted that Susan Beeman, Trustee, had retired and had vacated her Board seat, which left the seat open for the June meeting and the Board is empowered to fill such vacancies.

A motion was made by Carole Wright and seconded by Scott Noller that stated, "*Marcus Pennell be appointed to fill the vacant School Division seat for a term expiring June 30, 2009.*" The motion was approved.

### **Strategic Initiatives Update**

Karl Paulson, Manager of Strategic Innovation, provided an update on the strategic initiatives. Mr. Paulson provided handouts of the update to Trustees.

### **401(k)/DC Plan Document**

Gregory W. Smith, General Counsel, Adam Franklin, Senior Staff Attorney, and Kimberly Riccardi, Staff Attorney, reviewed the proposed changes to the *401(k) Plan Document*, which were transmitted to Trustees as Tab B on June 12, 2009. Mr. Smith and Mr. Franklin responded to questions.

A motion was made by Richard Delk and seconded by Scott Noller that stated, "*the Board approve the proposed changes to the 401(k) Plan Document as presented in Tab B in the meeting materials.*" The motion was approved.



Lynn Turner, Trustee, joined the meeting via conference call at 9:08 a.m.

### **457 Plan Document Discussion**

Gregory W. Smith, General Counsel, Adam Franklin, Senior Staff Attorney, and Kimberly Riccardi, Staff Attorney, reviewed the proposed changes to the *457 Plan Document*, which were transmitted to Trustees as Tab C on June 12, 2009, and an additional change was provided to the Trustees as a handout regarding the language for an unforeseen emergency. Mr. Franklin responded to questions.

A motion was made by Richard Delk and seconded by M. Judy Chavez that stated, *"the Board approve and adopt the PERA 457 Plan Document as presented in Tab C in the meeting materials with an effective date of July 1, 2009."* The motion was approved.

### **Committee Reports**

#### **Benefits Committee**

Carole Wright, Benefits Committee Chair, reported that the Committee had met the previous day and received updates regarding the Defined Contribution and 457 Plans transition to PERA. Additionally, the Committee received updates regarding PERACare, the life insurance program administered by Unum, and the PERA long-term care plan administered by MetLife.

#### **Audit Committee**

James Casebolt, Audit Committee Chair, reported that the Committee had met the previous day. The Committee had reviewed the 2008 *Comprehensive Annual Financial Report (CAFR)* scheduled for release later in the day's meeting. In addition, the Committee discussed the 2008 Financial Audit by Clifton Gunderson, in which a clean opinion was received. The Committee met separately with the external auditors without PERA staff present. Finally, the Committee received reports from David Mather, Director of Internal Audit, regarding the established procedures for reporting suspected fraud, an update on Internal Audit Division activity, and annual disclosure reporting.

#### **Compensation and Budget Committee**

Scott Noller, Compensation and Budget Committee Chair, reported that the Committee had met the previous day. The Committee reviewed the Budget timeline, which included the DPSRS merger. Finally, the Committee discussed the savings accrued as a result of expense reductions PERA has put in place, such as travel, hiring freeze, and compensation reductions.

The Board recessed at 9:23 a.m. and reconvened at 9:35 a.m.

### **Member Administrative Appeal**

Mark Anderson, Board Chair, stated that in accordance with the Board Agenda, an administrative appeal by James Wesley Cox, surviving child of PERA member James Wayne Cox would be heard. Mr. Cox and his counsel David M. Koppa, Esq. were not present for the proceedings. An Administrative Appeal involves member information, which is deemed confidential by C.R.S. § 24-51-213. Mr. Anderson stated that in the absence of a waiver from the petitioner to hold the hearing in Open Session, the Appeal will be held in a Closed Session due to the statutory confidentiality of PERA member information. Mr. Anderson



polled the Trustees in attendance and received the consent of all members to go into Closed Session.

In accordance with the requirements of due process and pursuant to PERA Rule 2.20, Trustees Scott Murphy and Amy Nichols had previous involvement in Mr. Cox's appeal and stepped out of the meeting. In addition, Meredith Williams, Executive Director, made the initial determination regarding the request and was absent from the meeting. Trustees James Casebolt and Marcus Pennell recused themselves from the proceedings and also stepped out of the meeting.

The Board commenced the Closed Session at 9:36 a.m. Mr. Anderson polled the Trustees in attendance and received the consent of all members to go into Closed Session for deliberations at 9:46 a.m. In addition to the Trustees, Gregory W. Smith, legal advisor to the Board, remained present for the Closed Session. The Closed Session for deliberations concluded at 10:12 a.m.

"By my signature below, I certify that the only issues discussed by the members of the Board during the Closed Executive Sessions were regarding James Wesley Cox, surviving child of PERA member James Wayne Cox."

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Mark Anderson, Board Chair

### **Administrative Review Decision**

A motion was made by Howard Crane and seconded by Susan Murphy that stated, "*the Board adopt and ratify the Findings of Fact, Conclusions of Law and Decision of the Administrative Review Panel to deny Mr. Cox's request to not be required to pay back to PERA an overpayment of benefits and to continue receiving PERA survivor benefits for his lifetime.*" The motion was approved with one dissenting vote by M. Judy Chavez.

### **Committee Reports (Continued)**

#### **Investment Committee**

Maryann Motza, Investment Committee Chair, reported that the Committee had met the previous day. The Committee received several reports and recommendations from Ennis Knupp and staff.

The Investment Committee moved that "*the Board of Trustees approve the following benchmark changes effective April 1, 2009:*

- *Replace the DJ Wilshire 5000 Index with the Dow Jones U.S. Total Stock Market Index as the benchmark for Total U.S. Equity and the PERA U.S. Equity Index portfolio.*
- *Replace the U.S. Equity portion of the Global Equity, Alternatives and Opportunity Fund benchmarks with the Dow Jones U.S. Total Stock Market Index."*

The foregoing motion was approved.



### **Investment Committee (Continued)**

The Investment Committee moved that *“the Board of Trustees approve that staff may invest in the TALF investment strategy through an external manager or managers during 2009. An Opportunity Fund investment in the TALF strategy is limited to \$100 million or less.”* Extensive discussion ensued and Jennifer Paquette, Chief Investment Officer, responded to questions. The motion was approved.

### **Rules Hearing**

Adam Franklin, Senior Staff Attorney, and Kimberly Riccardi, Staff Attorney, reviewed the proposed changes to the *PERA Rules*, which were transmitted to Trustees as Tab D on June 12, 2009, and an additional change to Rule 17.50 was provided to the Trustees as a handout. Extensive discussion ensued regarding proposed Rule 2.96: Effect of Homicide on Beneficiary Designations and proposed Rule 3.25 (A)(4): Member Records; these Rules will be tabled for a future Rules hearing to allow for further research and investigation. Mr. Franklin, Gregory W. Smith, General Counsel, and David Maurek, Chief Operating Officer, responded to questions.

A motion was made by Amy Nichols and seconded by Scott Noller that stated, *“the Board approve and adopt with an effective date of July 1, 2009, the proposed amendments, additions, and deletions made to the PERA Rules, along with the Statement of Basis and Purpose as emergency rules, as such amendments are imperatively necessary to comply with state law.”* The motion was approved.

A motion was made by Scott Noller and seconded by Marcus Pennell that stated, *“the Board approve and adopt the proposed amendments, additions and deletions made to the PERA Rules, along with the Statement of Basis and Purpose with a permanent effective date of September 1, 2009.”* The motion was approved.

### **Release of the CAFR**

James Casebolt, Audit Committee Chair, reviewed the 2008 *Comprehensive Annual Financial Report (CAFR)*, which was transmitted to Trustees as Tab E on June 17, 2009, and provided to Trustees at the day’s meeting with final changes incorporated as a result of the Audit Committee meeting the previous day. In addition, on page 61, a listing of a link to the Denver Public Schools Web site was unintentionally excluded and will be added in the final copy of the *CAFR*. Mr. Casebolt responded to questions.

During this discussion Gregory W. Smith, General Counsel, and Lynn Turner, Trustee, were inadvertently disconnected from the conference call.

The Audit Committee moved that *“the Board authorize the release of the 2008 Comprehensive Annual Financial Report.”* Discussion ensued. Mark Anderson, Board Chair, called for a roll call vote with the following results: Maryann Motza, yes; Scott Murphy, yes; Cary Kennedy, yes; Marcus Pennell, yes; Richard Delk, yes; Howard Crane, yes; Sara Alt, yes; Susan Murphy, no; M. Judy Chavez, yes; Carole Wright, yes; Scott Noller, yes; Amy Nichols, yes; James Casebolt, yes. The foregoing motion was approved.



The Board recessed at 11:45 a.m. and returned at 12:32 p.m.

Gregory W. Smith rejoined the meeting via conference call at 12:35 p.m.

### **Actuarial Experience Study**

Cavanaugh Macdonald's Thomas Cavanaugh, Chief Executive Officer, Edward Koebel, Senior Actuary, and Eric Gary, Senior Actuary, reviewed the Actuarial Experience Study, which was distributed to the Board. Mr. Cavanaugh, Mr. Koebel, and Mr. Gary responded to questions.

Lynn Turner, Trustee, arrived during the foregoing discussion at 1:04 p.m.

Scott Murphy, Trustee, left the meeting at 1:53 p.m. and did not return.

The Board recessed at 2:38 p.m. and reconvened at 2:44 p.m.

### **Staff Reports**

#### **General Counsel Update**

Gregory W. Smith, General Counsel, informed the Board of the retirement of Diane Ahonen, Legal Services Director, which was effective June 30, 2009. Mr. Smith introduced the new Legal Services Director, Luz Rodriguez, who was formerly the payroll team leader in the PERA Benefit Services Division. Ms. Rodriguez will assume her new duties on July 1, 2009. The Board congratulated Ms. Ahonen by acclamation.

Mr. Smith then requested the Board go into Closed Executive Session to address pending or imminent litigation and legal advice on specific legal questions regarding PERA, pursuant to C.R.S. §§ 24-6-402(3)(a)(2) and 24-6-402(4)(b). Mark Anderson, Chair, polled the Trustees in attendance and received consent to go into Closed Executive Session at 2:49 p.m. In addition to the Trustees, the General Counsel, the Chief Financial Officer, the Chief Investment Officer, the Chief Operating Officer, the Directors of Communications and Internal Audit, the Manager of Strategic Innovation, and the Legal Executive Administrative Assistant remained present for the Closed Executive Session. The Closed Executive Session concluded at 3:09 p.m.

"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 threatened litigation as well as legal advice related to specific questions involving PERA constituting attorney client communication."

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Mark Anderson, Board Chair



### **Staff Reports (Continued)**

#### **Executive Director Report**

Because Executive Director Meredith Williams was ill and unable to attend the meeting, David F. Maurek, Chief Operating Officer, reviewed the *Executive Director's Report*, which was transmitted to Trustees as Tab F on June 12, 2009.

#### **Investment Update**

Jennifer Paquette, Chief Investment Officer, reviewed the market and portfolio performance, which was transmitted to Trustees as Tab G on June 12, 2009.

#### **Benefits Update**

David F. Maurek, Chief Operating Officer, provided an update on Defined Contribution (DC) Plan statistics. The presentation was provided as a hard copy to the Trustees. Mr. Maurek responded to questions.

### **Board Room Naming Resolution**

Mark Anderson, Chair, asked Trustees to consider the following resolution:

*Resolution Concerning Naming of the Colorado PERA Boardroom the "Raymond 'Doc' Heath Memorial Boardroom"*

Whereas, Raymond "Doc" Heath, having experienced the financial and personal challenges of The Great Depression, played an integral part in establishing a vision of a future that was better for state employees than had been available to them up through the late 1920s, and

Whereas, Doc Heath was instrumental in the planning, design and ultimate legislative drafting for the establishment of a retirement system for state employees in Colorado, and

Whereas, Doc Heath and others were successful in their resolve, seeing that a retirement system was established by the Colorado General Assembly for state of Colorado employees in July 1931, and

Whereas, Doc Heath served as the original Secretary of the State Employees Retirement Association, the predecessor of the current Public Employees' Retirement Association of Colorado (PERA) from 1933 through 1965, and

Whereas, Doc Heath's efforts during that remarkable tenure allowed for the expansion of basic retirement benefits and membership in PERA into school districts and municipalities across Colorado, and

Whereas, through Doc Heath's leadership, sincerity and dedication to the membership of PERA, he earned the respect, confidence, appreciation and esteem of Legislators, PERA Board members, PERA staff and national organizations as PERA grew despite significant statewide, national, and international challenges, and

Whereas, the current economic challenges facing PERA will require advocacy, energy, dedication, strength, and professionalism similar to the type of vision, steadfastness, stability and resolve associated with PERA's beginnings, therefore be it

Resolved, that in recognition of the long history of leadership and public service of an extraordinary Colorado citizen, and with deep appreciation and respect, the Board of Trustees of Colorado PERA do formally and permanently recognize the impact of Doc Heath on Colorado PERA by naming the Board's meeting room in the PERA office the Raymond "Doc" Heath Memorial Boardroom effective immediately, and

Resolved that a copy of this Resolution be placed in the official minutes of the June 19, 2009, PERA Board of Trustees meeting.



A motion was made by Howard Crane and seconded by Carole Wright that the foregoing resolution be approved. The motion was approved.

**Other Business**

With no further business to discuss, Mr. Anderson adjourned the meeting at 3:46 p.m.

**Board Meeting Dates**

July (23) 24, 2009

*August 2009 Listening Tours*

11th – Denver

12th – Colorado Springs

13th – Pueblo

18<sup>th</sup> – Grand Junction

19th – Durango

24th – Fort Collins

25th – Greeley

26th – Fort Morgan

September 16-18, 2009 (Planning Meeting)

October (15) 16, 2009

November (19) 20, 2009

**Shareholder Meetings**

October 2009

20th – Fort Collins

21st – Fort Morgan

22nd – Greeley

26th – Aurora

27th – Boulder

28th – Grand Junction

29th – Durango

November 2009

3rd – Lakewood

4th – Colorado Springs

10th – La Junta

11th – Pueblo

12th – Alamosa

17th – Denver

Respectfully submitted by  
*Brenda E. Meidl, Executive Administrative Assistant*  
Office of the General Counsel

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Mark Anderson, Board Chair

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David F. Maurek, Chief Operating Officer