

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

Held Thursday, February 16, 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
	Dan Brotzman (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

**2) Approval of the Minutes**

Board members amended the minutes to add clarification regarding the executive session. Cliff Haight moved and Sue Sandstrom seconded a motion to approve the minutes of the regular meeting held on January 19, 2017, as amended. The motion was passed unanimously.

**3) Treasurer's Report**

Tom Connell reviewed the financial reports in detail and investment performance for December 2016. As of February 14, 2017, the fund was valued at approximately \$433.3 million.

Tom requested that the Board sell \$3 million from the S&P 500 Index Fund in order to replenish the operating cash account. Trevor Vaughn moved and Cliff Haight seconded a motion to authorize the sale. The motion passed unanimously.

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

Sixteen participants received lump sum payments totaling \$188,080.44.

**5) Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Michelle Reding moved and Sue Sandstrom seconded a motion to approve retirement benefits for **Jeffrey A. Danaher, Deborah S. Dennis, Karen B. Goldman** and **Richard W. Mogensen**. The motion passed unanimously.

**Public Comments**

There were no public comments.

**6) Old Business**

There was no old business.

**7) New Business**

**A) Pension Plan Administrator Review Criteria and Goals for 2017**

Tom Connell provided the Board with a list of review criteria and goals for 2017. Tasks included hiring a new Administrative Coordinator, implementing GASB Statement No. 72 and working with the actuary to evaluate current assumptions. In addition, he discussed planning for the office lease expiration in March 2018. Joe McCleary moved and Michelle Reding seconded a motion to approve the review criteria as submitted. The motion passed unanimously.

**8) Report on Travel**

Tom recently attended Callan's annual client conference. In former Treasury Secretary Larry Summers' opinion, the markets are currently underestimating risk and volatility. He forecast a continuation of low interest rates, subdued economic growth and low inflation. Interestingly, other presenters made the case for more substantial growth and inflation. Tom was impressed with the conference and recommended that other Board members consider attending in the future.

**9) Staff Report**

BKD will be conducting audit field work from February 27<sup>th</sup> through March 10<sup>th</sup>.

Tom noted that March 1<sup>st</sup> will be the 50<sup>th</sup> anniversary of GERP's inception.

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

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Meeting Adjourned 9:48 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

*David L. McConico*  
Chairperson of the Board

3-16-17  
Date

# MINUTES OF THE INVESTMENT MANAGERS MEETING

## City of Aurora General Employees' Retirement Board

Held Thursday, February 23, 2017  
12100 East Iliff Avenue, Suite 108  
Aurora, CO 80014

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

#### Roll Call

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

Joel Stewart from Milliman sat in on the entire meeting.

### 2) Fourth Quarter 2016 Investment Performance Report

Bill Howard and Alex Browning, Callan Associates

Alex Browning reviewed the economy and Bill Howard covered 4<sup>th</sup> quarter performance. The Plan earned 1.46% for the quarter and 8.13% for the year ending December 31, 2016. Active managers contributed 42 basis points over the target return for the year. GERP was ranked in the 37<sup>th</sup> percentile of Callan's mid-sized public fund peer group for 2016 and in the top third for the latest 5 years.

### 3) Denver Investments (Core Fixed Income)

Ken Harris, Gregory Seals

Ken Harris explained that Denver Investments believes that their role for GERP is to provide an offset to volatile assets, to generate income, and to provide downside protection. He believes that the size of the firm provides more access to the secondary markets which allows them to take advantage of market inefficiencies. Denver Investments adds value through proprietary fundamental research and focuses on income to provide long term outperformance.

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David McConico asked if Denver Investments had advised any clients on liability-driven strategies. Ken Harris explained that they have provided clients with tools to reduce volatility through customized benchmarks and other advice.

Denver Investments earned a return of 3.57% for the year, which was 52 basis points higher than the Barclays Government Credit Index.

**4) Board Discussion on Investment Performance**

Since GERP's investment policy calls for additional scrutiny whenever there are key personnel changes, the Board has had Denver Investments on watch due to Mark McKissick's departure from the firm last year. Bill Howard expressed his confidence that Denver Investments is adding seasoned professionals to their staff and noted that Ken Harris has been the lead portfolio manager on GERP's account for several years. Board members agreed with Bill's assessment. Trevor Vaughn moved and Cliff Haight seconded a motion to take Denver Investments off of the Board's watch list. The motion passed unanimously.

**5) Callan's 2017 Capital Market Assumptions**

Bill Howard reviewed Callan's latest capital market projections. Callan has reduced its return expectations for most asset classes over the next 10 years. U.S. and international equity are approximately 50 basis points lower, timberland 50 basis points lower, private equity 80 basis points lower and MLPs 100 basis points lower than last year's projections.

GERP's current target allocation remains on the efficient frontier. Callan's model forecasts that GERP will earn a 10 year geometric nominal return of 6.48% and a real (after inflation) return of 4.23%, with a standard deviation of 14.41%.

Cliff Haight moved and Trevor Vaughn seconded a motion to adjourn. The motion passed unanimously.

Meeting Adjourned at 10:13 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David L. McConico  
Chairperson of the Board

3-16-17  
Date