

**MINUTES OF THE REGULAR MEETING**  
**City of Aurora General Employees' Retirement Board**

Held Thursday, August 17, 2017  
12100 East Iliff Avenue, Suite 108  
Aurora, CO 80014

**1) 8:00 AM - Meeting Called to Order**

**Roll Call**

Chairperson	David McConico	Present
Legislative Members	Helen DiBartolomeo	Present
	Cliff Haight	Present
	Joe McCleary	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for Skip Noe, City Manager)	Present
	Jackie Ehmann (for Terri Velasquez, Finance)	Present
	Dan Quillen (Human Resources)	Present
	Hans Hernandez (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

**2) Approval of the Minutes**

Michelle Reding moved and Cliff Haight seconded a motion to approve the minutes of the regular meeting held on July 20, 2017. The motion passed unanimously.

**3) Treasurer's Report**

Tom Connell reviewed the financial statements and investment performance for June 2017. He also provided information on GERP's gains with the BlackRock S&P 500 index fund. As of August 15, 2017, the fund was valued at approximately \$451.8 million.

**4) Review of Lump Sum Distributions for July**

Eight participants received lump sum payments totaling \$94,108.69.

**5) Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Trevor Vaughn moved and Joe McCleary seconded a motion to approve retirement benefits for **Gregory Chol, Gary Demoney, David Neff and Lita Weinstein**. The motion passed unanimously.

**6) Old Business**

**A) Insurance Renewals**

Tom reported that the September 1<sup>st</sup> annual renewal premiums for GERP's fiduciary liability, commercial liability, employee dishonesty and cyber crime coverages totaled \$43,431. Tom has had some discussions with the City's information security officer, Tim McCain, regarding data protection and back up procedures. Cliff Haight suggested that Tom also notify GERP's insurance providers about these efforts to improve practices.

**B) Calculation of Final Average Compensation and Accrued Benefit**

Following last month's discussion, Michelle Reding researched whether a reduction in accrued benefits is permissible. This may occur when a participant has a reduction in income and continues to work for more than seven additional years. The resulting final average compensation earned within the latest ten years worked would be lower than the highest average compensation earned previously. Michelle explained that for corporate pension plans governed by ERISA, reductions in accrued benefits are prohibited. She noted that IRC section 411(b) does not apply to governmental plans.

The Board also reviewed comments from legal advisor Jessica Culotti. In her email, Ms. Culotti suggested that a participant affected by the latest ten-year limitation could make an argument that GERP is reducing his or her accrued benefit, which is not permitted under Colorado state law.

Michelle stated her discomfort with a rule that could reduce a participant's pension benefit if they continue to work. Board members discussed two solutions: (1) freezing the accrued benefit as of the date that it reaches its maximum or (2) eliminating the ten-year limitation on earnings that can be considered. Aaron Kahn pointed out that it is very rare for participants to be affected by this problem.

Michelle Reding moved and Joe McCleary seconded a motion to recommend that City Council amend the Plan to remove the 10-year limit on determining final average compensation. The motion passed 6-1 with Helen DiBartolomeo, Cliff Haight, Joe McCleary, David McConico, Michelle Reding and Sue Sandstrom voting in favor and Trevor Vaughn opposed. Trevor had hoped to see some examples to allow him to better understand the impact of this change on plan liabilities.

**C) Effective Date for Actuarial Assumptions Ordinance**

Tom attended Council's Management & Finance Committee meeting last week regarding the ordinance to change GERP's actuarial assumptions. The committee voted to forward the change to Study Session, scheduled for September 11<sup>th</sup>. Due to time constraints in getting final approvals, the ordinance's proposed effective date of October 1<sup>st</sup> will need to be delayed. Cliff Haight moved and Michelle Reding seconded a motion to consent to an effective date of January 1, 2018. The motion passed unanimously.

**Public Comments**

There were no public comments.

7) **New Business**

There was no new business.

8) **Report on Travel**

There was no report on travel.

9) **Staff Report**

Tom noted that staff has started a reorganization of its electronic filing system. In addition, paper files will be archived according to the existing document retention policy.

Tom announced that GERP will hold its two-part Retirement Ready Workshop on October 10<sup>th</sup> and October 24<sup>th</sup>. Invitations have been mailed to all active participants over the age of 50 who have not attended previously.

Tom also announced that the election for an employee representative on the GERP Board has been scheduled for Wednesday, October 18<sup>th</sup>. Prospective candidates should notify Tom in writing, no later than 5 pm on Monday September 18<sup>th</sup> ([tconnell-gerp@qwestoffice.net](mailto:tconnell-gerp@qwestoffice.net)). Staff will be sending a newsletter announcing the election to all participants by the end of August.

Aaron Kahn announced that his work hours will go back to 8 am to 5 pm starting on August 28<sup>th</sup>. He thanked the Board for allowing him to have a flexible schedule.

Dan Quillen told the Board that due to his retirement, this will be his last meeting. He thanked members for the good job that they are doing and indicated that he had learned a great deal while serving on the Board. Board members stated their appreciation for his service.

Cliff Haight moved and Michelle Reding seconded a motion to adjourn. The motion passed unanimously.

Meeting Adjourned 9:27 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David McConico  
Chairperson of the Board

8/24/17  
Date

# MINUTES OF THE INVESTMENT MANAGERS MEETING

## City of Aurora General Employees' Retirement Board

Held Thursday, August 24, 2017  
12100 East Iliff Avenue, Suite 108  
Aurora, CO 80014

### 1) 8:00 AM- Meeting Called to Order

#### Roll Call

Chairperson	David McConico	Present
Legislative Members	Helen DiBartolomeo	Present
	Cliff Haight	Present
	Joe McCleary	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for Skip Noe, City Manager)	Excused
	Terri Velasquez (Finance)	Present
	Dan Quillen (Human Resources)	Excused
	Hans Hernandez (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

### 2) Approval of the Minutes

Cliff Haight moved and Michelle Reding seconded a motion to approve the minutes of the August 17, 2017 meeting. The motion passed unanimously.

### 3) Second Quarter 2017 Investment Performance Report

Bill Howard and Alex Browning, Callan Associates

Alex Browning reviewed the economy and Bill Howard covered 2<sup>nd</sup> quarter performance. The Plan earned 2.77% for the quarter and 12.60% for the year ending June 30, 2017. Active managers contributed 2.17% over their target return for the year.

### 4) Smith Graham & Company (Small/Mid Cap Value)

Lynda Leslie and Bill Charcalis

Lynda Leslie thanked the Board for the 18-year relationship with Smith Graham. She stated that one of the firm's goals is to build long term relationships. Smith Graham's equity team is composed of experienced and disciplined investment professionals who have worked together for many years.

## **Minutes of the Investment Managers Meeting**

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Bill Charcalis described the underlying investment philosophy of buying reasonably priced securities that are supported by growing earnings. This process combines proprietary quantitative filters with traditional fundamental analysis to achieve consistent outperformance. The team has a long term perspective which results in a 5-year average holding period (20% annual turnover).

At the end of June the portfolio consisted of 134 securities, with none exceeding a 1.6% position. All sector weights are within +/-5% of the Russell 2500 index.

Smith Graham had a return of 2.69% for the quarter and 27.63% for the year ending June 30, 2017. The one-year performance was in the top 6% of the peer group and significantly outperformed the benchmark return of 19.84%.

### **5) Harvest Fund Advisors (Master Limited Partnerships)**

Nicholas Gaspari

Mr. Gaspari informed the Board that Harvest Fund Advisors had accepted a buyout offer from Blackstone. Blackstone will provide modest up-front capital and Harvest will keep most of its cash flow and operations. Mr. Gaspari indicated that the new ownership structure would help move the MLP investor base from a predominately retail one toward more institutional investors.

Harvest had a loss of 6.94% for the quarter and returned 2.46% for the year ending June 30, 2017. The S&P MLP Index had a return of 3.23% for the year.

### **6) Board Discussion on Investment Performance**

Trevor Vaughn moved and Cliff Haight seconded a motion to put Harvest on watch due to organizational changes. The motion passed unanimously.

### **7) Asset/Liability Study – Callan Associates**

Jason Ellement (by phone), Bill Howard and Alex Browning

Jason Ellement reviewed the process of conducting an asset/liability study. He explained that the goal is to establish an asset allocation target that is appropriate given the Plan's projected liabilities, return objectives and risk tolerance. Callan will work with GERP's actuary to build an actuarial liability model. Callan's latest capital market assumptions will be used to create alternative asset mixes for the Board's consideration.

Bill Howard presented information on four new asset classes that the Board may want to add to the model: multi-sector credit, direct lending, real estate debt and listed infrastructure. After

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discussion the Board elected to include multisector credit, real estate debt and listed infrastructure in the study.

David McConico noted that he had discussed two additional strategies with Callan: cannabis related industries and commercial litigation financing. Alex Browning noted that both adverse governmental action and headline risk are associated with cannabis investments. He also pointed out that commercial litigation has very concentrated risk attributes.

Michelle Reding moved and Trevor Vaughn seconded a motion to adjourn. The motion passed unanimously.

Meeting Adjourned at 11:35 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

*David McConico*  
Chairperson of the Board

9/21/17  
Date