

MINUTES OF THE INVESTMENT MANAGERS MEETING

City of Aurora General Employees' Retirement Board

Held Thursday, December 1, 2016
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	Rebecca Bryant-Haight	Present
	Helen DiBartolomeo	Present
	Joe McCleary	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for Skip Noe, City Manager)	Excused
	Jackie Ehmann (for Terri Velasquez, Finance)	Present
	Dan Quillen (Human Resources)	Present
	Billy Stiggers (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

2) Third Quarter 2016 Investment Performance Report

Bill Howard, Callan Associates

Bill Howard reviewed the economy and 3rd quarter performance. The Plan earned 3.64% for the quarter and 8.95% for the 12 months ending September 30, 2016. For the latest one year, active managers were 31 basis points below their benchmarks. GERP ranked in the 74nd percentile of Callan's mid-sized public fund peer group for the latest year, but was in the top one-third for longer time periods.

3) Dodge & Cox International Stock Fund

Matt Beck

Matt Beck explained that Dodge & Cox has a stable, experienced team that remains committed to the firm's investment philosophy and process. The portfolio managers invest with a long time horizon, which is confirmed by their 15-20% annual investment turnover.

Mr. Beck noted the retirement of Greg Serrurier, senior vice president and member of the international investment policy committee, on June 30, 2016. The transition has been smooth, with a gradual transition of responsibilities. The international investment policy committee now consists of eight members instead of nine.

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Dodge & Cox returned 10.15% for the 3rd quarter and 5.62% for the 12 months ending September 30, 2016. The fund had a difficult year compared to peers and international stock indexes as more speculative securities outperformed higher quality companies.

4) American Funds EuroPacific Growth
Christina Choi, Mario DiVito

Christina Choi thanked the Board for their commitment to American Funds EuroPacific Growth. She explained that the fund uses an objective-based investment approach. Nine portfolio managers each have their own portion of the fund to invest, which creates individual accountability. American Funds uses a global bottom-up fundamental research process and a collaborative culture to add value. Annual investment turnover is approximately 30%.

American Funds EuroPacific Growth returned 8.23% for the 3rd quarter and 8.52% for the twelve months ending September 30, 2016. While the fund underperformed the MSCI AWCI ex-US index for the year, it ranked in the 32nd percentile compared to its peers.

5) American Century Non-US Small Cap
Chat Cowherd, Trevor Gurwich and Marek Michejda

Chat Cowherd reiterated the underlying philosophy of American Century: It looks for catalysts for accelerating or decelerating growth and takes advantage of the inefficiencies that arise during periods of inflection. The firm uses a combination of quantitative screens and fundamental information.

American Century Non-US Small Cap had a return of 7.64% for the 3rd quarter and 8.43% for the 12 months ending September 30, 2016. The fund underperformed the MSCI AWCI ex-US Small Cap index for the year.

6) Board Discussion on Investment Performance

Bill Howard noted that the international managers have had a difficult year, but performance seems to be improving.

7) Board Discussion on Staff Benefit Policy

At the November 17th meeting the Board decided to make its own arrangements for health, dental, life and disability insurance for GERP staff members in 2017. Sue Sandstrom and Michelle Reding had volunteered to review benefit options and present recommendations to the Board.

Sue and Michelle proposed that staff contribute 10% of the premium costs for an Anthem high deductible health plan and for a Delta Dental group plan. They also proposed using Sun Life and Lincoln Financial for term life insurance and long term disability coverage respectively. Jackie

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Ehmann and Dan Quillen each provided their own cost analyses, comparing the recommended coverage to the benefits provided by the City of Aurora to its employees.

Sue Sandstrom moved and Michelle Reding seconded a motion to provide staff benefits as presented. Helen DiBartolomeo, Sue Sandstrom, Michelle Reding and David McConico voted in favor, Trevor Vaughn against and Rebecca Bryant-Haight abstained. (Joe McCleary had been excused from the meeting prior to the vote.)

Rebecca Bryant-Haight moved and Michelle Reding seconded a motion to adjourn. The motion passed unanimously.

Meeting Adjourned at 11:18 AM
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David L. McConico
Chairperson of the Board

1-19-17
Date

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

Held Thursday, December 8, 2016
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	Rebecca Bryant-Haight	Excused
	Helen DiBartolomeo	Present
	Joe McCleary	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for Skip Noe, City Manager)	Present
	Terri Velasquez (Finance)	Present
	Dan Quillen (Human Resources)	Present
	Billy Stiggers (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

Billy Stiggers announced that he will be leaving employment with the City of Aurora and that he has enjoyed his time serving as the Board's legal advisor.

2) Approval of the Minutes

Michelle Reding moved and Sue Sandstrom seconded a motion to approve the minutes of the regular meeting held on November 17, 2016. The motion was passed unanimously with Trevor Vaughn abstaining.

3) Treasurer's Report

Tom Connell reviewed the financial statements for October 2016. As of December 6, 2016, the fund was valued at approximately \$418.7 million.

The general partner of the HarbourVest Fund VII Buyout, Mezzanine and Venture funds has requested a two year extension to wind down fund operations. Management fees will be reduced to 0.3% of commitment amounts for 2017 and 0.15% for 2018. Sue Sandstrom moved and Michelle Reding seconded a motion to approve the extensions. The motion passed unanimously.

4) Review of Lump Sum Distributions for November

Nine participants received lump sum payments totaling \$117,541.69.

5) Approval of Retirement Benefits

Aaron Kahn presented the retirement calculation. Joe McCleary moved and Trevor Vaughn seconded a motion to approve retirement benefits for **Dorella M. Martinez**. The motion passed unanimously.

Public Comments

There were no public comments.

6) New Business

A) Private equity commitment pacing

Bill Howard and Monica Sengelmann, Callan Associates

Bill Howard reviewed the private equity pacing model. To avoid an overallocation to private equity, Callan is recommending that GERP defer new commitments planned for 2017. Since Abbott now has an annual program, GERP has more flexibility and can reassess its private equity pacing again next year. Mr. Howard noted that both HarbourVest and Abbott consistently place in the upper second quartile and have been very competitive with their peers.

Helen DiBartolomeo stated that she hoped that private equity managers would start providing greater disclosure of underlying fees.

David McConico asked whether the extension requested by HarbourVest is considered common practice. Bill Howard will consult Gary Robertson for the answer.

B) 2017 Callan workplan

Monica Sengelmann reviewed Callan's work plan for 2017. Callan will review updated capital market projections and GERP's asset allocation at the February investment managers meeting. The investment policy statement and manager fees will be discussed in the 3rd quarter.

David McConico requested that Callan provide more information on high yield, multisector credit and direct lending.

C) Core Plus Fixed Income Managers Interviews

DoubleLine
Philip Barach, Ryan Hart

DoubleLine is an employee-owned firm with over 110 investment professionals and \$106 billion in assets under management. The fixed income management team has been working together for an average of 16 years.

DoubleLine uses a mixed approach with bottom up security selection and top down asset allocation. The underlying philosophy is “don’t lose money.” The team does not try to replicate the benchmark. Teams provide best ideas and portfolio managers look at underlying correlations and pick the best exposure and risk.

Voya Investment Management
Bob Kase, Sandy Sinor

Sandy Sinor thanked the Board for the opportunity. Voya Investment Management has \$221 billion in assets under management with \$10.2 billion in Voya Core Plus Fixed Income Strategy. Voya uses a bottom-up collaborative team approach with disciplined risk management to provide consistent reliable returns.

Bob Kase explained Voya’s strategy of tailoring investments and risk to different markets. This adaptive approach exploits changing market conditions.

Western Asset Management
Carl Eichstaedt, Derek Fan

Carl Eichstaedt stated that while Western Asset Management is a larger firm, they treat each client as unique. Western Asset Management has \$444.5 billion in assets under management. It uses a bottom-up fundamental approach to security selection and a top-down approach for macro decisions.

Analysts are encouraged to provide a compelling story supported by data. Portfolio managers act on high conviction for the right price. Mr. Eichstaedt explained that every crisis has provided a lesson on the advantage of diversification. Risk assessment takes into account the correlations between securities and industries. Western Asset Management uses derivatives tactically.

Board Discussion

Board members discussed their preferences. Sue Sandstrom moved and Trevor Vaughn seconded a motion to hire Western Asset Management. The motion passed unanimously.

D) 2017 Interest Crediting Rate on Employee Contributions

Tom Connell provided a summary of the Plan's contribution rates, benefit multipliers and interest rates credited to employee contributions since its inception in 1967. He also provided the results of a recent survey of contribution and interest rates from other Colorado pension plans. Michelle Reding moved and Trevor Vaughn seconded a motion to keep the interest credited to employee contributions at 4%. The motion passed unanimously.

E) Cyber Insurance Coverage

Tom Connell presented a summary of cyber insurance proposals prepared by Ty Goare of Arthur J. Gallagher & Co. Ms. Goare recommends that GERP consider using Travelers for a \$1 million or \$2 million cyber policy.

Aaron Kahn noted that GERP has limited exposure to outside hacking, but that purchasing cyber coverage provides expertise in the event of a breach that could be extremely valuable.

Trevor Vaughn moved and Michelle Reding seconded a motion to purchase \$2 million in cyber coverage from Travelers. The motion passed unanimously.

F) 2017 GERP budget

Tom reviewed the proposed \$1,262,809 operating budget for 2017. Projected costs for investment management were \$661,100, professional fees were \$114,909 and payroll and administrative costs totaled \$486,800. Michelle Reding moved and Joe McCleary seconded a motion to approve the 2017 budget as submitted. The motion passed unanimously.

Trevor Vaughn stated that he felt that GERP's Holiday Reception for retirees, though a nice gesture, is an inappropriate expense for the pension plan. He moved that 2016 be the last year that GERP sponsors the reception. There was no second.

7) Report on Travel

There was no report on travel.

8) Staff Report

The Pension Plan Administrator's annual evaluation will take place at the January 2017 meeting.

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

Meeting Adjourned 11:48 AM
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David L. McConico
Chairperson of the Board

1-19-17
Date