

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

Held Thursday, May 18, 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	Excused
	Cliff Haight	Excused
	Joe McCleary	Present
	Michelle Reding	Excused
	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

Trevor Vaughn moved and Joe McCleary seconded a motion to approve the minutes of the regular meeting held on April, 2017. The motion was passed unanimously.

3) Treasurer's Report

Tom Connell reviewed the financial statements and investment performance for March 2017. As of May 16, 2017, the fund was valued at approximately \$444.8 million.

4) Review of Lump Sum Distributions for April

Thirteen participants received lump sum payments totaling \$106,375.96

5) Approval of Retirement Benefits

Aaron Kahn presented the retirement calculations. Sue Sandstrom moved and Trevor Vaughn seconded a motion to approve retirement benefits for **Donald K. Gaines, Marsha W. Osborn, George M. Rose and Mark W. Wogen**. The motion passed unanimously.

6) Old Business

A) Implementation of Updated Benefit Option Conversion Factors

At its April meeting the Board adopted a new return assumption of 7.25% and an inflation assumption of 2.75% for the January 1, 2017 actuarial valuation. An ordinance is required in order for GERP to apply the new assumptions when converting straight life benefits into optional forms of payment. Joel Stewart of Milliman provided a letter which discussed the minimal impact that the new factors would have.

Trevor Vaughn moved and Sue Sandstrom seconded a motion to recommend to City Council that the definition of actuarial equivalence in the Plan document be revised to reflect a 7.25% interest rate and a 2.75% cost of living assumption for Tier 1 benefits. Trevor added that the changes should be effective for new pension benefits starting on October 1, 2017 or after. The motion passed unanimously.

Public Comments

There were no public comments.

7) New Business

A) New Attorney for Tax and Regulatory Issues

Mary Brauer and Jessica Culotti, Reinhart Boerner Van Deuren P. C.

Mary Brauer announced that she plans to retire from the practice of law on June 30th. She has served as GERP's legal advisor since August 1, 1989. Mary introduced Jessica Culotti, her colleague at Reinhart who will be assuming her responsibilities. GERP's external legal advisor is responsible for tracking compliance with IRS regulations, reviewing service provider contracts, answering more complicated tax and benefit questions, reviewing domestic relations orders and providing fiduciary review and training to the Board and staff.

Board members asked about the necessity of passing an ordinance to change benefit payment factors. Mary explained that the IRS requires benefits to be "definitely determinable," which means that all assumptions must be explicitly stated in the Plan document.

David McConico asked whether Jessica could provide securities litigation services. Jessica explained that Reinhart offers litigation through another department. Mary added that the current class action recovery services provided by GERP's custodian are cost-effective, meet fiduciary requirements and are sufficient for a plan of GERP's size and exposure.

8) Report on Travel

There was no report on travel.

9) **Staff Report**

Tom introduced Laura Steege, GERP's new administrative coordinator. Laura comes to GERP after 10 years at a productivity consulting firm, serving as everything from an executive assistant, to a program coordinator and finally the operations department manager. Laura and her husband Ron have been residents of Aurora for over 20 years and she is excited to join the team.

Tom is nearly finished with GERP's 2016 Comprehensive Annual Financial Report and has been working with Joel Stewart to finalize the actuarial section. Milliman is also in the final stages of its review of participant statement data. GERP will print and distribute annual benefits statements to employees and deferred vested members in early June.

Tom plans to attend Heitman's annual investor meeting in June.

Sue Sandstrom moved and Joe McCleary seconded a motion to adjourn. The motion passed unanimously.

Meeting Adjourned 9:33 AM
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David McConico
Chairperson of the Board

6/15/17
Date

MINUTES OF THE INVESTMENT MANAGERS MEETING

City of Aurora General Employees' Retirement Board

Held Thursday, May 25, 2017
12100 East Iliff Avenue, Suite 108
Aurora, CO 80014

1) 8:00 AM- Meeting Called to Order

Roll Call

Chairperson	David McConico	Excused
Legislative Members	Helen DiBartolomeo	Present
	Cliff Haight	Excused
	Joe McCleary	Excused
	Michelle Reding	Excused
	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
	Hans Hernandez (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

2) First Quarter 2017 Investment Performance Report

Bill Howard and Alex Browning, Callan Associates

Alex Browning reviewed the economy and Bill Howard covered 1st quarter performance. The Plan earned 4.20% for the quarter and 11.49% for the year ending March 31, 2017. Active managers contributed 1.21% over their target return for the year.

Regarding the domestic equity markets, Alex noted that the low correlation between stocks has created an environment favoring active management. Stock market volatility as measured by VIX is hitting lows not seen in 10 years.

3) Morgan Stanley Prime Property Fund (Private Real Estate)

Scott Brown

The Prime Property Fund concentrates on high quality properties in major gateway markets. The fund closely matches the index exposure to office, retail, apartment, industrial and self-storage. Mr. Brown noted that Prime has 18% leverage, which is low compared to its peers. The stable, experienced team is dedicated to beating the index returns consistently using research-driven strategies.

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Held Thursday, May 25, 2017

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Mr. Brown discussed the challenges of the retail sector and noted that the strongest properties are in high traffic areas and have high quality stores.

Morgan Stanley Prime Property Fund returned 1.93% for the 1st quarter and 9.28% for the year and was in the top quartile of its peer group for both periods.

4) Heitman America Real Estate Trust (Private Real Estate)

John Mancuso and Blaise Kean (by phone)

The Heitman organization has been investing for 50 years and has \$37 billion in assets under management. The strategy of the HART fund focuses on high quality, low risk, income-producing assets diversified by property sector and economic exposure. Heitman uses research-driven sector allocations and geographic strategies to consistently outperform its peers.

John Mancuso announced that Heitman's partners are pursuing acquisition of the 50% share of the firm currently owned by Old Mutual. Old Mutual has been a passive partner so the change in ownership structure should not impact clients.

Blaise Kean noted some of the challenges of real estate investing including investing in apartments in urban centers where new development is occurring and navigating the difficult retail sector.

HART had a return of 1.36% for the 1st quarter and 8.54% for the year.

5) Cohen & Steers Capital Management (Global REITs)

Evan Serton and Erin Berry

Erin Berry noted that 2016 was the 30th anniversary of Cohen & Steers. REITs are their flagship product, but they have expanded into managing infrastructure, MLPs and inflation protected securities. Evan Serton stated that Cohen & Steers has a stable, experienced team.

Mr. Serton discussed Cohen & Steers' current positioning for the global REIT fund. In North America, the portfolio is concentrated in central business districts, manufactured homes, apartments, data centers and student housing. It is underweight healthcare, industrial, retail and net lease investments. In Asia-Pacific markets it is overweight Tokyo and Australia office. In Europe it has an overweight to UK industrial, storage and student housing, German office and residential, and to Paris properties.

Mr. Serton also reviewed a chart showing that rising interest rates don't necessarily harm REIT returns. Cohen & Steers had a return of 2.08% for the quarter and 1.93% for the year.

6) **Board Discussion on Investment Performance**

Bill Howard stated that he is happy with the performance of all managers. There are currently no managers on the Board's watch list.

Mr. Howard said that Callan will continue to monitor Heitman's relationship with Old Mutual.

Meeting Adjourned at 10:35 AM
Minutes Submitted by Aaron D. Kahn

Minutes Approved

Sue Sandstrom
Legislative Board Member

6/15/17
Date