

# **Public Employees' Retirement Association of Colorado**

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## ***GOVERNANCE MANUAL***



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**TAB 1**

**INTRODUCTION**

## Introduction

The Board of Trustees of the Public Employees' Retirement Association of Colorado (PERA) plays an important fiduciary role in serving and protecting the interests of plan participants, and it believes that a sound governance framework is essential to fulfilling this role successfully. As part of its efforts to build and maintain a sound governance framework, the Board has prepared this Governance Manual.

The Manual contains important governance-related documents that together describe the governance framework within which the Board intends to set policy and oversee the programs and operations of PERA. The Board intends that the Manual will serve as a resource and a frame of reference for both new and experienced Trustees, and therefore encourages Trustees to periodically review its contents and ensure that it is kept up-to-date.

The Manual contains two types of directives, **charters** and **governance policies**:

### **I. Charters**

Charters describe the roles and responsibilities of the major decision-making bodies involved in the governance and management of PERA. These include the Board, committees of the Board, officers of the Board, and the Executive Director. By clarifying duties and how each body is accountable, charters help to enhance the efficiency of the Board's operations, and the quality of its decisions.

The charters were prepared by amalgamating various requirements set out in PERA Law, PERA Rules, and Board policy. To these were added additional requirements that, while not required under existing law or policy, were thought to represent good industry and business practices. The charters serve as operating mandates for the major decision-making bodies within PERA. It is expected that the charters will be followed closely, reviewed periodically, and modified, as appropriate, to reflect changes in the law, PERA policy, business practices, and the needs of the Board.

### **II. Governance Policies**

Governance policies constitute the second type of directive found in the Governance Manual. These are written policies that provide specific guidance to the Board and senior management concerning how the Board will function as a decision-making body, and set out the expectations of the Board concerning its own conduct and that of individual Trustees. The governance policies address a range of topics from Board communications and education to ethical conduct and Board performance evaluation. It is expected that the Board may, over time, establish additional governance policies as needed.

The Board and individual Trustees will strive to comply with the provisions of the governance policies. The Board will periodically review and update the policies as necessary to ensure they continue to be realistic and relevant, and continue to reflect the needs of PERA.

**TAB 2**

**DEFINED TERMS**

## Defined Terms

Throughout this Manual:

- a) "PERA" or "the Association" refers to the Public Employees' Retirement Association of Colorado;
- b) "Board" refers to the Board of Trustees of the Public Employees' Retirement Association of Colorado;
- c) "Law" or "PERA Law" refers to Title 24, Article 51, C.R.S. (as amended);
- d) "PERA Rules" refer to the rules promulgated under PERA Law;
- e) "401(k) Plan" refers to the optional voluntary investment program offered to PERA members and administered under the direction of the PERA Board of Trustees.

**TAB 3**

**CHARTER FOR THE  
BOARD OF TRUSTEES**

# **Public Employees' Retirement Association of Colorado Charter for the Board**

## **Introduction**

- 1) PERA is an instrumentality of the state of Colorado and is not subject to administrative direction by any department, commission, board, bureau, or agency of the state. PERA's purpose is to provide benefits and programs as specified in the Law. These benefits and programs are managed by the sixteen Trustees that comprise the Board. The Board governs PERA by establishing policy, while management is responsible for implementing policy and managing day-to-day operations.
- 2) To guide PERA in the administration of the Law, the Board has established the following mission and vision statements:

*VISION - To become the retirement plan of choice for all Colorado public employees.*

*MISSION – To promote long-term financial security for our membership while maintaining the stability of the fund.*

This charter sets out the role of the Board in supporting the above mission and vision statements.

## **Duties and Responsibilities**

### **Governance and Board Operations**

- 3) With respect to the governance of PERA, the Board will:
  - a) Perform their functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties, as required by law;
  - b) Approve the vision and mission statements of PERA;
  - c) Approve the applications of political subdivisions or state agencies to affiliate with or terminate from PERA;
  - d) Assign any state agency, its political subdivisions, any school district, public entity or court to the appropriate state and school division, the municipal division or the judicial division;
  - e) Take positions on legislative proposals affecting PERA;
  - f) Initiate, defend or settle litigation involving PERA;
  - g) Delegate appropriate responsibilities to the staff of PERA; and
  - h) Approve retirements of PERA members.

- 4) With respect to Board operations, the Board will:
- a) Approve charters describing the roles and responsibilities of the Board, the committees of the Board, the Executive Director, the Board Chair, and the Vice-Chair, and amend said charters from time to time, as appropriate;
  - b) Approve the creation or dissolution of standing and ad hoc committees of the Board, thereby establishing the committee structure of the Board;
  - c) Approve, and amend as necessary, any policies to ensure appropriate governance practices including, at a minimum:
    - (i) Bylaws;
    - (ii) PERA Rules;
    - (iii) Standards of Professional and Ethical Conduct;
    - (iv) Board Operations Policy; and
    - (v) Board Education Policy and related forms and documentation.
  - d) Adopt an annual calendar of Board meetings and events.

### **Investments**

- 5) In accordance with the Law, the Board has complete control and authority to invest the funds of PERA. As fiduciaries, Trustees shall carry out their functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties.
- 6) The Board shall diversify the investments of PERA so as to minimize the risk of losses unless, in light of the circumstances, it is not prudent to do so. The Trustees shall act with the care, skill, prudence, and diligence in light of the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use.
- 7) With respect to the defined benefit retirement program, the Board shall:
- a) Approve a statement of investment philosophy that sets forth PERA's beliefs on key investment issues, including, but not limited to:
    - (i) Fund purpose;
    - (ii) Strategic Asset Allocation;
    - (iii) Investment approach;
    - (iv) Investment Risks; and
    - (v) Time Horizon.

- b) Approve an investment policy that addresses, at a minimum:
    - (i) Investment goals and objectives;
    - (ii) Asset allocation policy;
    - (iii) Market efficiency;
    - (iv) Investment manager selection and removal;
    - (v) Eligible asset categories;
    - (vi) Performance measurement; and
    - (vii) Proxy voting.
  - c) Ensure strategies are in place to achieve the investment goals and objectives of PERA;
  - d) Approve the decision to use internal or external investment managers for any asset class PERA invests in;
  - e) Ensure that a study of the relationship between PERA's assets and liabilities is performed at least every three to five years or more frequently, if needed;
  - f) Approve corporate governance or shareholder rights actions deemed necessary with respect to any corporation or entity of which PERA is a shareholder, partner or member; and
- 8) With respect to the 401(k) Plan administered by PERA, the Board shall approve a written investment policy, and any amendments thereto as recommended by the Executive Director. The investment policy will address, at a minimum:
- a) Number and type of Investment fund options offered;
  - b) Investment manager selection and removal; and
  - c) Performance monitoring.
- 9) The Board shall approve the investment funds offered in the 401(k) investment program.

### **Benefits Administration**

- 10) With respect to the defined benefit retirement program of PERA, the Board will:
- a) Adopt and promulgate the Board Rules and other policies, as necessary, for the effective administration of PERA, (including the Benefit Interpretation Policy and the Administrative Review Process);

- b) Recommend appropriate changes to benefit plan design to the state legislature;
  - c) Hear and consider appeals by plan participants in accordance with the administrative review procedures specified in PERA Rule 2.20, as amended;
  - d) Establish service quality benchmarks; and
  - e) Set the interest credit rate for PERA member contribution accounts.
- 11) With respect to the health care program of PERA, the Board will approve the design and benefit structure of the program, and recommend premium subsidies to the Legislature.
- 12) The Board may amend the 401(k) Plan, subject to the conditions set out in the 401(k) Plan Document.
- 13) The Board shall be responsible for appointing the following service providers for the 401(k) Plan, upon the recommendation of the Executive Director:
- a) Record keeper
  - b) Communication/education consultants
- 14) The Board shall review and determine appeals of decisions made by the Administrator, PERA staff or the PERA Board, brought by members/participants in accordance with PERA Rule 2.20.

### **PERA Operations**

- 15) The Board desires that PERA's operations will be managed effectively. Accordingly, the Board will:
- a) Approve a Strategic Planning Policy and annual strategic plans;
  - b) Approve the Budget Policy, the annual operating budget and any supplemental budgets that may be necessary;
  - c) Require that management implement and maintain effective technologies to efficiently manage the data, information and records of PERA;
  - d) Approve the location of PERA's headquarters and any secondary offices;
  - e) Ensure a Records Management Policy is in place;
  - f) Ensure a Business Continuity Plan is in place; and

- g) Maintain appropriate insurance coverage to protect against liability which arises out of, or in connection with:
  - (i) The performance of duties by any Trustee or employee of PERA; and
  - (ii) Business risks faced by the PERA organization.

### **Financial, Actuarial and Accounting Practices**

16) The Board will:

- a) Approve actuarial assumptions and methodologies;
- b) Meet with PERA's pension actuary to discuss PERA's annual Actuarial Valuation Report;
- c) Recommend to the state legislature, upon advice of the pension actuary, the employer and member contribution rates;
- d) Approve the maximum amount of matching employer contributions that may be made to eligible tax deferred retirement programs based on members' voluntary contributions to such plans;
- e) Ensure that appropriate accounting and internal control policies are in place to safeguard the assets of PERA;
- f) Approve the release of the Comprehensive Annual Financial Report (CAFR) including the Audit Report;
- g) Require that accounts of all contributions to PERA are adequately maintained;
- h) Approve appropriate disbursements from PERA trust funds;
- i) Submit to financial and performance audits of all financial transactions and accounts kept by or for PERA, as prescribed in the Law; and
- j) Commission an actuarial audit at least every five years to confirm the valuations of the primary actuary. Appointment of a new actuary will also satisfy this requirement.

### **Human Resources**

17) With respect to the human resources function, the Board will:

- a) Approve a Human Resources Policy addressing, at a minimum, the compensation guidelines of PERA;

- b) Establish a Succession Policy to ensure continuity in management, the Board and other critical positions within PERA;
- c) Approve the compensation of the Executive Director; and
- d) Review the actions of the Executive Director concerning the hiring and/or termination of PERA's Internal Audit Director and PERA's General Counsel.

### **Communications**

- 18) With respect to communications, the Board will:
- a) Strive to maintain effective communications with significant interest groups, including but not limited to, the plan participants, employers and the state legislature;
  - b) Approve a Public Relations Plan, and any updates thereto; and
  - c) Approve an annual Information Report for distribution to all plan participants.
- 19) The Board will approve a 401(k) Plan Participant Communications Policy designed to ensure members of the 401(k) plan are provided appropriate and sufficient information with which to make reasonable retirement and investment decisions.

### **Key Appointments / Elections**

- 20) The Board will certify the election or appointment of Trustees to the Board.
- 21) The Board will elect by secret ballot:
- a) A Board Chair; and
  - b) A Vice-Chair.
- 22) The Board will approve:
- a) Trustees to serve on all standing committees of the Board; and
  - b) Outside members of the Audit Committee.
- 23) The Board will appoint, evaluate and may terminate the Executive Director.
- 24) The Board will appoint, evaluate and may terminate:
- a) The Pension Actuary;
  - b) The Health Care Actuary;
  - c) The Actuarial Auditor;

- d) The Investment Consultants;
- e) Fiduciary Counsel;
- f) Custodian banks;
- g) The Election Auditor; and
- h) Other advisors that may be required from time to time to serve primarily as advisors to the Board.

## **Monitoring and Reporting**

### **Governance and Board Operations**

- 25) The Board will establish the reporting and monitoring practices necessary to provide the Board with the information it requires to effectively oversee the operations of PERA and meet the requirements of the Law. The Board will set out these practices in a Monitoring and Reporting Policy, to be approved by the Board, and in other policies as required.
- 26) The Board will:
- a) Monitor PERA's compliance with the governance-related policies of the Board, and periodically review the continued appropriateness of such policies;
  - b) Maintain reporting and monitoring mechanisms to make certain that PERA operates within applicable laws and regulations;
  - c) On an annual basis, review the performance of the Board in accordance with the Board Performance Evaluation Policy;
  - d) Review the performance of the election auditor;
  - e) Review the performance of the Executive Director; and
  - f) Review compliance with the Succession Policy.

### **Investments**

- 27) With regard to investments, the Board will:
- a) Review adherence to the investment philosophy of PERA;
  - b) Review compliance with, and the continued appropriateness of, the investment policies of both the defined benefit and defined contribution programs;
  - c) Review the investment performance of the defined benefit, the 401(k) plan, and health care programs, including the performance of all investment managers; and
  - d) Review the performance of the Investment Consultants.

## **Benefits Administration**

28) With regard to benefits administration, the Board will:

- a) Monitor the appropriateness of benefit plan design;
- b) Review the service quality levels provided to the plan participants of PERA;
- c) Review the effectiveness of PERA communications with participants in the defined benefit, the 401(k) plan, and the health care programs;
- d) Review administrative errors and acknowledge corrective actions taken;
- e) Review the administration of the disability program on an annual basis;
- f) Review the recovery of any benefits or premium subsidies paid to ineligible benefit recipients; and
- g) Review the administration of the health care program on an annual basis.

29) With respect to the 401(k) Plan, the Board shall monitor:

- a) Activity of the 401(k) Plan, including participation statistics, total assets, and assets by class and fund, at least annually; and,
- b) Investment performance for each investment fund, relative to policy benchmarks, at least annually.

30) With respect to the 401(k) Plan, the Board shall review:

- a) Compliance with the 401(k) Plan document, legislation, and policies, on an annual basis;
- b) Costs of the administration and investment offerings of the 401(k) Plan, on an annual basis;
- c) Continued appropriateness of 401(k) Plan policies, on a periodic basis; and,
- d) Effectiveness of PERA communications with 401(k) members (and/or compliance with industry standards and guidelines), on a periodic basis.

## **Operations**

31) With regard to operations, the Board will:

- a) Review progress towards the implementation of PERA's strategic plan;
- b) Review compliance with PERA's operating budget;

- c) Review the cost effectiveness of PERA operations, including the investment and administration functions;
- d) Review the suitability of PERA's physical premises;
- e) Review compliance with the Records Management Policy, and the Business Continuity Plan;
- f) Monitor that appropriate insurance coverage is in place; and
- g) Review the adequacy of PERA's technology and related systems.

### **Financial, Actuarial and Accounting Practices**

32) With regard to financial, actuarial and accounting practices, the Board will:

- a) Review the actuarial funding levels of PERA;
- b) Review the annual Actuarial Valuation Report;
- c) Review the actuarial experience of PERA;
- d) Review the results of all actuarial audits of PERA;
- e) Review the implementation of PERA's financial and internal controls; and
- f) Review the performance of the external auditor.

### **Human Resources**

33) With regard to human resources, the Board will:

- a) Review compliance with the Human Resources Policy.

### **Legislative and Participant Reporting**

34) The Board will issue an annual report, presented by management and the external auditor, to the Legislative Audit Committee and the Joint Budget Committee of the State Legislature which will include:

- a) The Actuarial Valuation Report together with any recommendations concerning the occurrence of any liabilities;
- b) The Audit Report together with any recommendations concerning the occurrence of any liabilities; and
- c) The Comprehensive Annual Financial Report.

35) The Board will ensure issuance of the comprehensive annual financial report summary to plan participants.

### **Charter Review and History**

36) This charter will be reviewed at least every three years for continued relevancy and appropriateness.

37) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 4**  
**CHARTER FOR THE**  
**INVESTMENT**  
**COMMITTEE**

**Public Employees' Retirement Association of Colorado  
Charter for the Investment Committee**

**Introduction**

- 1) The Investment Committee is a standing committee of the Board comprised of not less than six members. The Investment Committee is responsible for assisting the Board in overseeing the PERA investment program.

**Duties and Responsibilities**

- 2) The Investment Committee will:
  - a) Recommend to the Board a written statement of investment philosophy for the defined benefit retirement program;
  - b) Recommend to the Board a written statement of investment policy for the defined benefit retirement program, and any amendments thereto;
  - c) Recommend to the Board strategies to achieve the investment goals and objectives of PERA for the defined benefit retirement program;
  - d) Recommend to the Board the use of internal or external investment managers for any asset class in which PERA invests;
  - e) Recommend to the Board the use of nominee partnerships to facilitate investment sales and exchange transactions;
  - f) Advise the Board on any other investment matters and make recommendations for Board action when necessary; and
  - g) Keep minutes of Investment Committee meetings and ensure the minutes are made available to Trustees.

**Monitoring and Reporting**

- 3) The Investment Committee will:
  - a) Periodically monitor PERA's compliance with the written statement of investment philosophy for the defined benefit retirement program and report to the Board as appropriate;
  - b) At least annually monitor PERA's compliance with the written statements of investment policy for the defined benefit retirement program, and report to the Board as appropriate;

- c) Review asset allocation strategies for individual asset classes utilized in the defined benefit retirement program portfolio;
- d) Review internal and external investment management strategies utilized in the defined benefit retirement program;
- e) Review both internal and external investment manager performance; and
- f) Review management's study of the relationship between PERA assets and liabilities, at least every three to five years or more frequently if needed, and report to the Board.

### **Charter Review and History**

- 4) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 5) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 5**  
**CHARTER FOR THE**  
**SHAREHOLDER**  
**RESPONSIBILITY**  
**COMMITTEE**

# **Public Employees' Retirement Association of Colorado Charter for the Shareholder Responsibility Committee**

## **Introduction**

- 1) The Shareholder Responsibility Committee is a standing committee of the Board comprised of not less than four members. The Shareholder Responsibility Committee supports the Board by overseeing management's implementation of the policies and procedures concerning PERA's rights and responsibilities as a shareholder.

## **Duties and Responsibilities**

- 2) The Shareholder Responsibility Committee will:
  - a) Recommend a shareholder responsibility policy and procedures to the Board for approval;
  - b) Recommend to the Board any shareholder rights initiatives requiring Board approval for any corporation or other entity in which PERA is a shareholder.
  - c) Interact with the legal counsel and the Chief Investment Officer on shareholder responsibility policy matters.
  - d) Ensure minutes will be kept and made available to the Board.

## **Monitoring and Reporting**

- 3) The Shareholder Responsibility Committee will:
  - a) Monitor compliance with the PERA shareholder responsibility policy and report to the Board, as appropriate;
  - b) Review current policies and practices in the area of corporate governance and shareholder responsibility to ensure that PERA manages its proxies in the most advantageous manner, and report to the Board as appropriate; and
  - c) Review PERA's policies and practices with respect to securities litigation with the objectives of enhancing loss recovery on a cost effective basis and encouraging the implementation of responsible corporate governance practices in the business community.

## **Charter Review and History**

- 4) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 5) The Board adopted this charter on November 16, 2001. Last modification May 23, 2002. The Board approved changes to this Charter on February 18, 2005.

**TAB 6**

**CHARTER FOR THE  
AUDIT COMMITTEE**

# **Public Employees' Retirement Association of Colorado Charter for the Audit Committee**

## **Introduction**

- 1) The Board has established the Audit Committee composed of not less than five Board members, one to include the State Auditor as a permanent member, and two outside members. The outside members shall be independent of the Board, management, the independent accountants and free from any relationship that would interfere with the exercise of independent judgment to fulfill various audit-related duties for the benefit of the PERA stakeholders. The outside members shall serve as fiduciaries under a contractual relationship with PERA. The Audit Committee will generally review the adequacy and effectiveness of PERA's system of internal controls, and the accounting and financial reporting systems of PERA.

The Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities as they relate to accounting policies and reporting practices, the system of internal controls, the effectiveness of standards of ethical business conduct, the sufficiency of auditing relative thereto, and the policies, practices and activities of the General Counsel.

When requested by the Board of Trustees to investigate any activity of PERA, all employees of PERA are expected to cooperate in the conduct of such investigations as requested by members of the committee, the Internal Audit Director and the General Counsel.

## **Duties and Responsibilities**

- 2) The Audit Committee will, in consultation with the Executive Director:
  - a) Recommend accounting and internal control policies to the Board for approval;
  - b) Examine and approve the objectives, co-ordination and scope of audits, including reviews of risk management and the overall audit plans of the external auditor and the Internal Audit Director, the duties and responsibilities of the external auditor and the Internal Audit Director and the timing and estimated budgets of the annual audits;
  - c) Recommend the Comprehensive Annual Financial Report, including the Audit Report, to the Board for approval;
  - d) Meet no less than one time with the independent accountants separately, without management, during the year. The committee shall also meet no less than one time with the Internal Audit Director and General Counsel separately, without management, during the year.
  - e) Meet at least annually with the Internal Audit Director of PERA, or with the person acting in a similar capacity, and with PERA management, to discuss the effectiveness of the internal control procedures;
  - f) Meet with the State Auditor, if requested, regarding the selection of the external auditor;

- g) Meet with PERA's external auditor to discuss PERA's annual report, including the Audit Report and Comprehensive Annual Financial Report;
- h) Afford the external auditor and/or the Internal Audit Director and General Counsel a private audience when requested;
- i) Monitor that internal auditors have access to all documents, information and systems in the organization;
- j) Ensure that PERA has policies in place for monitoring employee reporting of any conduct or transaction that may be in violation of the Standards of Professional and Ethical Conduct.
- k) Retain persons having special competence as necessary to assist the Audit Committee in fulfilling its responsibilities;
- l) Annually evaluate the outside members of the Audit Committee;
- m) Serve as a focal point for communication with the Board, the external auditor, the Internal Audit Director and management; and
- n) Keep minutes of Audit Committee meetings and ensure the minutes are made available to Board members.

### **Monitoring and Reporting**

#### 3) The Audit Committee will review:

- a) The findings of the external audit, management's response thereto, PERA's control process over internal accounting, information management, investment activity, internal audit activity (including audit schedules, audit reports, etc.), and the scope and general extent of the external auditor report;
- b) The PERA Comprehensive Annual Financial Report, including any disclosure documents or regulatory filings containing or accompanying the financial information of PERA, and the results of the financial review with the external auditor and management prior to release to the public;
- c) The findings or comments of any regulatory agencies concerning financial information of PERA;
- d) Any changes in accounting practices or policies, and the financial impact thereof, and review any accruals, provisions, estimates or management programs and policies that may have a significant effect on the financial statements of PERA;
- e) The effectiveness of, and PERA's compliance with, the Standards of Professional and Ethical Conduct;

- f) The effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing;
  - g) The Executive Director's selection, termination, and annual written performance evaluation of the Internal Audit Director and General Counsel;
  - h) The independence of the external auditors including the impact of any non-audit services performed for PERA by the auditors or any affiliate thereof on such independence; and
  - i) With PERA management, the external auditors, and/or external legal counsel, any claim or contingency that could have a significant effect on the financial condition or the results of PERA operations, the manner in which such claim or contingency is being managed and the manner in which it has been disclosed in the financial statements of PERA.
  - j) Information provided from the State Auditor's Office on reports by the independent accountants describing; their internal quality control procedures, any material issues raised by the most recent internal quality control review, peer review, or regulatory inquiry within the preceding five years; and all relationships between the independent accountants and PERA.
  - k) The resources made available to the Internal Audit department and General Counsel, including staffing, compensation and benefits, and their operating budgets.
  - l) Any recommended corrective or disciplinary actions for the Internal Audit Director and General Counsel, the positions' salary ranges, annual salary adjustment and bonus given to the Internal Audit Director and General Counsel.
- 4) The Audit Committee will report on its activities to the Board through minutes, special presentations as necessary, and an annual summary presentation.

### **Charter Review and History**

- 5) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 6) The Board adopted this charter on November 16, 2001. Last modification April 16, 2004. The Board approved changes to this Charter on February 18, 2005.

**TAB 7**

**CHARTER FOR THE**

**BENEFITS**

**COMMITTEE**

# **Public Employees' Retirement Association of Colorado Charter for the Benefits Committee**

## **Introduction**

- 1) The Benefits Committee is a standing committee of the Board and is comprised of not less than six members. The Board has established the Benefits Committee to assist the Board in overseeing PERA's benefit programs.

## **Duties and Responsibilities**

- 2) The Benefits Committee will:
  - a) Develop, evaluate and make recommendations regarding benefit plan design and benefit changes to the Board for the defined benefit and 401(k) plans;
  - b) Recommend to the Board a written statement of investment philosophy for the 401(k) Plan;
  - c) Recommend to the Board a written statement of investment policy for the 401(k) Plan;
  - d) Recommend to the Board, as necessary, changes to investment fund or funds offered in the 401(k) Plan.
  - e) Recommend to the Board, as necessary, the following service providers for the 401(k) Plan:
    - i) Record Keeper
    - ii) Communication/education consultants
  - f) With respect to the 401(k) Plan, the Benefits Committee shall review, at least annually:
    - i) Activity of the 401(k) Plan, including participation statistics, total assets, and assets by class and fund;
    - ii) Compliance with the Plan Participant Communications Policy;
    - iii) Member feedback and satisfaction;
    - iv) Administration costs of the 401(k) Plan.
  - g) Recommend to the Board, the design and benefit structure of the group health care program, and premium subsidies;
  - h) Recommend service quality benchmarks to the Board;
  - i) Recommend to the Board the Benefit Interpretation Policy and the Administrative Review Process;

- j) Recommend to the Board the 401(k) Plan Participant Communications Policy and any amendments thereto;
- k) Keep minutes of Benefits Committee meetings and ensure the minutes are made available to Board members.

### **Monitoring and Reporting**

3) The Benefits Committee will:

- a) With respect to the 401(k) Plan, the Benefits Committee shall monitor at least annually;
  - i) Activity of the 401(k) Plan, including participation statistics, total assets, and assets by class and fund; and
  - ii) Investment performance for each investment fund.
- b) With respect to the 401(k) Plan, the Benefits Committee shall review, at least annually:
  - i) Compliance with the 401(k) Plan document, legislation, and investment policies;
  - ii) Costs of the 401(k) Plan investment program;
  - iii) Continued appropriateness of investment managers and funds for the 401(k) Plan.
- c) With respect to the 401(k) Plan, the Benefits Committee shall review, on a periodic basis:
  - i) Continued appropriateness of the Plan Participant Communications Policy and of service quality standards and benchmarks;
  - ii) Effectiveness of PERA communications with 401(k) members (and/or compliance with industry standards and guidelines).
- d) Review service quality levels provided to the plan participants of PERA;
- e) Review the administration of the disability program annually;
- f) Review the administration of the PERA Health Care Program annually;
- g) Review PERA's compliance with the Benefit Interpretation Policy, the Administrative Review Process and the 401(k) Plan Participant Communications Policy; and
- h) Review benefits offered to plan participants by PERA on a periodic basis.

## **Charter Review and History**

- 4) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 5) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 8**  
**CHARTER FOR THE**  
**COMPENSATION &**  
**BUDGET COMMITTEE**

# **Public Employees' Retirement Association of Colorado Charter for the Compensation & Budget Committee**

## **Introduction**

- 1) The Board has established a Compensation & Budget Committee which will meet periodically as necessary to carry out duties assigned to it by the Board.
- 2) The Compensation & Budget Committee is comprised of not less than five members. The Board has established this Committee to assist the Board in fulfilling its oversight responsibilities and to help PERA achieve its goals through effective governance and management.

## **Duties and Responsibilities**

- 3) The Committee will:
  - a) Review the proposed annual operating budget, submit and recommend a final complete budget that implements the organization's policies and priorities to the Board no later than the November Board meeting each year.
  - b) Recommend changes to the total compensation philosophy statement.
  - c) Conduct executive compensation surveys and recommend to the Board appropriate compensation levels for the Executive Director when contract renewals may warrant.
  - d) Recommend to the Executive Director an appropriate total compensation policy for the Executive staff.
  - e) Receive and review reports from management that summarize data metrics on PERA's employee population (e.g., diversity, turnover levels, education, etc.).
  - f) Review and discuss management succession at least annually.
  - g) Recommend changes or modifications to the Board Education Policy and Board Expense Reimbursement Policy and set the two-year education budget provided for Trustees' education.
  - h) Keep minutes of the Compensation & Budget Committee meetings and ensure the minutes are made available to Board members.

## **Monitoring and Reporting**

- 4) The Compensation & Budget Committee will review reports on the actual versus budgeted expenses of PERA, regularly report to the Board on its own activities, and review other matters or proposals that may materially affect PERA's operations.
- 5) The Compensation and Budget Committee will receive and review reports from management that summarize implementation of the total compensation policy.

## **Charter Review and History**

- 6) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 7) The Board adopted this charter on October 15, 2004. The Board approved changes to this Charter on February 18, 2005.

**TAB 9**  
**CHARTER FOR THE**  
**EXECUTIVE**  
**COMMITTEE**

# **Public Employees' Retirement Association of Colorado Charter for the Executive Committee**

## **Introduction**

- 1) The Board has established an Executive Committee to oversee the effective management of Board meetings and assist in efficient committee operations. The Executive Committee is comprised of the Board Chair, the Vice-Chair and the Executive Director.

## **Duties and Responsibilities**

- 2) The Executive Committee will:
  - a) Meet before Board meetings to approve agendas and discuss relevant Board activities;
  - b) Approve or deny international travel requests by Trustees, except for the Board Chair and Board Vice Chair (whose international travel is approved or denied by the Evaluation Subcommittee);
  - c) Approve reimbursement to Trustee employers for temporary employees required while Trustees are on PERA business; and
  - d) Keep minutes of Executive Committee meetings and ensure the minutes are made available to Board members.
- 3) Members of the Executive Committee are encouraged to attend meetings of other committees of the Board where feasible.

## **Monitoring and Reporting**

- 4) The Executive Committee will:
  - a) Monitor the general effectiveness of the Board and committee meetings, and report to the Board on its findings, as appropriate;
  - b) Review monthly financial statements and budget reports;
  - c) Review progress of PERA strategic initiatives;
  - d) Report to the Board on international Trustee travel;
  - e) Report to the Board on employer reimbursements; and
  - f) Report regularly to the Board on the activities of the Executive Committee.

## **Charter Review and History**

- 5) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 6) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 10**  
**CHARTER FOR THE**  
**EVALUATION**  
**SUBCOMMITTEE**

# **Public Employees' Retirement Association of Colorado Charter for the Evaluation Subcommittee**

## **Introduction**

- 1) The Board has established an Evaluation Subcommittee which will meet as necessary to carry out duties assigned to it by the Board.
- 2) The Evaluation Subcommittee will consist of the Board Chair, Vice Chair and the chairs of all standing Board committees.
- 3) The Board Chair will serve as Chair of the Evaluation Subcommittee.

## **Duties and Responsibilities**

- 4) The Evaluation Subcommittee will:
  - a) Facilitate the evaluation of the performance of the Executive Director, in accordance with the Executive Director Performance Evaluation Policy, which includes but is not limited to:
    - (i) Recommending the evaluation criteria to be used for the Executive Director's performance to the Board; and
    - (ii) Preparing a performance report, summarizing the Subcommittee's assessment and providing specific guidance to the Executive Director on areas of desired improvement.
  - b) Oversee the implementation of the Board Performance Evaluation Policy, which includes but is not limited to:
    - (i) Approval of the *Discussion Guide for the Evaluation of the Performance of the Board*; and
    - (ii) Providing recommendations to the Board to address issues arising from the evaluation process.
  - c) Approve or reject, in advance, international travel requests by the Board Chair and the Vice-Chair; and
  - d) Keep minutes of Evaluation Subcommittee meetings and ensure the minutes are made available to Board members.

## **Monitoring and Reporting**

- 5) The Evaluation Subcommittee will report to the Board on its activities.

## **Charter Review and History**

- 6) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 7) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 11**

**CHARTER FOR THE  
BOARD CHAIR**

# **Public Employees' Retirement Association of Colorado Charter for the Board Chair**

## **Introduction**

- 1) The Board will elect one of its Trustees to serve as Board Chair for a term of two years not to exceed two consecutive terms. The Board Chair will preside at all meetings of the Board and may exercise the powers and will perform the duties and functions that are specified by the Board.

## **Duties and Responsibilities**

- 2) The Board Chair will:
  - a) Preside over all Board meetings, ensuring that Board meetings are conducted in an efficient and productive manner in accordance with C.R.S. 24-6-402 of the *Colorado Sunshine Law*, the principles embodied in "Roberts' Rules of Order, Revised" and the Board Operations Policy;
  - b) Recommend Trustees for appointment by the Board to the standing committees of the Board;
  - c) Appoint committee chairs of standing committees;
  - d) Appoint members and committee chairs of ad hoc committees;
  - e) Serve on the Executive Committee and as the Chair of the Evaluation Subcommittee;
  - f) Develop and recommend board agendas to the Executive Committee;
  - g) Ensure coordination of Board meetings, schedules and presentations in consultation with the Executive Director;
  - h) Represent the Board when dealing with the Executive Director;
  - i) Be available to the Executive Director as a principal source of advice and counsel;
  - j) Facilitate effective and open communications between the Board and the Executive Director;
  - k) The Board Chair is the official spokesperson in situations that call for an official spokesperson to communicate on behalf of the Board.
  - l) Determine who will act as spokesperson to communicate on behalf of the Board if unable to perform this expectation in situations that call for an official PERA spokesperson;

- m) In accordance with the Administrative Review process, appoint three Board members to Administrative Panels;
- n) Guide the Board in establishing, where possible, a consensus on critical issues and decisions, while allowing full and open debate;
- o) Work to ensure the general cohesiveness and proper functioning of the Board as a policy and oversight body;
- p) Designate one Board Trustee as a mentor for each new Trustee joining the Board;
- q) Be available to discuss any concerns of any Trustees with respect to the conduct of the Board or individual Trustees, and take appropriate action, consulting with counsel where necessary;
- r) Call special meetings of the Board; and
- s) Work to ensure that the Board satisfies its duties and responsibilities as set forth in the Law and in the charters of the Board, and ensure adherence to the Bylaws and governance policies.

### **Monitoring and Reporting**

- 3) The Chair will review:
  - a) The Compliance Officer's (PERA's Internal Audit Director) monthly reports on Trustee investment activity;
  - b) Review expenditures of the Executive Director; and,
  - c) Review, and then approve or deny for reimbursement, any unusual expenses incurred by Trustees that are not specifically addressed in the Board Expense Reimbursement Policy.

### **Charter Review and History**

- 4) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 5) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 12**  
**CHARTER FOR THE**  
**VICE-CHAIR**

**Public Employees' Retirement Association of Colorado  
Charter for the Vice-Chair**

**Introduction**

- 1) The Board will elect one of its Trustees as Vice-Chair to perform the following duties and responsibilities, and to hold that office for a period of two years.

**Duties and Responsibilities**

- 2) The Vice-Chair will:
  - a) Serve on the Executive Committee and the Evaluation Subcommittee;
  - b) Assume and perform the duties of the Board Chair in the event the Board Chair is unable to fulfill the duties of the position or due to absence; and
  - c) Perform other duties assigned to him or her by the Board.

**Charter Review and History**

- 3) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 4) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 13**  
**CHARTER FOR THE**  
**COMMITTEE**  
**CHAIRS**

# **Public Employees' Retirement Association of Colorado Charter for the Committee Chairs**

## **Introduction**

- 1) For each committee of the Board, the Board Chair will designate a Trustee to serve as Committee Chair. In general, Committee Chairs will coordinate the affairs of their assigned committees with support from PERA staff.

## **Duties and Responsibilities**

- 2) With regard to their assigned committees, Committee Chairs will:
  - a) Chair meetings in accordance with the *Colorado Sunshine Law (Title 24, Article 6, C.R.S.)*, the principles embodied in "Roberts' Rules of Order, Revised" and the Board Operations Policy;
  - b) Ensure that the committee adheres to the Bylaws and governance policies of PERA;
  - c) Guide the committee in establishing a consensus, where possible, on critical issues and decisions, while allowing full and open debate;
  - d) Ensure committee meetings are conducted in an efficient and productive manner;
  - e) Facilitate effective and open communications between the committee, the Board and the Executive Director;
  - f) Provide input to the Executive Director on the assistance provided and value added by the staff contacts on each committee for consideration in their annual performance reviews;
  - g) Ensure coordination of committee meetings, agendas, schedules and presentations;
  - h) Regularly report to the Board on the activities of the committee; and
  - i) Ensure committee minutes are kept, approved by the committee, signed by the committee chair, and made available to the Board.
  - j) Carry out such other functions and duties as are prescribed by the Board.
- 3) Committee Chairs will also serve on the Evaluation Subcommittee.

## **Charter Review and History**

- 4) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 5) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 14**  
**CHARTER FOR THE**  
**EXECUTIVE**  
**DIRECTOR**

# **Public Employees' Retirement Association of Colorado Charter for the Executive Director**

## **Introduction**

- 1) The Board will appoint an Executive Director who will be directed by, will serve at the pleasure of, and may be dismissed at the will of, the Board. The Executive Director is the most senior executive of PERA and will manage the affairs of PERA subject to the policies and oversight of the Board.

## **Duties and Responsibilities**

### **Leadership**

- 2) The Executive Director will provide leadership to PERA in achieving its vision, mission, goals and objectives. In doing so, the Executive Director will solicit advice and counsel from the Board, the Board Chair, or individual Trustees, as appropriate.

### **Policy Analysis**

- 3) The Executive Director will provide the necessary support to the Board and its committees in establishing all policies of the Board. This will involve working with the Board and its committees to continually identify issues requiring Board policy, conducting the necessary analysis of such issues and providing clear and well-supported policy recommendations for the Board's consideration. Policy areas to be covered include, but are not limited to:
  - a) Governance and Board Operations;
  - b) Investments;
  - c) Benefit Administration;
  - d) Operations;
  - e) Financial, Actuarial and Accounting Practices;
  - f) Human Resources; and
  - g) Communications.

### **Governance and Board Operations**

- 4) The Executive Director or his or her designee will:
  - a) Accept responsibilities, duties and authorities delegated by the Board;
  - b) Fulfill the role of secretary to the Board and CEO of the Board and PERA;

- c) Serve on the Executive Committee;
- d) Ensure coordination of Board meetings, agendas, schedules and presentations in consultation with the Board Chair;
- e) Assign staff liaisons to each Board committee;
- f) Ensure mailing and/or electronic posting of general meeting notices to each PERA member providing at least ten days notice;
- g) Coordinate the implementation of the Board Member Education Policy including the development of an orientation session for new Trustees, and the scheduling of an annual fiduciary update for all Trustees;
- h) Conduct ordinary correspondence of the Board;
- i) Advise the Board on legislative proposals to be recommended, supported, or opposed by the Board; and
- j) Conduct due diligence with respect to service providers appointed by the Board.

## **Investments**

5) The Executive Director or his or her designee will:

- a) Recommend to the Investment Committee a written statement of investment philosophy for the defined benefit investment program, and review that statement with the committee at least every 3 years;
- b) Recommend to the Benefits Committee a written statement of investment philosophy for the 401(k) Plan, and review that statement with the committee at least every three years.
- c) Recommend to the Investment Committee a written statement of Investment Policy for the defined benefit investment program and review that statement with the committee at least annually. The statement should address, at a minimum:
  - (i) Asset allocation
  - (ii) Investment manager selection and removal; and
  - (iii) Performance monitoring.
- d) Recommend to the Benefits Committee a written statement of Investment Policy for the 401(k) investment program and review that statement with the committee at least annually. The statement should address, at a minimum;
  - (i) Number and type of investment fund options offered;
  - (ii) Investment manager selection and removal; and
  - (iii) Performance monitoring.

- e) Recommend to the Investment Committee strategies to achieve the investment goals and objectives of PERA;
- f) Recommend to the Investment Committee the use of internal or external investment management for any asset class in which PERA invests;
- g) Within the policy parameters approved by the Board, develop investment manager structures for each asset category in which PERA invests, including but not limited to the funds to be allocated to active and passive portfolios, and to internally and externally managed portfolios;
- h) Recommend to the Benefits Committee, the investment funds to be provided within the 401(k) investment program;
- i) Conduct all necessary due diligence relating to the appointment of investment managers and consultants;
- j) Negotiate and approve guidelines and contracts for each investment manager retained by PERA;
- k) Execute portfolio rebalancing in accordance with the policies of the Board;
- l) Recommend to the Shareholder Responsibility Committee, any shareholder rights actions for consideration;
- m) Recommend to the Board, the use of nominee partnerships to facilitate investment sales and exchange transactions; and
- n) Advise the Board and the Investment Committee on any other investment matters and make recommendations for Board or committee action when necessary;

### **Benefit Administration**

- 6) The Executive Director or his or her designee will:
  - a) Ensure the accurate and timely delivery of benefits to participants in accordance with PERA Law;
  - b) Ensure delivery of consistently high standards of service quality to all plan participants;
  - c) Establish written procedures for the administration of the PERA plans;
  - d) Require members and employers to furnish information necessary to administer the PERA plans;
  - e) Recommend service quality standards and benchmarks for all PERA plans to the Benefits Committee, and review them with the committee annually;

- f) Recommend a Plan Participants Communication Policy to the Benefits Committee for the 401(k) Plan of PERA, and review the policy with the committee annually;
- g) Interpret provisions of the PERA plans and applicable laws and rules and determine the rights of and payments to members/participants;
- h) Ensure that members disputing any benefit-related decisions of PERA are accorded an internal review, provided an official decision in writing, and informed of their right to seek an administrative review in accordance with PERA Rule 2.20, as amended;
- i) Ensure administrative errors made by the Board, PERA employees, or the Executive Director are corrected in accordance with 24-51-205(6) C.R.S.; and
- j) Ensure the recovery of any benefits or premium subsidies paid to ineligible benefit recipients in accordance with relevant board policy;
- k) Assist the Benefits Committee in periodic reviews of the design and benefit structure of the various PERA plans and programs.

## **Operations**

7) The Executive Director or his or her designee will:

- a) Manage the day-to-day operations of PERA in accordance with the policies of the Board, delegating to executive management, as appropriate;
- b) Conduct strategic planning and annually recommend a strategic planning update to the Board for its consideration;
- c) Recommend to the Board the annual operating budget, as well as any supplemental budgets that may be necessary;
- d) Make all necessary operational expenditures, consistent with the operating budget and internal controls approved by the Board;
- e) Execute contracts in accordance with the internal control policies of the Board;
- f) Prepare a Records Management Policy and ensure proper storage and maintenance of the records, files and documents of PERA in accordance with the policy;
- g) Ensure the appropriate design, purchase, implementation, and maintenance of all technologies required to efficiently manage the data, information and records of PERA;
- h) Prepare a Business Continuity Plan, and review and update it as necessary;

- i) Recommend the location of the main office and any secondary offices to the Board for approval, and ensure the proper maintenance, safety, and adequacy of all of PERA's physical premises;
- j) Prepare and recommend to the Audit Committee, an annual report on the operations of PERA containing the information required to be included as part of the Comprehensive Annual Financial Report;
- k) Implement court decisions; and
- l) Approve the staff travel policy and all staff travel and expenses in accordance with said policy.

### **Financial, Actuarial and Accounting Practices**

- 8) The Executive Director or his or her designee will:
  - a) Account for and deposit all payments made and disbursements issued by PERA;
  - b) Ensure the implementation of appropriate internal controls and procedures to safeguard the assets of PERA;
  - c) Ensure internal and external audits are performed, as appropriate;
  - d) Serve as a staff person to the Audit Committee, together with the Internal Audit Director; and
  - e) Meet with the Audit Committee privately upon request;
  - f) Communicate to employers the maximum amount of matching employer contributions that may be made to eligible tax deferred retirement programs (including the 401(k) Plan) based on members' voluntary contributions to such plans under the MatchMaker Program.

### **Human Resources**

- 9) The Executive Director or his or her designee will:
  - a) Recommend to the Board, a human resources policy addressing, at a minimum, the compensation guidelines of PERA;
  - b) Establish appropriate human resource programs and procedures for management and staff in accordance with the PERA human resources policy, including appropriate succession, education, training and development plans; and
  - c) Select, hire, train, terminate and discipline management and staff.

## **Communications**

- 10) The Executive Director or his or her designee will:
  - a) Deliver effective and timely communications with plan participants, employers, the legislature, and other constituents on matters relating to the operation and administration of PERA; and
  - b) Develop and recommend to the Board a Public Relations Plan and any amendments thereto.
- 11) The Executive Director, or his or her designee, with the assistance of internal and external lobbying resources, will be responsible for the implementation of the Public Relations Plan.

## **Appointments**

- 12) As per the Service Provider Selection Policy, the Executive Director, or his or her designee, will appoint and may remove all service providers except for those appointed by the Board, as listed in the Board's charter. The Executive Director will recommend to the Board or designated Board committee, candidates for key service provider positions that are approved by the Board.
- 13) The Executive Director or his or her designee, therefore, will appoint and may remove the following service providers:
  - a) Life insurance actuaries;
  - b) Investment consultants specifically hired to advise management;
  - c) Lobbyists;
  - d) Investment managers;
  - e) Securities lending managers; and
  - f) Other miscellaneous service providers that may be required from time to time to serve primarily as advisors to management.
- 14) In consultation with the General Counsel, the Executive Director will appoint and may remove external legal counsel, excluding Fiduciary Counsel.
- 15) The Executive Director will ensure all necessary due diligence is performed relating to the selection of service providers for PERA.

## **Monitoring and Reporting**

16) The Executive Director will:

- a) Ensure that the Board is provided with all relevant, appropriate and timely information to enable it to properly carry out its monitoring and oversight responsibilities;
- b) Recommend to the Board a Monitoring and Reporting Policy;
- c) Monitor that the Board, management, and external service providers operate in accordance with Board policies, Bylaws, and applicable laws and regulations;
- d) Monitor the funded status of the defined benefit retirement program and the health care program;
- e) Monitor the investment performance of the trust funds for the defined benefit retirement program;
- f) Monitor the investment performance of all asset categories in which PERA invests and of all internal and external investment managers retained by PERA;
- g) Monitor costs of PERA administration and investment activities (e.g. management fees, and trading and execution costs);
- h) Monitor service quality levels provided to participants;
- i) Monitor administrative errors and corrections made;
- j) Monitor and evaluate the activities and performance of executive management and external service providers;
- k) Monitor the accuracy and timeliness of all payments due to and issued by PERA;
- l) Monitor the implementation and maintenance of technologies to efficiently manage the data, information, and records of PERA;
- m) Monitor business and other risks faced by the PERA; and
- n) Monitor external trends and legislation that may have a significant impact on PERA and report to the Board as appropriate;
- o) Review the suitability of the PERA offices, and report to the Board as necessary.

17) With respect to the 401(k) Plan, the Executive Director shall regularly monitor and report to the Board as appropriate on:

- a) Compliance with the 401(k) Plan document, legislation, and policies;

- b) Activity of the 401(k) Plan, including participation statistics, total assets, and assets by class and fund;
- c) Investment performance for each investment fund, relative to policy benchmarks;
- d) Costs of the administration and investments of the 401(k) Plan;
- e) Performance of the 401(k) Plan administrator;
- f) Continued appropriateness of 401(k) Plan policies;
- g) Member feedback and satisfaction;
- h) Effectiveness of PERA communications with 401(k) members (and/or compliance with industry standards and guidelines).

### **Charter Review and History**

- 18) This charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 19) The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005.

**TAB 15**  
**BOARD POLICY**  
**DEVELOPMENT**  
**PROCESS**

# **Public Employees' Retirement Association of Colorado Board Policy Development Process**

## **Purpose**

- 1) The purpose of the Board Policy Development Process is to set out the method by which the Board will develop and approve formal policies for PERA.

## **Objectives**

- 2) The objectives of this policy are to:
  - a) Assist the Board in identifying policy issues as they arise.
  - b) Ensure that the approach to Board policy development is both sound and thorough, and produces policies that are consistent with and effective in supporting the goals and objectives of PERA.
  - c) Provide for the review and monitoring of existing policies to ensure they continue to support the fiduciary responsibilities of the Board and the needs of the Association.

## **Principles**

- 3) Policy development should be a deliberate and proactive process.
- 4) The general role of the Executive Director in the policy development process is to assist the Board in identifying the need for Board policy, to provide the Board with sound, thorough analysis of policy issues, and to develop proposed policy documents for the Board's consideration.
- 5) The general role of the Board in the policy development process is to satisfy itself that the policy recommendations and the underlying analysis thereof, emanating from the Executive Director, reflect the requisite level of skill, diligence, and care, and effectively support the mission and goals of PERA.
- 6) Policy development and approval is not an exercise in consensus, but should reflect the view of a majority of Trustees.

## **Guidelines**

### **Policy Development**

- 7) The process of developing a Board policy will be initiated by an action of the Board. The need for a Board policy may be proposed for inclusion on the Board agenda as an action item by a Trustee, a Board committee or the Executive Director.

- 8) In determining whether a particular issue warrants a Board policy, the Board will consider whether the issue satisfies the following criteria:
  - a) The issue may have a significant impact on PERA's ability to meet its mission; and
  - b) The issue is expected to recur or continue indefinitely; and
  - c) The issue is not an operational issue which falls within the discretion of the Executive Director.
- 9) Should the Board determine that a Board policy is needed, the purpose of the policy and the general parameters to be met by the policy will be recorded in the minutes of the Board meeting at which the determination is made. The Board will direct the Executive Director to carry out the necessary research and analysis and bring forward a proposed policy with supporting analysis to the Board or to a specified committee of the Board.
- 10) In submitting a Board policy for approval to either the Board or to a committee of the Board, the Executive Director will:
  - a) Clearly define the purpose of the policy, including defining any risks that the policy is designed to manage;
  - b) Identify policy issues that exist;
  - c) Identify and evaluate options for addressing each policy issue, including the benefits, costs and other impacts of each;
  - d) Select the most appropriate option or options;
- 11) In conducting policy analysis and developing a proposed policy, the Executive Director may obtain input or assistance from:
  - a) Individual Trustees;
  - b) Independent advisors; or
  - c) Any other sources the Executive Director believes are relevant.
- 12) Board policies should contain the following elements:
  - a) Purpose or objectives of the policy;
  - b) Guidelines to be followed;
  - c) Provisions for policy review, including frequency of review; and
  - d) Policy history.

- 13) Board policies may also contain the following optional elements:
  - a) Background or Preamble;
  - b) Definitions;
  - c) Important underlying principles; and
  - d) Examples for clarification.
- 14) In approving policy, the Board or the assigned committee, will satisfy itself that the proposed policy and the underlying analysis thereof:
  - a) Reflect the requisite level of skill, diligence, and care;
  - b) Is appropriate given the purpose of the policy, as defined by the Board; and
  - c) Effectively supports the broader mission and goals of PERA.
- 15) Where a committee has been assigned responsibility for developing a Board policy, it will consider the Executive Director's proposed policy, and provide a recommendation to the Board for approval.
- 16) Approval of a Board policy will require a formal motion of the Board, to be carried by a majority of voting Trustees present.
- 17) All PERA Board policies will be maintained in up-to-date form in a single volume or series of volumes within the Association offices, and will be accessible to Trustees, staff and members of the public.

### **Policy Compliance**

- 18) As a general rule, the Board will comply with all Board policies. Should the Board take an action contrary to its policy, it will state in the Board minutes the specific rationale for deviating from the policy. At such time, the Board may also request a review of the policy. If the review reveals that a change in policy is advisable, the Board will so amend the policy.

### **Review**

- 19) All policies will be formally reviewed at a time specified within each policy.
- 20) If a Trustee, Board committee or the Executive Director believes that a particular policy requires review in advance of the time specified, they may recommend to the Board that such a review be initiated.

## **Policy Review and History**

- 21) The Board will review the Board Policy Development Process at least every three years for continued relevancy and appropriateness.
- 22) This process was adopted by the Board on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 16  
BOARD  
OPERATIONS  
POLICY**

# Public Employees' Retirement Association of Colorado Board Operations Policy

## Purpose

- 1) This Board Operations Policy is intended to describe the manner in which the Board and its committees will conduct themselves, so as to ensure efficient Board operations.
- 2) Where appropriate, this policy makes reference to relevant provisions of the plan statement for PERA, as prescribed in Title 24, Article 51, Colorado Revised Statutes ("C.R.S."), as amended ("PERA Law"), the rules promulgated under PERA Law ("PERA Rules"), and Title 24, Article 6, Section 402, C.R.S. (the "*Colorado Sunshine Law*").
- 3) Where there is a conflict between the provisions of this policy and the provisions of PERA Law, PERA Rules, and the *Colorado Sunshine Law*, the law and rules will prevail.

## Policy Guidelines<sup>1</sup>

### Officers

- 4) The Trustees will elect from among themselves a Board Chair, a Vice-Chair and any other officers as may be necessary for the Board to carry out its duties and responsibilities.
- 5) The Trustees will elect the Board Chair and a Vice-Chair by secret ballot. They will be elected at the first regular meeting held after July 1 and will serve for terms of two years. No person may serve as Board Chair for more than two consecutive terms.
- 6) The Board Chair will preside at all meetings of the Board. In the absence of the Board Chair, the Vice-Chair will assume the duties of the Board Chair.
- 7) Should the Board Chair be unable to complete the term as Board Chair, the Vice-Chair will serve as Board Chair for the balance of the Board Chair's unexpired term.
- 8) In the event that a vacancy should occur in the position of Vice-Chair, for any reason, the Board will select a successor for the balance of the unexpired term at its next regular meeting.
- 9) The Executive Director will serve as staff liaison to the Board, and will be responsible for the accurate record of Board business.
- 10) The Internal Auditor Director and the General Counsel shall have access to the Board.

### Committees

- 11) The standing committees of the Board will be as follows:
  - a) Audit Committee

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<sup>1</sup> This policy incorporates relevant sections of PERA Law, PERA Rules, and other Colorado legislation. References are provided throughout this policy. Excerpts from legislation may have been paraphrased for purposes of policy consistency. For exact wording, refer to an official copy of the appropriate legislative document.

- b) Benefits Committee
  - c) Executive Committee
  - d) Investment Committee
  - e) Shareholder Responsibility Committee
  - f) Compensation & Budget Committee
- 12) The Executive Committee will be comprised of the Board Chair, the Vice-Chair and the Executive Director.
- 13) The Board Chair will recommend to the Board for its approval appointments to the standing committees, with the exception of the Executive Committee. The Board Chair will appoint the chair for each standing committee. Committee appointments shall be made annually at the first regular meeting following the Board's annual planning meeting, or as necessary throughout the year should vacancies on committees arise.
- 14) In making committee appointments, the Board and the Board Chair will consider the following:
- a) The need to maintain a level of continuity in committee membership;
  - b) The need to rotate the composition of committees to provide diversified experience to Trustees;
  - c) The need to ensure that, to the extent possible, Trustees' committee appointments reflect their areas of interest; and
  - d) The standing committee chairs should not be the Chair or Vice Chair.
- 15) The Board may approve the establishment of ad hoc committees in consultation with the Executive Director, provided that the responsibilities of the ad hoc committees do not overlap with those of any standing committee. The Board Chair will appoint the chair and members of ad hoc committees.
- 16) The Executive Director will prepare a charter for each standing and ad hoc committee that provides a description of the committee's mandate, and specifies its composition, and, in the case of ad hoc committees, contains a provision for disbanding the committee once it has fulfilled its mandate. These charters require Board approval.
- 17) The Executive Director will ensure Board committees receive adequate support from staff, and will assign a staff liaison to each committee, who will be responsible for the accurate record of committee business.
- 18) In the event that a committee chair is unable to complete his or her term, the Board Chair will appoint a replacement.

- 19) All successful motions by committees must be considered by the Board at a scheduled Board meeting.
- 20) Prior to the July meeting, staff will assess the need to maintain any ad hoc committees then in place, and will bring a recommendation to the Board for continuing or disbanding such committees.

### **Meeting Notice and Scheduling**

- 21) Any meetings at which the adoption of any proposed policy, position, resolution, rule, regulation, or formal action occurs or at which a majority or quorum of the Board is in attendance, or is expected to be in attendance, will be open to the public and except as provided in paragraph 53, will be held only after full and timely notice to the public.
- 22) In providing timely notice to the public, the Board will:
  - a) Post a notice of the meeting within a reasonable time not less than 24 hours prior to the meeting on PERA's website and at PERA's offices.
  - b) Maintain a list of persons who, within the previous two years, have requested notification of all meetings or of meetings when certain specified policies will be discussed and provide reasonable advance notification of such meetings.

### **Board Meetings**

- 23) Regular meetings will be held at least quarterly, and according to an annual schedule adopted by the Board and published in the minutes of the Board. Time and location for such meetings will be determined by the Board.
- 24) The annual schedule may be modified by the Board as necessary, and timely notice of such changes must be provided to the public.
- 25) Special meetings may be called by the Chairman or any four members of the Board by providing three days notice to each member of the Board. A call for a special meeting must state the business to be considered, and the time, date and place of such meeting.

### **Standing Committee Meetings**

- 26) At its final meeting of the calendar year, each committee will establish a schedule of meetings for the following year. Time and location for such meetings will be determined by the committee, and timely notice of such is to be provided to the public.
- 27) The committee chair, in consultation with the Executive Director, may cancel or reschedule a meeting, if it is apparent that there will not be a quorum or it is deemed that there are insufficient issues to warrant a meeting. Attempts will be made to provide all committee members and members of the public with at least one week's notice of cancellation of any meeting.

28) If the committee chair is unavailable to attend a meeting, then the committee chair will designate another member to serve as committee chair in his or her absence. If the committee chair is unable to do so, the remaining committee members may appoint a committee chair from among themselves for the meeting.

### **General Meeting**

29) A general meeting of the Association may be called by the Board at any time and will be called upon receipt of a petition signed by not less than three percent of the Association's membership.

30) Notice of a general meeting will be mailed to each Board member not less than ten days prior to the meeting and will state the time, place and purpose of the meeting. The public will also be given timely notice of the meeting. Only matters which have been specified in the purpose of the meeting will be considered. No proxy voting will be permitted.

### **Agendas**

31) The Executive Director will distribute and post a written agenda for all regular meetings of the Board and standing committees.

32) The Executive Director shall strive to have agenda and related materials for Board and standing committee meetings distributed to Trustees at least seven calendar days in advance of the meeting. Members of the public wishing to obtain copies of the materials may do so, and may be charged an appropriate fee, as determined by the Board, to recover any costs incurred by PERA.

33) Items may be placed on the Board agenda by any of the following means:

- a) By initiation of any Trustee, through the Board Chair;
- b) By standing or ad hoc committee recommendation;
- c) By the Board Chair; or
- d) By the Executive Director.

### **Attendance**

34) In keeping with their fiduciary obligations, Trustees will make every reasonable effort to attend at least eighty percent of all meetings of the Board and all meetings of committees on which they serve.

35) When Trustees are unable to attend a meeting of the Board or a committee, they will notify the Executive Director as soon as possible to help ensure that a quorum will be achieved.

36) Trustees may attend a meeting of a committee of the Board as observers, but only committee members may vote on matters before the committee.

37) Members of the Executive Committee are encouraged to attend the meetings of the other committees.

### **Quorum**

38) A majority of the Board will constitute a quorum.

39) No vote of the Board will take place without a quorum present.

40) Board action requires a majority vote of a quorum of the Board of Trustees. Board of Trustees may attend and vote via telephone.

41) A majority vote of the quorum of the committee present will be required for any action of the committee.

### **Rules of Order**

42) Meetings of the Board and all of its committees will follow “Roberts’ Rules of Order, Revised” to the extent that such principles are consistent with PERA Law, PERA Rules, the *Colorado Sunshine Law*, and this Policy.

43) The order of business will be at the discretion of the Board Chair in the absence of instructions from the Board, but will normally be as follows:

- a) Approval of Agenda
- b) Approval of Previous Board meeting minutes
- c) Public Comment
- d) Standing Committee Reports
- e) Ad hoc Committee Reports
- f) Other Agenda Items
- g) Posting of Board Meeting Notices
- h) Other Business
- i) Adjournment.

### **Minutes**

44) Minutes of any meeting of the Board or its committees will be taken and promptly recorded, and such records will be open to public inspection.

- 45) The Executive Director will cause the minutes of all Board meetings to be prepared, recording therein the time and place of each meeting, the names of members present, and the actions of the Board giving the ayes and nays upon all votes, except where the action is unanimous, and when requested, a member's dissent or approval with reasons. The Executive Director will cause the minutes to be presented for approval at the next regular Board meeting.
- 46) Minutes of committee meetings will be similarly prepared and placed in the Board's public record at the next month's regular Board meeting.
- 47) Both Board and committee minutes will focus on describing any actions that occurred, and will provide sufficient detail to evidence the Board's due diligence in the matter.
- 48) The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.
- 49) The minutes as approved by the Board and signed by the Executive Director will be preserved as a part of the permanent record of the Board, and will be open to public inspection.
- 50) Board proceedings will be recorded on CD. Audio recordings will be kept until official minutes of the meeting are approved after which time they will be destroyed.

### **Rules and Policies**

- 51) The Board may adopt and promulgate such rules for the administration of the Association and to specify the factors to be used in actuarial determinations or calculations required by this article. All rules will be promulgated in accordance with the provisions of section 24-4-103, C.R.S., and such rules will be consistent with the provisions of PERA Law or other provisions of law.
- 52) The Board may adopt interpretative rules or general statements of policy, which are not meant to be binding as rules, but which provide guidance to the Board, staff or Plan participants regarding interpretation of PERA Law, or the operations of the Board, staff or PERA.

### **Executive Session**

- 53) The Board and its committees may conduct business in executive session, which will be closed to the public, under the following conditions:
  - a) The executive session is held during a regular or special meeting of the Board;
  - b) The Board announces to the public present at the meeting the topic of discussion;
  - c) Two-thirds of the Board votes in the affirmative to conduct business in executive session;

- d) The executive session is held for the sole purpose of considering any matter enumerated in section 402(3)(a)(I) to (VII) or (b) of the *Colorado Sunshine Law*, which can include, but is not limited, to the following:
- (i) Purchase of property for public purposes or the sale of property at competitive bidding;
  - (ii) Conferences with an attorney concerning disputes involving PERA that are the subject of pending or imminent court action;
  - (iii) Matters relating to negotiations with employees or employee organizations;
  - (iv) Meetings to consider the appointment or employment of a public official or employee or the dismissal, discipline, promotion, demotion, or compensation of, or the investigation of charges or complaints against, a public official or employee where the applicant, official, or employee requests an executive session.
- e) Any other conditions that may be specified in the *Colorado Sunshine Law*.

54) Discussions that occur in an executive session shall be recorded as specified in Section 402 of the Colorado Sunshine law.

55) Notwithstanding paragraph 53 of this policy, no adoption of any proposed policy, position, resolution, rule, regulation, or formal action will occur at any session that is not open to the public.

### **Public Comment**

56) Every agenda for a regular Board or committee meeting will provide the public an opportunity to address the Board or committee at each meeting during posted public comment sessions, on any item under the jurisdiction of the body. The duration of any address may be limited at the discretion of the Board Chair. With respect to any item that is already on the agenda, the public will be given the opportunity to comment before or during the Board's or committee's hearing of the item. When a member of the public raises an issue not yet before the Board or committee, the item may be discussed, but no action may be taken at that meeting, except as provided below:

- a) The Board may provide a reference to management or other resources for factual information;
- b) The Board may request management to report back to the Board at a subsequent meeting concerning any matter;
- c) The Board may take action to direct management to place a matter of business on a future agenda.

## **Policy Review and History**

- 57) The Board will review this policy at least every three years to ensure that it remains relevant and appropriate, or where there has been an amendment to PERA Law, PERA Rules or the *Colorado Sunshine Law* that is relevant to any section of this policy, or the operations of the Board or its committees generally.
- 58) This policy was adopted by the Board on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 17  
BOARD  
COMMUNICATIONS  
POLICY**

# **Public Employees' Retirement Association of Colorado Board Communications Policy**

## **Purpose**

- 1) This policy is intended to facilitate effective communications between the Trustees of PERA and its participants, management, and external parties.

## **Objectives**

- 2) The objectives of the Board Communications Policy are to ensure that:
  - a) Trustees receive pertinent information in a consistent and uniform manner;
  - b) Trustees have equal access to information available to the Board;
  - c) Communications are efficient and timely;
  - d) Communications with management and other parties are accurate, consistent, and reflect the provisions of Title 24, Article 41, Colorado Revised Statutes (C.R.S.), as amended (PERA Law), other relevant legislation and the views or positions of the Board as a whole.

## **Principles**

- 3) Trustee communications potentially represent a significant risk to PERA in areas such as governance, member services and public relations.
- 4) A communications policy must balance the need to mitigate communications risk with the need for open and free discourse.
- 5) The Board should speak to all constituency groups with a single voice to successfully carry out its communications function for the benefit of PERA participants.
- 6) Trustees who speak for themselves shall clearly establish in their communications that they are not speaking for the Board.

## **Policy Guidelines**

### **Communication Among Trustees**

- 7) The Board will carry out its activities in the spirit of open governance and in accordance with relevant legislation. Notwithstanding this, the Board may conduct certain business in executive (closed) session in accordance with the provisions of the *Colorado Sunshine Law* (see Title 24, Article 6, C.R.S, and PERA's Board Operations Policy).
- 8) Trustees will communicate in an open, straightforward and constructive manner during meetings of the Board and committees.
- 9) Trustees will disclose all information pertinent to the affairs of the Board to the rest of the Board in a timely manner.

### **Trustee Communication with PERA Participants**

- 10) Trustees shall be aware of the risk of communicating inaccurate information to PERA participants and the potential exposure to liability and possible harm to a member that may result from such miscommunications. Trustees will mitigate this risk by refraining from providing specific advice, counsel or education with respect to the rights or benefits a member may be entitled to under PERA Law.
- 11) In cases where a Trustee receives a general query from a PERA member, and the Trustee is certain of the answer, the Trustee may provide such an answer to the member. If however, if uncertain, the Trustee should refer the member to the appropriate management-level resource within PERA.
- 12) In cases where a member query pertains to personal situations or technical matters, Trustees will refer the member directly to the office of the Executive Director or to the appropriate management-level resource within PERA. The Executive Director will advise Trustees when participants' questions or issues have been resolved and of any actions taken in response to such questions or issues.

### **Trustee Communication with PERA Management**

- 13) Trustees will direct concerns or questions regarding any aspect of the Association's operations to the Executive Director, General Counsel or the Internal Auditor Director as appropriate, with the exception of issues or questions pertaining to member queries, which are to be addressed in accordance with items 10 and 11 above.
- 14) Trustees shall only make reasonable requests for information that are necessary for the purposes of fulfilling their duties as Trustees, and shall not request or use PERA information for their own personal or business use. Where the Executive Director believes that an information request would require a significant expenditure of staff time or the use of external resources, the Executive Director may place the request on the agenda for the next Executive Committee meeting, for discussion and consideration.
- 15) In the spirit of open communication, individual Trustees will share any information pertinent to the Executive Director with the Executive Director in a timely manner. The Executive Director will similarly share with the Board any information pertinent to the Board in a timely manner.
- 16) The Executive Director will ensure that information that has been requested by the Board or by individual Trustees is made available to all Trustees.

### **Trustee Communication with External Parties**

- 17) Communications by Trustees, when acting in their capacity as Trustees, shall be consistent with their fiduciary duty to represent the interests of all PERA participants.
- 18) Trustees shall be respectful of the Board, its policies, and its decisions in all external communications, even if they disagree with such.

- 19) Trustees shall not communicate as a spokesperson on behalf of the Board unless authorized to do so in accordance with paragraph 20 of this policy.
- 20) When communicating with external parties on matters pertaining to the Association, Trustees will indicate if they are communicating as a spokesperson on behalf of the Board (in accordance with paragraph 20) or as an individual Trustee speaking for him or herself and not on behalf of the Board.
- 21) In situations that call for a spokesperson to communicate on behalf of the Board:
  - a) The Chair will act as spokesperson for the Board or designate an alternate if the situation dictates.
  - b) If time permits, the spokesperson will discuss sensitive, high profile issues with the Board prior to engaging in external communications.
  - c) In situations where Board policy concerning an issue has not been established, the Board or an appropriate committee will meet to discuss the issue prior to the spokesperson undertaking any external communications on the issue.
- 22) When interviewed, or otherwise approached by the media for information concerning the affairs of the Association, Trustees will not make unilateral commitments for or communicate on behalf of the Board or the Association unless designated as a spokesperson according to paragraph 20).
- 23) Written press releases from the Association concerning the business of PERA will be the responsibility of the Executive Director and will clearly and accurately express the provisions of PERA Law and the policies of the Board. The Executive Director shall provide copies of all press releases to the Board in a timely manner.
- 24) To ensure the accuracy of materials prepared by Trustees for publication or general distribution, which are related to the affairs of the Association or pension-related matters generally, and to ensure that the Association is not inadvertently placed at risk, Trustees are encouraged to provide such material to the Executive Director for review prior to distribution or publication.

### **Policy Review and History**

- 25) The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.
- 26) The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 18**

**SERVICE PROVIDER  
SELECTION POLICY**

# **Public Employees' Retirement Association of Colorado Service Provider Selection Policy**

## **Purpose**

- 1) The Service Provider Selection Policy is intended to establish guidelines by which service providers will be selected and retained by PERA.

## **Policy Objectives**

- 2) The objective of the Service Provider Selection Policy is to ensure that:
  - a) The appointment of service providers is made in the best interests of the members of PERA.
  - b) The process of selecting service providers is efficient, diligent, and fair.
  - c) Appropriate services are obtained at a competitive cost.

## **Definitions**

- 3) "*Key service providers*" is defined to include pension actuaries, health care actuaries, actuarial auditors, human resource consultants retained by the Board, investment consultants retained by the Board, Investment Consultants, election auditors, fiduciary counsel, external legal counsel, lobbyists, investment managers, securities lending managers and custodian banks.

## **Principles**

- 4) The role of the Board with respect to the selection of service providers is to:
  - a) Have appropriate policies and processes in place to facilitate prudent and sound selection decisions;
  - b) Monitor compliance with such policies and processes; and
  - c) Approve the appointment of certain service providers, where such providers are retained primarily to fulfill an independent audit or advisory role for the Board with respect to any function within PERA.
- 5) The function of the Executive Director and staff with respect to the selection of service providers is to appoint service providers (with the exception of those appointed by the Board or State Auditor), and to conduct searches and due diligence activities.

## Roles and Responsibilities<sup>2</sup>

- 6) The Board will be specifically responsible for approving the appointment of:
  - a) Pension actuaries;
  - b) Health care actuaries;
  - c) Actuarial auditors;
  - d) Human Resource consultants retained for issues pertaining to the Executive Director;
  - e) Investment consultants specifically hired to advise the Board;
  - f) Investment Consultants;
  - g) Fiduciary counsel;
  - h) Custodian banks; and
  - i) Election auditors.
- 7) As stipulated in PERA Law, the State Auditor is responsible for the appointment of the External Auditor. The Audit Committee will meet with the State Auditor to discuss the selection of the External Auditor, if so requested. The provisions of this policy do not apply to the selection of an External Auditor.
- 8) The Executive Director, in consultation with the General Counsel, is responsible for the appointment of external legal counsel, except fiduciary counsel.
- 9) The Executive Director will be responsible for the appointment of:
  - a) Life insurance actuaries;
  - b) Investment consultants specifically hired to advise management;
  - c) Lobbyists (State and Federal); and
  - d) Any other service providers not listed in 6 or 7 above.
- 10) The Chief Investment Officer, under the direction of the Executive Director, will be responsible for the appointment of:
  - a) Investment managers; and
  - b) Securities lending managers.

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<sup>2</sup> The responsibilities for appointing service providers are summarized in Appendix 1.

- 11) The Executive Director, or his or her designee, will be responsible for the day-to-day supervision of all service providers.

## **The Search Process**

### **General Guidelines**

- 12) The appointment of all service providers will be made in the best interests of the participants of PERA, in keeping with the fiduciary responsibilities of the Board.
- 13) All service providers will be subject to a level of due diligence that reflects a level of rigor that is commensurate with the importance and materiality of the service in question.
- 14) The Board authorizes staff to take advantage of available tools, technology or other resources that will allow it to efficiently screen the universe of potential service providers so as to arrive at a qualified pool of candidates that warrant detailed examination, provided such tools, technology, or resources are consistent with sound, prudent, and generally accepted industry practice.
- 15) The Executive Director or his or her designee will consider a broad universe of qualified service providers that is practical and reasonable given budgetary, staffing, time and other relevant constraints.
- 16) Trustees may suggest names of potential candidates to the Executive Director for consideration in the search process. The Executive Director will subject such candidates to the same search and screening criteria and processes as all other candidates under consideration. Both the Trustee making the suggestion and the Executive Director will inform the Board of the suggestion.
- 17) In cases when the Executive Director believes that a competitive alternative to a particular service provider does not exist, the Executive Director will provide the Board with a report describing the unique characteristics of the service provider and explaining why a sole search approach is appropriate.
- 18) The Executive Director will provide the Board with details regarding the appointment of any service providers appointed by the Executive Director or his or her designee. Such details will include the name of the firm or individual hired, their duties and fee arrangements.

### **Key Service Providers**

- 19) Paragraphs 19 to 32 apply to key service providers only.
- 20) Prior to conducting a search for a key service provider other than those identified in Appendix 1, the Executive Director or his or her designee will present a work plan to the Board, or a designated committee of the Board, that at a minimum, contains the following:
  - a) The type of service provider being sought and the supporting rationale;
  - b) The objectives and selection criteria to be met and their relative importance;

- c) An estimated timeline for completion of the search process;
  - d) A description of the search methodology that is deemed most appropriate and cost effective in the particular circumstances, and that addresses such issues as:
    - (i) Whether a search consultant is to be used;
    - (ii) The due diligence efforts to be undertaken, including such aspects as site visits, and reference checks (a copy of any score sheets to be used will be attached for information purposes);
    - (iii) Whether a Request for Proposal (RFP), or a variation thereof, is to be used with supporting rationale (a copy of the RFP will be attached for information purposes);
    - (iv) Other pertinent issues that the Executive Director believes may assist the Board in better understanding the search process.
- 21) When searching for a key service provider, finalist candidates will be subject to a higher level of due diligence on the part of the Executive Director and designees, the scope of which will be communicated to the Board in the search work plan.
- 22) The Board will interview candidates recommended by the Executive Director for the position of pension actuary, health care actuary and the Board's investment consultant.
- 23) The Executive Director or his or her designee will provide the Board or a designated committee of the Board with periodic reports on the status of all search processes involving key service providers.
- 24) Upon completion of the analysis and due diligence involved in a search process for a key service provider, the Executive Director or his or her designee, will provide a report to the Board, or a designated committee of the Board, containing at a minimum:
- a) The recommended candidate or, in cases where the Executive Director or his or her designee has the authority to select a key service provider, the decision that was made;
  - b) Confirmation that the Executive Director or his or her designee complied with the work plan presented to the Board prior to the commencement of the search, or an explanation of any deviations from the work plan;
  - c) A summary of the analysis performed in light of the selection criteria;
  - d) The rationale for the selection of the recommended candidate and, where possible, the reasons why they were chosen over other candidates;

- e) A discussion of the risks, costs, and perceived benefits associated with the recommended or chosen candidate, if appropriate, including a description of performance expectations and the proper time horizon for evaluation of results.
- f) A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider throughout the term of the contract, including the reporting to be provided to the Board.

25) In considering a recommendation by the Executive Director or his or her designee, the primary focus of the Board or Board committee will be to satisfy itself that the rationale behind the recommendation or decision is sound and that a diligent search process was conducted in accordance with the agreed upon work plan and this policy.

### **Contracts**

- 26) The Executive Director, or his or her designee, will negotiate and execute all agreements in connection with service providers retained by the Association.
- 27) All contracts will include a detailed description of the services to be provided or duties to be performed by the service provider.
- 28) PERA shall not enter into a contract exceeding five years, and all contracts are subject to Board appropriation.
- 29) Annually, the Executive Director will provide the Board a schedule of the contracts involving key service providers due for renewal in the coming year.

### **Monitoring and Reporting**

- 30) All service providers will be subject to regular monitoring of performance and periodic reviews, as appropriate, throughout the term of the contract. Criteria for review may include, among others, performance expectations, satisfaction of staff, competitiveness of fees and accuracy of assumptions. (Refer to Appendix 1 for the frequency of the performance review for each service provider).
- 31) The Executive Director will report regularly to the Board on monitoring efforts, identifying any material issues or actions taken in a timely fashion. This will include informing the Board of all reviews scheduled for the coming year.
- 32) All reporting and monitoring provisions contained in this policy serve as minimum requirements. If more stringent requirements have been established within other policies of PERA, such requirements will prevail.

### **Policy Review and History**

- 33) The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.
- 34) The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**Appendix 1:**  
SUMMARY OF SERVICE PROVIDERS

<b>Service Provider</b>	<b>Appointed by</b>	<b>Frequency of Performance Review</b>
Pension Actuary	Board	Annually
Health Care Actuary	Board	Annually
Actuarial Auditor	Board	After completion of Audit
Human Resource Consultants advising the Board	Board	Annually
Investment Consultants advising the Board	Board	Annually
Investment Consultants	Board	Annually
Fiduciary Counsel	Board	Annually
Election Auditor	Board	Following Board Elections
External Auditor	State Auditor	Annually
External Legal Counsel	Executive Director & General Counsel	Annually
Life Insurance Actuary	Executive Director	Annually
Investment Consultants advising management	Executive Director	Annually
Lobbyists	Executive Director	Annually
Investment Manager	Chief Investment Officer	Annually
Securities Lending Managers	Chief Investment Officer	Annually
Custodian	Board	Annually
Other Service Providers	Executive Director	At least annually

**TAB 19**  
**STRATEGIC**  
**PLANNING POLICY**

# **Public Employees' Retirement Association of Colorado Strategic Planning Policy**

## **Purpose and Background**

- 1) The purpose of the Strategic Planning Policy is to provide PERA with a framework for long and short-term strategic planning. This policy reflects the process followed in preparing PERA's 2001 Strategic Plan, which emphasized the need to define a clear and appropriate direction for PERA, and ensure that the operations can effectively execute the defined direction.

## **Objectives**

- 2) The objectives of the Strategic Planning Policy are to:
  - a) Ensure that PERA actively and systematically plans for the future needs of the Association.
  - b) Facilitate discussion and agreement among the Board and management on the appropriate direction for PERA.
  - c) Facilitate the communication of PERA's Strategic Plan throughout the organization.

## **Principles**

- 3) Strategic Planning is a continuous process; an organization's strategic plan should be revisited at least annually, though its planning horizon may cover several years.
- 4) A strategic planning process can be effective without consuming inordinate amounts of time and effort on the part of the Board and management.
- 5) Effective organizations are those that, through their planning efforts, focus all of their available resources and energy on those few business priorities that are most critical to the success of the organizations.
- 6) Strategic Planning is a dynamic process and should reflect the unpredictable nature of PERA's legal and political environments, and the impacts these may have on the Association's workflow and resource availability.

## **Process Guidelines**

### **Roles and Responsibilities**

- 7) Management will be responsible for:
  - a) Identifying business risks, opportunities, and needs.

- b) Identifying and prioritizing strategic initiatives.
  - c) Recommending the Strategic Plan to the Board for its consideration.
- 8) The Board will be responsible for:
- a) Providing management with input on the Strategic Plan;
  - b) Approving the Strategic Plan and ensuring adequate resources are in place to support it; and
  - c) Monitoring the implementation of the Strategic Plan;

### **The Planning Process**

- 9) By June of each year, management will complete a strategic analysis of PERA, which will include, at a minimum:
- a) A review of the progress made in implementing the previous years' Strategic Plan.
  - b) An analysis of the continued appropriateness of PERA's strategic direction, which will include a consideration of the following issues:
    - (i) The needs currently being served by PERA.
    - (ii) The products and services PERA offers.
    - (iii) The level of excellence PERA strives to achieve.
    - (iv) The role PERA plays in influencing the State Legislature of Colorado in its decisions regarding the products and services it provides.
  - c) An assessment as to whether the operations of PERA are well positioned to pursue PERA's strategic direction, including consideration of the following PERA functions:
    - (i) Investments and funding
    - (ii) Member services and administration
    - (iii) Human resources
    - (iv) Systems and operations
    - (v) Governance and public relations
  - d) Identification of any new strategic initiatives to be undertaken in the coming 12-18 month period.

## **Strategic Planning Session**

- 10) Upon completion of its analysis, management will prepare and present to the Board an update to the Strategic Plan at the annual Board planning meeting in July of each year. The Strategic Plan will include at a minimum:
  - a) The status of the prior year's Strategic Plan;
  - b) Confirmation of the strategic direction of PERA, or any recommended changes to such direction, with supporting rationale;
  - c) An assessment as to whether the operations of PERA are well positioned to fulfill the strategic direction of PERA.
  - d) New or existing strategic initiatives to be undertaken over the planning period, along with necessary supporting information and planning parameters, which will include:
    - (i) Rationale for undertaking the initiative including benefits, impact, and consequences of not undertaking the initiative;
    - (ii) Timelines for completion;
    - (iii) Assignment of responsibilities for implementation;
    - (iv) Budget, and expected impacts;
    - (v) Criteria for assessing the success of the initiative; and
    - (vi) Provisions for reporting to the Board.
- 11) In approving the Strategic Plan, the Board will satisfy itself that the Plan is reasonable and supports the strategic direction of PERA.
- 12) In order to ensure that the strategic initiatives have the necessary resources to be implemented, the Strategic Plan should be reflected in PERA's operating budget. Should the budgeted funds associated with a particular strategic initiative fail to receive approval by the Board, the Strategic Plan will be amended accordingly.
- 13) Approval of the Strategic Plan represents a commitment on the part of the Board and management to complete the strategic initiatives set out in the Plan within the approved parameters. The addition of new initiatives should occur only under exceptional circumstances and only if the necessary time and budget requirements can be released or provided.
- 14) Should management determine that changing circumstances will not allow it to meet a particular parameter, the Board will be informed in a timely manner and the Strategic Plan will be adjusted accordingly.

### **Review of Strategic Plan**

- 15) On a quarterly basis, the Executive Director will review for the Board the status of each initiative contained in the Strategic Plan, regardless of whether any progress was made.

### **Communications**

- 16) The Strategic Plan will be made available to all staff members of the Association on a timely basis after Board approval.

### **Process Review and History**

- 17) The Board will review this process at least every three years to ensure that it remains relevant and appropriate.
- 18) The Board adopted this process on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 20  
BUDGET  
APPROVAL  
PROCESS**

## **Public Employees' Retirement Association of Colorado Budget Approval Process**

### **Purpose**

- 1) The purpose of this Budget Approval Process is to establish the process by which the annual administrative budget of PERA is presented to, reviewed and approved by the Board.

### **Objectives**

- 2) To provide PERA's management and the Board with a clear process for establishing its annual administrative budget.
- 3) To ensure that the annual budget is accumulated, presented and adopted in a timely manner, and to demonstrate the financial accountability of PERA's management in expending the budgeted funds during the budget period.

### **Assumptions and Principles**

- 4) The Board is authorized by State law to approve disbursements from PERA's trust funds, including expenses of the association. The annual administrative budget of PERA provides information to the Board to assist it in discharging its responsibilities.
- 5) It is the duty and responsibility of PERA's Board to set the strategic direction for the organization and to approve the allocation of resources necessary to conduct the operations of PERA in an effective and efficient manner.
- 6) The Executive Director, or a designee, is charged with the administration of PERA's operations within the resource allocation approved by the Board in its annual budget and in accordance with state law.

### **Guidelines**

#### **General Provisions**

- 7) The preparation of the proposed budget is the responsibility of the Chief Administrative Officer.
- 8) The adoption of the Budget is the exclusive responsibility of the Board.
- 9) Funds not expended in the current budget year are not automatically carried forward to the next year.

#### **Proposed Annual Budget - Board Package**

- 10) The Budget will be presented by department/division and by major expense category.

- 11) The budget will be designed to meet the strategic direction set by the Board.
- 12) The presentation will include at a minimum the previous year's actual expenditures, the current year's budget, the current year's estimated expenditures, and the budget year's proposed expenditures.

### **The Board's Budget Deliberations**

- 13) Program expenditures to assure the prompt delivery of benefits and related services to the members and beneficiaries of the System will receive primary consideration.
- 14) The proposed budget package for the upcoming budget year will be transmitted to the Board members before the Board's November meeting. The Board will conclude its deliberations prior to January 1 of the year covered by the proposed budget.

### **Adoption, Amendment and Review**

- 15) The Board will adopt the budget prior to January 1 of the budget year.
- 16) The budget may be amended at any time by the Board.
- 17) The Chief Administrative Officer, will provide quarterly budget reports to the Board for their review with comments.

### **Process Review and History**

- 18) The Board shall review this Process at least every three years to ensure that it remains relevant and appropriate.
- 19) The Board adopted this process on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 21**  
**SUCCESSION**  
**PLANNING POLICY**

# **Public Employees' Retirement Association of Colorado Succession Planning Policy**

## **Background and Objectives**

- 1) Turnover among Trustees and management can have a significant impact on the operations of PERA. While the Board recognizes that it may not be able to prevent such turnover, it can, through effective succession planning, mitigate the risks and impacts associated with the loss of individuals. This policy has been prepared to provide a framework for the Board's succession planning efforts.

## **Guidelines**

### **General**

- 2) All succession planning efforts will be conducted in a manner consistent with the *Colorado Sunshine Law* (Title 24, Article 6 of the Colorado Revised Statutes), and any other relevant state or federal legislation.

### **Succession Planning for the Board**

- 3) To help ensure that there will be a smooth and effective transition when new Trustees join the Board, the Board will undertake the following measures:
  - a) A description of the expectations and duties of PERA Trustees will be made available to all candidates seeking election to the Board. Such description will include at a minimum:
    - (i) Material describing the fiduciary duties of Trustees;
    - (ii) The Charters of the Board and its committees;
    - (iii) The Trustee Education and Travel Policy;
    - (iv) The Standards of Professional and Ethical Conduct and Conflict of Interest Questionnaire;
    - (v) A schedule of Board and committee meetings; and
    - (vi) An estimate of the expected time commitment on the part of Trustees.
  - b) The Board will establish, and review from time to time, a list of recommended skills and attributes that would position individuals to be effective Trustees.
  - c) Trustees will seek to identify individuals possessing the above skills and attributes and encourage them to seek election to the Board.
  - d) Trustees who have determined that they will not be seeking re-election to the Board are encouraged to inform the Board in a timely manner to allow it ample time to begin seeking candidates for the position.

- e) Newly elected or appointed Trustees will be encouraged to attend at least one meeting of the Board or its committees as observers prior to officially taking office, if time permits, in order to familiarize themselves with the workings of the Board.
- f) Newly elected or appointed Trustees will participate in an orientation session presented by PERA management, as prescribed in the Education and Travel Policy of the Board.
- g) PERA will maintain an up-to-date history of key decisions of the Board and other significant events affecting PERA. Such a history will be made available to newly elected Trustees.

### **Succession Planning for Executive Management**

- 4) To the extent possible, the Executive Director will continually prepare for the potential departure of members of executive management by maintaining a confidential pool of potential candidates for succession purposes.
- 5) Where feasible, the Executive Director will ensure that appropriate knowledge-based cross-training is incorporated within the staff training and development programs of PERA, so as to minimize the impact of the loss of key personnel.
- 6) At least annually, the Executive Committee will meet in executive session to discuss human resource issues involving the executive management team at PERA, at which time the Executive Director may discuss any human resource matters that may pose a risk to the organization, including but not limited to:
  - a) Potential turnover among the Chief Investment, Operating, and Administrative Officers or Directors;
  - b) The Chief Investment, Operating, and Administrative Officers or Directors that are eligible for retirement;
  - c) Possible successors for the departing Chief Investment, Operating, and Administrative Officers or Directors;
  - d) Performance issues pertaining to any of the Chief Investment, Operating, and Administrative Officers or Directors; and
  - e) Contingency plans in the event of a loss of the Chief Investment, Operating, and Administrative Officers, Directors, or other staff critical to the operations of PERA.
- 7) Annually, the Executive Committee will report to the Board, in executive session, on their committee discussions regarding succession planning.
- 8) In the event of a vacancy in the Executive Director position, the Chair will initiate the following process:
  - a) The Chair will appoint an Ad Hoc Board Search Committee;

- b) The Ad Hoc Search Committee will determine the required candidate skill sets; the evaluation criteria to be used in evaluating the candidates; and the timeframe and scope of the search effort. The Search Committee will also determine the extent to which staff and/or a search firm will assist its efforts.
  - c) After an initial screening to determine the qualified candidate pool, the candidates will be ranked according to the established evaluation criteria.
  - d) Telephone and/or personal interviews will be conducted with the ranked candidates to establish a pool of candidates to be interviewed by the Ad Hoc Board Search Committee.
  - e) The Ad Hoc Search Committee will recommend a minimum of two candidates to be interviewed by the full Board.
  - f) The recommended candidates may also meet with staff members to gain insight into the operations and culture of the Association.
  - g) Following the Board interviews and discussions with staff members, the Board will select the new Executive Director and establish the terms of employment by formal vote.
- 9) In the event of a vacancy in the position of Chief Investment, Operating, and Administrative Officers or in the positions of General Counsel or Director of Government Relations, the Chair will initiate the following process;
- a) The Chair will appoint an Ad Hoc Board Search Committee;
  - b) The Ad Hoc Board Search Committee will work with the Executive Director to determine the required candidate skill sets; the evaluation criteria to be used in evaluating the candidates; and the timeframe and scope of the search effort. The Search Committee will also work with the Executive Director to determine the extent to which search firm assistance is required.
  - c) After an initial screening to determine the qualified candidate pool, staff/search firm will rank the candidates according to the established evaluation criteria. The ranked candidates will be reviewed with the Ad Hoc Board Search Committee.
  - d) Staff/search firm will conduct telephone and/or personal interviews with the ranked candidates to establish a pool of candidates to be interviewed by staff.
  - e) Staff will recommend a minimum of two candidates to be interviewed by the Ad Hoc Board Search Committee.
  - f) Upon receiving the input of the Ad Hoc Board Search Committee, the Executive Director will select the successful candidate and so inform the full Board of Trustees.
- 10) In the event a current member of the PERA Board of Trustees shows interest in a vacant position of Chief Investment, Operating, and Administrative Officer, General Counsel or Director of Governmental Relations;

- a) A third party vendor will be selected by the Board Search Committee to evaluate all applicants and provide a list of not less than two and a maximum of five top candidates, not in rank order, to the Executive Director.
- b) After receiving this list, an approach similar to that listed in paragraph 9) of this policy shall be followed.
- c) Any Trustee seeking employment with PERA will recuse himself/herself from both discussions and voting on the evaluation of the Executive Director for a period of 12 months following their application for employment.
- d) Any Trustee selected for a position herein described, will resign from the Board of Trustees upon their acceptance of such position with PERA.

### **Policy Review and History**

- 11) The Board will review this policy at least once every three years to ensure that it remains relevant and appropriate.
- 12) The Board adopted this policy on November 16, 2001. The Board modified this policy on November 15, 2002. The Board modified this policy on November 19, 2004. The Board approved changes to this policy on February 18, 2005.

**TAB 22**  
**MONITORING AND**  
**REPORTING**  
**POLICY**

# **Public Employees' Retirement Association of Colorado Monitoring and Reporting Policy**

## **Purpose**

- 1) In keeping with the duty of the Board of the Public Employees' Retirement Association of Colorado (PERA) to oversee the activities and performance of PERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the reports it will receive from various sources on a regular basis.

## **Principles**

- 2) In accordance with section 24-51-205(6)(a) of the Colorado Revised Statutes, as amended, the Board may delegate various duties to management and to service providers. The Board is, however, still responsible for supervising those to whom it has delegated duties, using appropriate monitoring and reporting processes.

## **Guidelines**

### **General**

- 3) The reporting process will address the performance of various functions within PERA as well as compliance with policies and charters of PERA.
- 4) Performance benchmarks and success criteria should be specified in advance.
- 5) Where feasible, performance should be measured by independent service providers.
- 6) Investment performance reports will be prepared, where applicable, in accordance with the Performance Presentation Standards prescribed by the Association of Investment Management and Research.

### **Benchmarks**

- 7) Performance benchmarks established to assess the performance of PERA will generally be:
  - a) Approved by the Board;
  - b) Objective and unambiguous;
  - c) Measurable;
  - d) Achievable; and
  - e) Valid

- 8) The primary performance benchmarks used to evaluate the performance of the investment program will be based on passive market indices. Furthermore, performance attribution, based on such indices, will constitute the primary methodology for evaluating the effectiveness of investment decisions made by the Board, senior management, and service providers;
- 9) Peer comparisons of total fund performance may be considered when reviewing the performance of the investment program, but will not constitute the primary investment benchmark.
- 10) Appropriate peer group comparisons may be used as benchmarks in assessing the performance of the benefit administration function.

### **Routine Reporting**

- 11) The Board will be provided the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1.

### **Policy Review and History**

- 12) The Board will review this policy at least once every three years to ensure that it remains relevant and appropriate.
- 13) The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

## Appendix 1

### Governance Reports

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
1. Annual Governance	Annually	External	A summary confirmation of compliance with charters and policies of the Board.
2. Board Performance Evaluation	Annually	Board committee	Summarizes the results of the Board's performance self-evaluation, including follow-up actions.
3. Executive Director Evaluation	Annually	Board committee	Summarizes the performance assessment of the Executive Director.
4. Trustee Education	Annually	External	Summarizes the activities of the Board with respect to education, and comments on the appropriateness of various educational programs or tools.
5. Compliance Questionnaire	Annually	Trustees	Summarizes affirmation by Trustees that they are in compliance with PERA's Standards of Professional and Ethical Conduct, including conflict of interest provisions, or declares areas of non-compliance.

## Investments & Funding Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
6. Investment Performance Reports	Monthly	Staff	Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and using attribution analysis.
7. Investment Performance Reports	Quarterly	External	Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and using attribution analysis.
8. Investment Consultants Report	Annually	External	Report on the economic and investment environment, and discuss asset allocation.
9. Investment Cost Effectiveness	Annually	Staff	Evaluates the costs of the investment program, and compares them to appropriate peer groups.
10. Report on Brokerage Commissions	Annually	External/ Staff	Evaluates the costs and efficiency of PERA's trading activities.
11. Proxy Voting	Annually	Staff	Confirms compliance with the Board's proxy voting policy, and summarizes how PERA exercised its voting rights in public companies.
12. Interest Rate for Member Accounts	Annually in November for the following calendar year	Staff	Board must set the interest rate for member accounts. Grid developed for rate, based on funded percentage, PERA returns and 2 year T-note rate.
13. Actuarial Valuation	Annually	External	Summarizes the results of the actuarial valuation for the plan and the health care program, together with any recommendations.
14. Actuarial Audit	Every 5 years	External	An independent review of the validity of the analyses and methodologies used in preparing PERA's actuarial valuation.
15. Asset and Liability Study	Every three years	External	A study of the relationship between PERA's assets and liabilities to determine the appropriateness of PERA's asset allocation policy
16. Investment Manager Compliance	Annually	Staff	Confirms that investment managers are investing plan assets in accordance with their mandate, investment agreement, regulatory requirements and PERA Policy.

## Administration and Operations Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
17. Project Status	Quarterly	Staff	Summarizes the status of each initiative contained in the Strategic Plan.
18. Administrative Errors	Quarterly	Staff	Sets forth administrative errors corrected pursuant to paragraph 205(6)(a) of PERA Law.
19. Internal Audit	Annually	Staff	Reviews the appropriateness of internal controls, and compliance with Board and operational policies.
20. External Audit	Annually	Audit Committee	Confirms that the financial statements present fairly, in all materials respects, the financial status of PERA, in accordance with generally accepted accounting principles.
21. Comprehensive Annual Financial Report	Annually	Staff	Reviews the operations and activities of the Plan during the last fiscal year. The financial statements shall be part of the annual report and indicate the financial position of the plan.
22. Comprehensive Annual Financial Report Summary	Annually	Staff	Modified version of the Comprehensive Annual Financial Report prepared specifically for plan participants.
23. Lobbying and Public Relations	Annually	Staff	Summarizes the activities of PERA's lobbyists and public relations service providers, focusing on significant actions and initiatives.
24. Board Administrative Review	Annually	Staff	Summarizes the caseloads of appeals and reviews under the Administrative Review process, and any significant decisions or interpretations.
25. Benefits Administration Cost Effectiveness	Annually	Staff	Evaluates the costs of PERA administration and operations, and compares them to appropriate peer groups.
26. Service Quality	Annually	Staff	Monitors service quality of the administrative staff against predetermined benchmarks.
27. Member/Retiree Satisfaction	Annually	Staff	Summarizes and discusses the results of member/retiree satisfaction surveys.
28. Employer Satisfaction	Annually	Staff	Summarizes and discusses the results of employer satisfaction surveys.
29. Legislator Education	Annually	Staff	Summarizes and discusses the results of education efforts on Legislators.
30. Member Education and Communications	Annually	Staff	Provides a review of the member communication and information activities, and confirms compliance with the Member Communication and Information Policy during the last fiscal year.
31. Service Provider Evaluations	Annually	Staff	Evaluates the performance of the external service providers.

### Staff Reports

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
32. Executive Director's	Each Board meeting	Staff	Updates the Board on significant matters not reported in routine reports, or in other staff or committee reports.
33. Market and Portfolio Update	Each Board meeting	Staff	Updates the Board on significant investment matters not reported in routine reports.
34. Legislative Update	As required	Staff	Updates the Board on significant legislative development, proposals or changes affecting PERA.
35. Legal	As required	Staff	Updates the Board on significant legal development affecting PERA, and on ongoing litigation.
36. Benefits Department	Semi-annually	Staff	Review of significant issues regarding PERA activity within the Benefits Division.
37. Support Services Department	Semi-annually	Staff	Review of significant issues regarding PERA activity within the Support Services Division.

**TAB 23**  
**EXECUTIVE**  
**DIRECTOR**  
**PERFORMANCE**  
**EVALUATION**  
**POLICY**

# **Public Employees' Retirement Association of Colorado Executive Director Performance Evaluation Policy**

## **Purpose**

- 1) The purpose of this policy is to establish a process to evaluate the performance of the Executive Director of PERA.

## **Policy Objectives**

- 2) The objectives of this policy are to:
  - a) Assist the Board in establishing and communicating clear and meaningful goals and performance targets to the Executive Director.
  - b) Better enable the Board to hold the Executive Director accountable for performance.
  - c) Ensure the Executive Director receives meaningful, objective, and timely feedback that will allow the Executive Director to perform, over time, at the highest level possible.

## **Principles**

- 3) Evaluating the performance of the Executive Director is an important duty of the Board and therefore should include the active participation of all Trustees.
- 4) The primary responsibility of the Executive Director is the effective management of the operations of the Association. Accordingly, the quality of the management of the operations constitutes the most relevant measure of performance, and should weigh heavily in the performance evaluation.
- 5) The process for evaluating the performance of the Executive Director should be free of real or perceived conflicts of interest.
- 6) Timeliness is crucial to the success of the performance evaluation process.
- 7) The evaluation process and its results should be transparent to all Trustees and the Executive Director.

## **Policy Guidelines**

### **Evaluation Committee**

- 8) The Evaluation Subcommittee will facilitate the evaluation of the performance of the Executive Director, in accordance with this policy.

## **Evaluation Criteria and Forms**

- 9) Before the end of each year, the Executive Director will recommend to the Evaluation Subcommittee a set of criteria to be used in evaluating the Executive Director's performance over the upcoming calendar year.
- 10) In considering the proposed criteria, the Evaluation Subcommittee will ensure that these criteria:
  - a) Reflect the purpose and unique nature of the operations of PERA.
  - b) Pertain to outcomes over which the Executive Director has a reasonable degree of control.
  - c) Are generally consistent from year to year.
- 11) The performance evaluation criteria will fall into one of four broad categories:
  - a) Achievement of performance targets established for the Association as a whole.
  - b) Implementation of strategic initiatives and business projects;
  - c) Leadership and related managerial qualities.
  - d) Other criteria that reflect special events or circumstances that may arise in a given year.
- 12) The Evaluation Subcommittee, in consultation with the Executive Director, will agree upon the evaluation criteria.
- 13) In order to assist the Board in assessing the performance of the Executive Director relative to the evaluation criteria, the Executive Director will annually recommend to the Evaluation Subcommittee a performance evaluation form, denoting any suggested changes from the previous year's form. In addition to specific questions and guidelines, the form will provide sufficient space for Trustees to provide general comments.
- 14) At the final calendar year meeting of the Board, the Evaluation Subcommittee will present the evaluation criteria and the evaluation form to the Board for its review and approval.

## **Performance Assessment**

- 15) At the final meeting of the current year, Trustees will be provided with copies of the performance criteria and Evaluation Form for the just ending calendar year, and will be allowed two weeks to complete and return the Evaluation Form directly to the Internal Audit Director.
- 16) The Chair of the Evaluation Subcommittee, or his or her designee, will ensure that the results of all Evaluation Forms are tabulated and summarized on a confidential basis.

- 17) To further assist Trustees in completing the Evaluation Form, the Internal Audit Director will provide the Board with data concerning performance targets established for the Association and any other relevant background information as requested by the Evaluation Subcommittee.
- 18) At the final meeting of each year, the Executive Director will present a report to the Evaluation Subcommittee describing the extent to which the Executive Director believes the evaluation criteria were met over the just ending calendar year, providing relevant data or information, as appropriate. The report may also cover any extraordinary accomplishments during the fiscal year that are outside the evaluation criteria.
- 19) The Evaluation Subcommittee will meet in executive session to evaluate the Executive Director's performance. In doing so, the Evaluation Subcommittee will consider the report of the Executive Director, the summary of the evaluation forms, and any relevant data and information pertaining to the evaluation criteria.
- 20) The Chair of the Evaluation Subcommittee will prepare a Performance Report, summarizing the Subcommittee's assessment and providing specific guidance for the Executive Director concerning improvement opportunities.
- 21) Prior to the February Board meeting, the Evaluation Subcommittee will provide the Executive Director with a draft of the Performance Report, and meet with the Executive Director to discuss it.
- 22) At least by the March meeting of the Board, the Chair of the Evaluation Subcommittee will present the Board a summary of the Performance Report for the past calendar year for review, discussion, and approval.

### **Evaluation Results and Materials**

- 23) The Internal Audit Director will maintain a file containing all relevant documents involved in the Executive Director's evaluation process, including the evaluation criteria, evaluation forms and the Performance Report.

### **Compensation**

- 24) Compensation is established by contract between the Executive Director and the Board of Trustees.

### **Policy Review and History**

- 25) The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.
- 26) The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 24  
BOARD  
PERFORMANCE  
EVALUATION  
POLICY**

# **Public Employees' Retirement Association of Colorado Board Performance Evaluation Policy**

## **Objectives**

- 1) The objective of this policy is to provide a process whereby the Board of PERA may engage in self-analysis and discussion for the purposes of continuously improving its own effectiveness as a fiduciary body.

## **Principles**

- 2) The evaluation of the Board's performance is performed most effectively and appropriately by the Board itself.
- 3) The evaluation process should be open and visible to all interested parties and should include the participation of all Trustees.
- 4) The scope of the evaluation process and any resulting actions should be strictly limited to the operations and decision-making practices of the Board itself. Issues pertaining to the operations of the Association will fall within the scope of other Board policies, such as the Strategic Planning Policy and the Executive Director Evaluation Policy.

## **Guidelines**

### **Roles & Responsibilities**

- 5) The Evaluation Subcommittee will be responsible for overseeing the implementation of this policy, including the approval of the Discussion Guide for the Performance Evaluation of the Board (the Discussion Guide), and making recommendations to the Board for addressing issues arising from the evaluation process; and
- 6) The Board Chair will be responsible for coordinating and assisting in the evaluation process.

### **Procedures**

- 7) In September of each year, the Evaluation Subcommittee will review the Discussion Guide and make modifications, as appropriate.
- 8) The purpose of the Discussion Guide will be to provide Trustees with a framework for evaluating the performance of the Board and for raising, in a confidential manner, any concerns or suggestions Trustees may have. The questions contained in the Discussion Guide may take any format deemed appropriate, but the Discussion Guide must allow Trustees to provide written comments or suggestions.
- 9) In October, copies of the Discussion Guide will be distributed to each Trustee and to the Executive Director.

- 10) Trustees and the Executive Director are encouraged to complete the Discussion Guide and return it to the Board Chair before the November Board meeting. The Board Chair in turn will ensure that the completed Discussion Guides are tabulated and a Summary Report prepared.
- 11) The Board Chair will present a timely Summary Report to the Evaluation Subcommittee and will facilitate discussion of the Report by the Committee.
- 12) Not later than January 31 of the following year, the Board Chair will report to the Board on the discussions, conclusions, and recommendations of the Evaluation Subcommittee. Such report will include a summary of the previous year's report and outcomes.
- 13) The results of any Board discussions and resulting actions on the part of the Board will be recorded in the minutes of the Board meeting.

### **Policy Review and History**

- 14) The Board will review this policy at least once every three years to ensure that it remains relevant and appropriate.
- 15) The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**Colorado PERA  
Discussion Guide for the  
Board Performance Evaluation Policy**

In keeping with the Board Performance Evaluation Policy, Board Trustees are asked to complete the attached Discussion Guide, the purpose of which is to:

- Assist in identifying Board Trustee concerns with respect to the performance or operations of the Colorado PERA Board and its committees; and
- Elicit suggestions from Board Trustees for improving the Board's overall performance.

Please place your completed Discussion Guide in the envelope provided and submit your **sealed** envelope to the address on the envelope before **DATE TO BE INSERTED**.

If you require extra space to complete your answers, please feel free to attach additional pages to the Guide.

***Please be assured that individual responses will be kept confidential and that only an overall summary of Board Trustees' responses will be made available to the Board.***

**ROLES AND RESPONSIBILITIES:**

1. In your opinion, how clear are the responsibilities of each of the following:	Very Unclear		Clear		Very Clear
a. Board of Trustees	1	2	3	4	5
b. Investment Committee	1	2	3	4	5
c. Benefits Committee	1	2	3	4	5
d. Audit Committee	1	2	3	4	5
e. Shareholder Responsibility Committee	1	2	3	4	5
f. Compensation & Budget Committee	1	2	3	4	5
g. Executive Committee	1	2	3	4	5
h. Evaluation Subcommittee	1	2	3	4	5
i. Chair	1	2	3	4	5
j. Vice Chair	1	2	3	4	5
k. Committee Chairs	1	2	3	4	5
l. Executive Director	1	2	3	4	5

Please provide any additional comments that you may have regarding the responsibilities on any of the above committees or positions.

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**BOARD GOVERNANCE:**

Please indicate the extent to which you agree with each of the following statements:	Strongly disagree	<i>Disagree</i>	Agree	Strongly Agree
2. The education program for Board Trustees is sufficient to provide them with the knowledge necessary to effectively carry out their duties.	1	2	3	4
3. Board Trustees fully understand the nature and scope of their fiduciary duties.	1	2	3	4
4. The decision-making process of the Board of Trustees is effective and efficient.	1	2	3	4
5. Board Trustees are familiar with the Governance Policies of the Board.	1	2	3	4
6. Board Trustees comply with the Governance Policies of the Board.	1	2	3	4
7. All important policy issues affecting Colorado PERA are adequately addressed by the Governance Policies of the Board. If not, please specify issues not addressed in the space below.	1	2	3	4
8. Board Trustees have an adequate understanding of the system of internal controls at PERA.	1	2	3	4
9. The Board of Trustees is performing effectively.	1	2	3	4

Please provide any additional comments that you may have about Board Governance.

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**BOARD MEETINGS:**

Please indicate the extent to which you agree with each of the following statements:	Strongly disagree	<i>Disagree</i>	Agree	Strongly agree
10. Board and committee meetings are characterized by productive, open discussions.	1	2	3	4
11. I am satisfied with the process for establishing the agenda for Board meetings.	1	2	3	4
12. Board Trustees demonstrate decorum and respect for staff during meetings.	1	2	3	4
13. With respect to Board meetings, I am satisfied with: a. their frequency; b. their duration; c. their location; d. the manner in which meetings are conducted				
a. their frequency;	1	2	3	4
b. their duration;	1	2	3	4
c. their location;	1	2	3	4
d. the manner in which meetings are conducted	1	2	3	4
14. All Board Trustees regularly attend meetings of the Board and of the committees on which they serve.	1	2	3	4

Please provide any additional comments that you may have regarding Board meetings.

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**REPORTING:**

Please indicate the extent to which you agree with each of the following statements:	Strongly disagree	<i>Disagree</i>	Agree	Strongly Agree
15. The Board and/or its committees receive adequate reporting on the following investment matters:				
a. Asset/liability management	1	2	3	4
b. Investment manager performance	1	2	3	4
c. Performance of internally managed portfolios	1	2	3	4
d. Value added from active management	1	2	3	4
e. Investment management costs	1	2	3	4
f. Trading and execution costs	1	2	3	4
g. Compliance with investment policies and manager guidelines	1	2	3	4
h. Portfolio risk exposure	1	2	3	4
i. New investment opportunities	1	2	3	4
16. The Board and/or its committees receive adequate reporting on the following non-investment matters:				
a. The financial audit	1	2	3	4
b. Member services	1	2	3	4
c. Communications with stakeholders	1	2	3	4
d. Technology	1	2	3	4
e. Governance process	1	2	3	4
f. The budget process	1	2	3	4
g. The strategic planning process	1	2	3	4
h. Other areas Please specify: _____ _____	1	2	3	4

Please provide any additional comments that you may have regarding reporting.

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**BOARD RELATIONS:**

<b>Please indicate the extent to which you agree with each of the following statements:</b>	<b>Strongly disagree</b>	<b><i>Disagree</i></b>	<b>Agree</b>	<b>Strongly Agree</b>
17. There is effective interaction among Board members.	1	2	3	4
18. There is effective interaction between Board Trustees and senior management.	1	2	3	4
19. Communication between the Board and plan participants is consistent with the Board Communication Policy.	1	2	3	4
20. The current process in place for evaluating the performance of the Executive Director is appropriate.	1	2	3	4

Please provide any additional comments that you may have regarding Board relations.

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**BOARD COMMITTEES:**

<b>Please indicate the extent to which you agree with each of the following statements:</b>	<b>Strongly disagree</b>	<b><i>Disagree</i></b>	<b>Agree</b>	<b>Strongly Agree</b>
21. The current committee structure is appropriate.	1	2	3	4
22. The number of committees is appropriate.	1	2	3	4
23. The current size and composition of the committees are appropriate.	1	2	3	4
24. The committees operate effectively:				
a. Investment Committee	1	2	3	4
b. Benefits Committee	1	2	3	4
c. Audit Committee	1	2	3	4
d. Shareholder Responsibility Committee	1	2	3	4
e. Compensation & Budget Committee	1	2	3	4
f. Executive Committee	1	2	3	4
g. Evaluation Subcommittee	1	2	3	4

Please provide any additional comments that you may have regarding Committees.

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**EDUCATION SURVEY:**

	<b>Priority:</b>		
	<b>Low</b>	<b>Medium</b>	<b>High</b>
25. Management periodically holds/conducts in-house educational opportunities for Trustees to assist them in reaching the required hours listed in the Board Education Policy. Please indicate your interest level in such training for the following general topic areas:			
a. Governance and fiduciary duties	L	M	H
b. Benefits administration	L	M	H
c. Actuarial policies and funding approaches	L	M	H
d. Information technology	L	M	H
e. Regulatory and legal issues	L	M	H
f. Investments:	L	M	H
i) Asset/liability management	L	M	H
ii) Asset allocation/asset mix	L	M	H
iii) Capital market history	L	M	H
iv) Characteristics of traditional investments (stocks/bonds)	L	M	H
v) Characteristics of alternative investments	L	M	H
vi) Active and passive investment management	L	M	H
vii) Investment performance measurement	L	M	H
viii) Portfolio risk management	L	M	H
ix) Securities lending	L	M	H
x) Soft dollar transactions	L	M	H

Please provide any additional pension topics you are interested in learning more about:

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26. What were the most significant successes or achievements of the Board over the past year and why?

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27. Over the past year, were there any aspects of the Board's operations or activities that could have been improved? If so, how?

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28. If you have any additional comments or suggestions regarding the performance of the PERA Board or its committees, please list them in the space provided below:

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**Please attach additional pages if necessary**

**Name** \_\_\_\_\_

**Phone Number - Home** \_\_\_\_\_

**Office** \_\_\_\_\_

**Please return the completed evaluation to Cortex Applied Research using the attached envelope. Cortex staff will contact you directly for any follow up items they feel appropriate.**

***Please be assured that only an overall summary of Board Trustees' responses will be made available to the full PERA Board.***

*Thank you for your assistance.*

**TAB 25**  
**BOARD EDUCATION**  
**POLICY**

## **Public Employees' Retirement Association of Colorado Board Education Policy**

### **Purpose and Background**

- 1) PERA is a trust for the exclusive benefit of its members, and the administration of PERA is subject to strict fiduciary responsibilities under trust law. All of PERA's operations and activities must be undertaken solely to advance and protect the interests of the members, retirees and beneficiaries of PERA and must be conducted in a prudent manner.
- 2) As fiduciaries of PERA, Trustees are expected to be capable of completing their duties and responsibilities. The diversity of each individual Trustee's background presents a challenge in addressing necessary and recommended continuing professional education opportunities.
- 3) It is the policy of PERA that all Trustees should have a cogent understanding of the issues and problems facing PERA and the pension and health care business generally, so that the Board may craft policies to guide the administration of the plan and effectively monitor their implementation. To that end, each Trustee should be educated sufficiently to discharge the obligations of the position. For these reasons, PERA hereby adopts an education program policy applicable to all Trustees.

### **Objectives**

- 4) The objectives of this policy are to establish among Trustees a general understanding of the following:
  - a) The role of a Trustee and the role of management;
  - b) The obligations and role of a fiduciary and the paramount duties of loyalty and prudence;
  - c) The business model, including knowledge of what constitutes success for the organization, the driving factors that will determine whether PERA is successful, and the major risks that need to be managed in connection with the business;
  - d) Governance principles;
  - e) The legal and legislative environment;
  - f) Actuarial principles;
  - g) Pension plan design and other benefit programs; and
  - h) Investment and asset allocation strategies.

## **Definitions**

- 5) For the purposes of this policy, an “educational session” shall be defined as a conference, seminar, workshop, course or other substantive educational activity on any pension administration subject matter.

## **Guidelines**

### **Trustee Orientation**

- 6) Each new Trustee will attend an orientation session developed by the Executive Director, to be held within two months of the Trustee’s election or appointment. The orientation session should, at a minimum, include the following:
  - a) A briefing by the Executive Director on the history and background of PERA;
  - b) An orientation by the Board Chair on current issues before the Board;
  - c) An introduction to members of executive management;
  - d) A tour of PERA offices, provided by executive management;
  - e) A briefing on fiduciary duties, conflict of interest guidelines, PERA Law, PERA Rules and other pertinent legislation;
  - f) The provision of:
    - (i) A Trustee Reference Manual (the contents of which are listed in Appendix A).
    - (ii) A listing of upcoming recommended educational sessions.
    - (iii) Other relevant information and documentation deemed appropriate by the Executive Director.
- 7) The Board Chair will designate one member of the Board as a mentor for each new Trustee for a period of one year. The mentor will meet with the new Trustee at least twice during the year following the new Trustee’s election or appointment, and will be available for consultation or discussion at other reasonable times.

### **Education Standards**

- 8) The Board will prescribe educational standards for Trustees, which shall be documented in this policy.

9) At a minimum, in the first year of a new Trustee's service on the Board, such Trustee will attend educational sessions sufficient to create a general understanding of the principles outlined in paragraph 4 of this policy. Attendance at one of the following educational sessions will be deemed sufficient to discharge this initial educational obligation:

- a) IFEBP Certificate of Achievement in Public Plan Policy-Employee Pensions.
- b) NEA Trustee Workshop.
- c) NCTR Trustee Workshop, including new Trustee orientation.
- d) Any others the Audit Committee or Board may approve.

The Audit Committee may accept a substitution or waive the educational requirement of paragraph 9 based upon documentation of professional and educational experience that is deemed sufficient to meet the intent of this obligation. Trustees will use the *Request for Substitution or Waiver of a Trustee Educational Requirement Form* (Appendix E) to apply for a substitution or waiver of an educational obligation. With respect to each substitution or waiver granted under paragraph 9 the Audit Committee will retain the documentation for the basis of the substitution or waiver. If the Audit Committee denies a substitution or waiver, the affected Trustee may appeal that determination to the full board at its next regular meeting. The Board shall have power to hear and decide the issue de novo, and its determination by majority vote shall govern.

10) Within two years of election or appointment, a new Trustee will also attend the Pension Fund and Investment Management program presented by the Wharton School of Business at the University of Pennsylvania.

The Audit Committee may accept a substitution or waive the educational requirement of paragraph 10 based upon documentation of professional and educational experience that is deemed sufficient to meet the intent of this obligation. Trustees will use the *Request for Substitution or Waiver of a Trustee Educational Requirement Form* (Appendix E) to apply for a substitution or waiver of an educational obligation. With respect to each substitution or waiver granted under paragraph 10 the Audit Committee will retain the documentation for the basis of the substitution or waiver. If the Audit Committee denies a substitution or waiver, the affected Trustee may appeal that determination to the full board at its next regular meeting. The Board shall have power to hear and decide the issue de novo, and its determination by majority vote shall govern.

11) After their first two years of service, Trustees are responsible for self-evaluating their additional educational needs and obtaining knowledge in specific-needs areas in a controlled manner. Trustees are encouraged to complete a *Board of Trustees Education Needs Assessment Form* (Appendix B), in order to assist them to determine their educational needs.

- 12) In every two-year period following the first two years of service, Trustees will participate in at least twenty hours of educational programming at an educational session. Trustees will use the *Trustees' Education Compliance Form* (Appendix C) of this policy to report their compliance with this requirement to the Audit committee.
- 13) Many conferences are available, but unfortunately not all are valuable. The PERA office will maintain a database of evaluations from all Trustees who have traveled to specific conferences. Trustees should check this database before attending a conference to see if it is worth their time and expense to PERA. If possible, they should speak with another Trustee who has attended previously.
- 14) Trustees must complete a *Trustees' Educational Evaluation Form* upon completion of any educational session (Appendix D). This should be turned in with any request for reimbursement. A Trustee's request for reimbursement will not be completed without this evaluation.
- 15) The Executive Director will schedule an annual fiduciary update that will be attended by all Trustees.
- 16) Periodically, Trustees may attend non-educational functions. This could include attendance at legislative hearings, organizational meetings, meetings with other state's pension funds or to review the activities of PERA's investment managers and custodian bank. (Expenses incurred by Trustees attending such meetings will be reimbursed under the existing guidelines and are not considered part of this policy.)

### **Reimbursement of Expenses**

- 17) A two-year budget for education will be established for each Trustee, the amount to be determined and approved periodically by the Board. The budget will be administered by PERA staff to ensure consistency during circumstances involving additions, departures, or appointments of Board Trustees.
- 18) This budget is available to each Trustee for expenses incurred in attending any educational session provided such expenses are reimbursable under the Board Expense Reimbursement Policy.
- 19) For Trustees using airports other than Denver International, air travel will be charged against their budget at the lesser of the actual air travel cost or the fare available for a trip originating in and returning to Denver International Airport. Mileage incurred by Trustees living outside the immediate Denver area to get to another airport will be reimbursed but not charged against their education budgets nor will any expenses necessary to attend board meetings.
- 20) Management will inform Trustees of the amount of the remaining balance of their education budget allotment, upon request by the Trustee.

- 21) Any Trustee requesting an exception from this policy must present their request to the full Board for consideration.
- 22) Trustees may not accept payment, directly or indirectly, except for reimbursement of travel or other expenses associated with speaking engagements, while holding themselves out as or being represented as members of the PERA Board of Trustees. Vendor sponsored trips are prohibited by the ethics standards because of the appearance of a conflict of interest.
- 23) PERA will not make any reimbursement of travel and other expenses associated with speaking engagements when a Trustee is campaigning for Board re-election, or when a Trustee is in support of another Trustee who is running for re-election. The time period begins when a Trustee first serves notice to PERA that he or she will be running for Board re-election and lasts through May 31 of the election year.

### **Compliance**

- 24) The willful failure of a Trustee to substantially comply with this education policy will be reviewed by the Board.

### **Policy Review and History**

- 25) The Board will review this policy at least once every three years to ensure that it remains relevant and appropriate.
- 26) This policy is a consolidation of, and replaces, the Board of Trustees Education Policy, approved June 15, 2001, and the Board of Trustees Educational Travel Policy.
- 27) The Board adopted this policy on November 16, 2001. Modified by the Board April 18, 2003. The Board approved changes to this policy on February 18, 2005.

## **APPENDIX A CONTENT OF THE TRUSTEE REFERENCE MANUAL**

A Trustee Reference Manual will include the following materials:

- a) PERA Law, PERA Rules, and the *Colorado Sunshine Law*
- b) Most recent plan description and member handbook
- c) Copies of PERA Board policies
- d) Most recent Annual Report
- e) Most recent actuarial valuation and financial statements
- f) Most recent asset/liability study
- g) Most recent investment performance report
- h) Most recent business plan and budget
- i) Organizational chart
- j) Names and phone numbers of all Trustees and executive management
- k) Listing of current committee assignments
- l) Listing of current PERA service providers
- m) Glossary of key pension administration terms and definitions

It is the responsibility of Trustees to maintain their Reference Manual, by ensuring that they contain the most up to date materials. Staff will provide assistance in this regard.

**APPENDIX B**  
**BOARD OF TRUSTEES EDUCATIONAL NEEDS ASSESSMENT**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO**

Trustee: \_\_\_\_\_

Trustee since: \_\_\_\_\_

Self Evaluation of Current Level of Understanding and Conceptual Knowledge:

	Very High	Good	Limited	Inadequate
PERA's Law	_____	_____	_____	_____
Investments	_____	_____	_____	_____
Benefits	_____	_____	_____	_____
Actuarial Concepts	_____	_____	_____	_____
Legislative Process	_____	_____	_____	_____
Financial Reporting	_____	_____	_____	_____
Accounting	_____	_____	_____	_____
Auditing	_____	_____	_____	_____
Budgeting	_____	_____	_____	_____
Corporate Governance	_____	_____	_____	_____
Fiduciary Law	_____	_____	_____	_____
Board/Staff Interaction	_____	_____	_____	_____
Effective Communication	_____	_____	_____	_____
Taxation	_____	_____	_____	_____
Healthcare	_____	_____	_____	_____
DB/DC Differences	_____	_____	_____	_____
Government Relations	_____	_____	_____	_____

Trustee Signature: \_\_\_\_\_

Date: \_\_\_\_\_



**APPENDIX D  
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
TRUSTEES' EDUCATIONAL EVALUATION FORM**

Trustee Name \_\_\_\_\_

Conference/Seminar Title \_\_\_\_\_

Location \_\_\_\_\_ Date(s) \_\_\_\_\_

Sponsoring Organization \_\_\_\_\_

Please help us evaluate the quality of this program and its relevance to you as a Trustee. Please respond to each question by placing an X near the appropriate rating. Please attach this form to your expense report.

**THE CONFERENCE/SEMINAR**

What was your reason for attending? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Was the same or a similar educational opportunity available locally? No \_\_\_ Yes \_\_\_

If so, why was the travel necessary? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

	Not really	A Little	Definitely
Did the sessions increase your understanding of the topics? How? _____ _____ _____	___	___	___

Did the sessions offer new insights on the topic? What were they? _____ _____ _____	___	___	___
--	-----	-----	-----

Not really    A Little    Definitely

Would you recommend this conference/seminar to others?  
Why? \_\_\_\_\_

\_\_\_\_\_

Which Trustees would benefit the most from this conference/seminar? (e.g., new Trustees, experienced Trustees, Trustees with limited background in the subject area, Trustees with extensive knowledge in the subject area) \_\_\_\_\_

Should future attendees attend the entire conference/seminar or only certain sessions?

What was the most beneficial part of this conference/seminar? \_\_\_\_\_

What was the least beneficial part of this conference/seminar? \_\_\_\_\_

Poor    Okay    Good    Excellent

How effective were the presentations? \_\_\_\_\_

How would you rate the overall value of the program? \_\_\_\_\_

\*\*\*\*\*

**THE SPONSORING ORGANIZATION**

	No	Yes
Did the program topics actually follow the brochure?	_____	_____
Were the presenters knowledgeable about the topics?	_____	_____
Was the program well organized?	_____	_____

Who was the target audience of this conference/seminar? \_\_\_\_\_  
\_\_\_\_\_

Other comments \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\*\*\*\*\*

How does what you learned contribute to the goals, objectives and operations of PERA?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

How did this conference/seminar contribute to your own goals and education?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

**APPENDIX E**

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
REQUEST FOR SUBSTITUTION OR WAIVER OF A TRUSTEE  
EDUCATIONAL REQUIREMENT FORM**

**INSTRUCTIONS:** This form is to be completed by the Trustee and submitted to the Audit Committee Chair for approval.

Trustee name \_\_\_\_\_

Education requirement you are requesting for substitution or waiver

\_\_\_\_\_

Educational session you would like to take if requesting a substitution

\_\_\_\_\_

Sponsoring Organization \_\_\_\_\_

Reason for requesting the substitution or waiver (attach supplemental documentation)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**For Audit Committee use only:**

Approved

Denied

Audit Committee Chair \_\_\_\_\_ Date \_\_\_\_\_

**TAB 26**  
**BOARD EXPENSE**  
**REIMBURSEMENT**  
**POLICY**

# **Public Employees' Retirement Association of Colorado Board Expense Reimbursement Policy**

## **Purpose and Background**

- 1) The purpose of this policy is to define the guidelines under which Trustees of PERA will be reimbursed for expenses which they incur in the completion of their duties as a Trustee and to insure that they receive appropriate and timely reimbursement.

## **Statutory Authority**

- 2) Section 24-51-203 (4) C.R.S.: The Trustees shall serve without compensation but shall be reimbursed by the association for any necessary expenses incurred in the conduct of their official duties and shall suffer no loss of salary from an employer for service on the Board.

## **General Guidelines**

- 3) Individuals serving as Trustees are expected to use prudence, discretion and good judgment to insure that all expenses incurred, regardless of the source of funds, are authorized, reasonable and necessary.
- 4) PERA will reimburse only those expenses that have actually been incurred. Per diem reimbursement in lieu of payment for actual expenses will not be allowed. Authorized expenses include transportation (air, ground, and private auto), food, lodging, parking, telephone, laundry, postage, equipment rental (when necessary) and related gratuities. Expenses that are considered non-reimbursable are expenses for family members or companions, personal entertainment, fees for athletic or exercise facilities, golf or tennis fees, and alcoholic beverages.
- 5) Reimbursement of Trustee expenses will be allowed for PERA business only, which includes:
  - a) Meetings of the Board and its committees;
  - b) Educational sessions, including conferences, workshops, seminars, courses, or other substantive educational activities on any pension administration subject matter;
  - c) Non-educational functions, where requested or approved by the Board; this may include attendance at legislative hearings, organizational meetings, meetings with other state pension funds or to review the activities of PERA's investment managers and custodian bank;
  - d) Subscriptions to business/pension related magazines or newsletters;
  - e) Fees associated with internet connections at Trustees homes used for connectivity to PERA's Board website; and
  - f) Any other matter if so approved by the Board.

- 6) Expenses incurred by a Trustee as a representative of or on behalf of another organization are not reimbursable. Attendance by a Trustee or Trustees at meetings of organizations of which they are a member is not considered PERA business unless they have specifically been requested to attend by the Board. Attendance by a Trustee at meetings of PERA members and/or retirees with the intent to solicit support for election to the Board of Trustees is not a valid PERA business expense.
- 7) Trustees may not accept payment, directly or indirectly, except for reimbursement of travel or other expenses associated with speaking engagements, while holding themselves out as or being represented as members of PERA Board. Vendor sponsored trips are prohibited by the ethics standards because of the appearance of a conflict of interest.
- 8) Trustees who have resigned, retired, lost their re-election bid or chosen not to seek another term on the Board should consider restricting their travel. Trustees who have resigned should not travel at PERA expense after the date their resignation is announced except to and from scheduled Board meetings. Trustees who have retired should not travel at PERA expense after the date their retirement is announced except to and from scheduled Board meetings. Trustees who have lost their re-election bids should not travel at PERA expense after the date the election results are announced. Trustees who have chosen not to seek another term on the Board should not travel at PERA expense after March 1st of the year in which they complete their term of office except to and from scheduled Board meetings.
- 9) When traveling out-of-state on approved PERA business, Trustees will be, when necessary, reimbursed for expenses incurred one day before an event begins and one day after the completion of an event to allow for the time necessary to travel to and return from the event. (Election of a Saturday night stay within the restrictions defined under Transportation - Air Travel is an exception to the stipulations of this paragraph.)
- 10) International travel by a Trustee must be approved in advance by the Executive Committee. Staff or Trustees will make recommendations to the Executive Committee relating to the need for Trustees to travel outside of North America. No more than two trustees per trip will be allowed. All such trips will be educational or due diligence related. Based on interest by Trustees, the Executive Committee will assign attendees. The Trustee will be required to justify the trip. International travel by the Board Chair or Vice-Chair will be approved in advance by the Evaluation Subcommittee of the Board. The Board Chair and/or Vice-Chair will be required to justify the trip. An oral and/or written report to the Board or Board committee may be required upon completion of travel.
- 11) Trustees are encouraged to make travel reservations, including air transportation, hotel, and rental cars through the Assistant to the Executive Director.
- 12) Reimbursement of expenses incurred by Trustees will be determined by the guidelines established in this policy, and, where applicable, the terms and budgeted limits prescribed in the Board Education and Travel Policy.
- 13) Expenses that do not meet the guidelines of this policy or the Board Education and Travel Policy will be reviewed and approved or denied by the Board Chair, except in the case of the Chair's expenses, where an exception will be reviewed by the Vice-Chair of the Board. Exceptions to these guidelines will only be granted where it is clearly in the best interest of the Association to do so.

## **Reimbursable Expenses**

### **Transportation**

#### **Air Travel**

- 14) Reimbursement will be made for the lowest available airfare. To obtain this airfare, reservations should be requested far enough in advance to take advantage of advance purchase discounts offered by the airline industry. Trustees may choose the carrier if the preferred carrier has a similar flight at an equal fare to the carrier with the lowest cost fare. Travel on Saturday with an overnight stay is encouraged when the reduction in airfare exceeds the cost of the additional expense incurred and does not inconvenience the traveler.
- 15) When a Trustee chooses, for personal convenience, to deviate from the most cost-effective route of travel, expenses in excess of authorized travel expenses will be paid by the Trustee.
- 16) For Trustees using airports other than Denver International, air travel will be charged against their education budget at the lesser of the actual air travel cost or the fare available for a trip originating in and returning to Denver International Airport. Mileage incurred by Trustees living outside the immediate Denver area to get to another airport or Denver International Airport will be reimbursed but not charged against their education budgets.
- 17) Changes made to a reservation should be reported immediately to the Assistant to the Executive Director upon the Trustee's return. Additional expense incurred due to the change, unless it is termed an emergency or required for PERA business purposes, will be the responsibility of the Trustee. Travel convenience does not constitute an emergency. Unused airline tickets should be returned to the Assistant to the Executive Director so that a prompt refund may be obtained.
- 18) If a Trustee is a member of a frequent flyer bonus program, miles earned while traveling on PERA business may be retained for the Trustees' personal use.
- 19) When several members of the Board or executive management will be attending the same meeting/conference, the Assistant to the Executive Director will propose alternative flights to insure all attendees are not traveling on the same flight.
- 20) Reimbursement will not be allowed for the air travel expenses of family members or companions.

#### **Ground Transportation**

- 21) Actual cost (including tips) will be reimbursed for necessary ground transportation to and from meeting facilities. When traveling out of state, Trustees are encouraged to use airport and hotel limousine or other available shuttle service in lieu of taxi service when the service expense is less expensive, accessible, and appropriate.

## **Automobile Rental**

- 22) Rental cars are to be used only when taxi, hotel limousine, or shuttle service is unavailable or more expensive. When necessary, Trustees are encouraged to make car rental reservations through the Assistant to the Executive Director to take advantage of negotiated, discount rates.
- 23) The collision damage waiver and the personal accident insurance should be waived as PERA provides this coverage through its group auto coverage.
- 24) Compact or mid-size cars will be reserved for business travel. Larger models may be reserved if PERA's equipment necessitates a larger model or if three or more persons will be traveling in the same vehicle.
- 25) Trustees are encouraged to refuel the rental cars prior to returning them in order to avoid a refueling surcharge. Original receipts will be required for all rental car and fuel reimbursements.
- 26) Reimbursement will not be allowed for car rental for personal use or for family members and/or companions.

## **Private Automobile**

- 27) Reimbursement will be made to the Trustee for expenses incurred through the use of his/her personal automobile in the completion of PERA business. Reimbursement will be allowed at the current IRS standard mileage allowance rate.
- 28) If a private automobile is to be used in lieu of air transportation the allowable reimbursement will be for mileage only and may not exceed the total round trip cost of the least expensive airfare possible to the destination.
- 29) Reimbursable mileage is defined as miles necessary to be driven to reach the destination by the most direct route.

## **Food**

- 30) Reimbursement will be made for expenses incurred for meals while on PERA business. This includes expense for meals incurred while traveling on PERA business and while attending scheduled meetings of the Board.
- 31) Any meal expense over \$25.00 must be listed separately on the Expense Report form and requires a receipt in order to receive reimbursement.
- 32) Reimbursement will not be allowed for meal expenses of family members and/or companions.
- 33) Alcoholic beverages are not a reimbursable expense under this category.

## **Lodging**

- 34) Lodging costs will be reimbursed for commercial lodging establishments only.
- 35) Trustees are encouraged to use the hotels where special business rates have been negotiated. Original receipts will be required for all lodging reimbursements.
- 36) Lodging costs incurred in-state will only be reimbursed where necessary to facilitate trustee attendance at scheduled Board of Trustee meetings or other PERA business.
- 37) Lodging expenses should be listed separately on the Expense Report form and require a receipt listing the actual hotel expenses incurred in order to receive reimbursement.
- 38) Hotel reservations, in- and out-of-state, are encouraged to be made through the Assistant to the Executive Director.
- 39) Reimbursement will not be allowed for personal expenses incurred by the Trustee, family members, or companions.

## **Parking**

- 40) Parking costs will be reimbursed for necessary parking expenses incurred by Trustees while conducting PERA business. These includes parking costs incurred while attending educational sessions, parking fees charged to guests by hotels, and parking fees incurred at airports or related facilities.
- 41) Parking expenses should be listed separately on the Expense Report form and require a receipt in order to receive reimbursement.
- 42) PERA will not reimburse Trustees for parking violations incurred as a result of their negligence.

## **Telephone**

- 43) Telephone expenses incurred by Trustees while conducting PERA business are reimbursable. These include the cost of communication between Trustees, staff, and members, and expenses incurred while traveling on PERA business in order to maintain necessary contact with their employer and/or family/companion.
- 44) Telephone calling cards are available to Trustees at their request to make necessary communications less expensive and more convenient.
- 45) Telephone expenses should be listed separately on the Expense Report form and require a receipt in order to receive reimbursement. Reimbursement will not be allowed for personal telephone expenses (other than described above) incurred by the Trustee and/or his family or companion(s).

## **Laundry**

- 46) Certain laundry expenses are reimbursable. These include cleaning of garments due to unforeseen circumstance while traveling on PERA business, and pressing of garments wrinkled during travel to a destination. Pressing services are to be used only when it is not possible for the traveler to perform this activity personally.
- 47) Laundry expenses should be listed separately on the Expense Report form and require a receipt in order to receive reimbursement.
- 48) Laundry expenses incurred by family or companions are not a reimbursable expense.

## **Other**

- 49) Reimbursement will be allowed for other necessary expenses, not categorized above, that have been approved by the Chair. These may include such expenses as postage, equipment rental, and gratuities.
- 50) Other expenses should be listed separately on the Expense Report form with an explanation of why the expense was incurred, and require a receipt (except gratuities) in order to receive reimbursement.
- 51) Reimbursement will not be allowed for expenses in this category that have been incurred for personal use or by family members or companions.

## **NON-REIMBURSABLE EXPENSES**

### **Personal Travel Expenses**

- 52) These expenses are defined as travel expenses incurred by the Trustee and/or his family or companion at their own choosing and not necessary or related to PERA business.

### **Personal Entertainment**

- 53) Expenditures for movies (in-room and at the theater), snacks/drinks from an in-room bar, theater tickets, sporting events, tours, and similar activities.

### **Athletic Or Exercise Facilities**

- 54) Expenditures for the use of athletic or exercise facilities and rental or purchase of equipment necessary for participation in these types of activities. Activities included under this category are golf (fees and equipment) and tennis (fees and equipment).

### **Alcoholic Beverages**

- 55) Alcoholic beverages are not a reimbursable expense under this policy.

## **EXPENSE REPORTING**

- 56) Only expenses actually incurred by a Trustee will be reimbursed.
- 57) Travel expenses incurred by a Trustee that are reimbursed by other companies or organizations, should be reported on a Travel Expense Report for disclosure purposes only. It will be the responsibility of the Trustee to seek reimbursement of these expenses directly from the company and/or organization who has agreed to reimburse the expense. The Standards of Professional and Ethical Conduct addresses other ethics limits to which Trustees must comply.

### **Travel Advance**

- 58) A Trustee may request funds for the payment of travel expenses prior to trip departure. The amount of the travel advance will be determined on a per trip basis subject to certain restrictions.
- 59) No Trustee shall have more than one travel advance outstanding at any one time.
- 60) Trustees have thirty days to request reimbursement and/or return any unused portion of a cash advance. New advances will not be issued to Trustees who have not cleared previous travel advances by filing a Travel Expense Report form. Uncleared advance may result in the issuance of an IRS Form 1099 at year-end.

### **Travel Expense Report Form**

- 61) The Expense Report Form is to be used for reporting expenditures incurred by Trustees on PERA business, obtaining reimbursement, and complying with federal tax requirements. IRS regulations require that the Expense Report be sufficiently complete to show the business purpose of the expenses incurred.
- 62) Within thirty days following the date that the expenses were incurred, a completed Travel Expense Report, with supporting receipts, should be submitted to the Assistant to the Executive Director. Vouchers, receipts, bills, etc. are considered corroborating evidence, and are not an explanation of a travel expense in and of themselves. Attaching a receipt to the Travel Expense Report does not alter the necessity of providing the date, location, business purpose and business relationship of persons included in the expense.
- 63) Travel costs should be grouped on PERA Travel Expense Report into the categories defined in this policy. Any individual expense over \$25.00 must be listed separately by item, and requires a receipt; any ground transportation expense must be accompanied by a receipt.

### **Expense Reimbursement**

- 64) Expense reimbursements will be distributed by PERA's Accounting Division to Trustees within ten working days of receipt of the properly completed and documented Expense Report Form.

## **Policy Review and History**

- 65) The Board will review this policy at least once every three years to ensure that it remains relevant and appropriate.
- 66) The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005.

**TAB 27**  
**BENEFIT**  
**INTERPRETATION**  
**POLICY**

# **Public Employees' Retirement Association of Colorado Benefit Interpretation Policy**

## **Purpose**

- 1) The purpose of the Benefit Interpretation Policy is to set out the method by which the staff will administer the PERA law as it relates to consistent application of benefits, and handle questions or complaints about such interpretations by members of PERA.

## **Objectives**

- 2) The objectives of this policy are to:
  - a) Assist the Board in understanding the established practices used by staff to implement consistent benefit plan administration.
  - b) Ensure that the approach taken by staff on benefit interpretation is both sound and thorough, and follows policies that are consistent with the PERA law.
  - c) Provide a mechanism for bringing disagreements by PERA members with such interpretations to the appropriate level of review and consideration as allowed within the PERA law and the needs of the Association.

## **Principles**

- 3) PERA is dedicated to assuring consistent application of all benefits established within the PERA law. Management is expected to apply all administrative aspects of the PERA law in an unbiased and impartial manner.
- 4) PERA, through the design of its operational information systems, includes internal controls and system limitations to minimize the opportunity to misuse or alter the consistent application of the PERA law.
- 5) The initial and ongoing educational training of benefits staff will continuously stress the total benefit plan structure within the PERA law. Managerial oversight of staff will reflect the requisite level of skill, diligence, and care necessary to effectively administer the PERA law.

## **Guidelines**

- 6) The information provided by PERA staff to employers, members and the general public shall be accurate, clear, informative, consistent and non-arbitrary.
- 7) The Benefit Services Division shall be the primary group involved with pension benefit administration, providing a comprehensive package of services from pre-retirement counseling to post-modern account closure.

- 8) The Insurance Division shall be the primary group involved with insurance benefit administration (health and life) providing a comprehensive package of services from pre-retirement counseling to post-mortem account closure.
- 9) Within the varied membership of PERA, it is inevitable that differing interpretations of the PERA law might surface. Routine questions involving benefit interpretation shall be handled by Benefits Department staff. Unique questions or issues shall be brought to the attention of the Division Director for resolution. If required, involvement of the Chief Operating Officer or General Counsel may be sought to find resolution.
- 10) Communication with the involved party of the staff's interpretation of PERA benefits law shall be timely, professional and detailed.
- 11) The following chart depicts the order of staff involvement in the resolution of benefit interpretations:

Insurance, Benefit Services, Customer Service or Field Education staff	Handle routine daily benefit interpretations and issue resolutions
Insurance Division or Benefit Services Division Director	Handle non-routine or unique benefit interpretations and issue resolutions
Chief Operating Officer and General Counsel	Handle interpretations of policy, procedures and the PERA law
Executive Director via formal request from member	Considers a formal member request for review and makes final appealable determination.

- 12) In situations where the individual involved does not agree with the Executive Director's determination, the member seeking formal review shall have the opportunity to pursue an administrative hearing as provided in PERA Rule 2.20.
- 13) PERA's Legal staff will follow Rule 2.20 for notification of a scheduled administrative hearing.
- 14) PERA's Legal staff or its designee will accumulate and present appropriate information for submission in the administrative review hearing.
- 15) The administrative hearing will be conducted under existing PERA Rule 2.20.
- 16) If further review is timely sought by the member as required under then existing PERA Rule 2.20, final Board action will be obtained after a review of the recommendations of the administrative review panel.
- 17) The decision of the Board shall constitute final Board action appealable under Colorado Rule of Civil Procedure 106(a)(4).
- 18) Notice of the Board's final action shall be communicated in a manner consistent with PERA Rules.

## **Policy Compliance**

- 19) As a general rule, the Board and staff will comply with all Board policies. Should the Board take an action contrary to its policy, it will state in the Board minutes the specific rationale for deviating from the policy. At such time, the Board may also request a review of the policy. If the review reveals that a change in policy is advisable, the Board will so amend the policy.

## **Policy Review and History**

- 20) The Board will review the Benefit Interpretation Policy at least once every three years to ensure that it remains relevant and appropriate.
- 21) This process was adopted by the Board on April 18, 2002. The Board approved changes to this policy on February 18, 2005.