

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

Held Thursday, October 19, 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	Present
	Joe McCleary	Present
	Michelle Reding	Present
	Sue Sandstrom	Excused
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for Skip Noe, City Manager)	Present
	Terri Velasquez (Finance)	Present
	Noël Mink (Human Resources)	Present
	Hans Hernandez (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

**2) Approval of the Minutes**

Cliff Haight moved and Trevor Vaughn seconded a motion to approve the minutes of the Regular Meeting held on September 21, 2017. The motion passed unanimously.

**3) Treasurer's Report**

Tom Connell reviewed the financial statements and investment performance for August, 2017. As of October 17, 2017 the fund was valued at approximately \$463.9 million.

Tom noted that Molpus Woodland Group is approaching the deadline for identifying properties to acquire for Fund IV. It currently has five properties under consideration. If needed, the fund has the authority to borrow up to 20% of the capital committed by investors to close the deals. Fund III did not have that flexibility and was only able to invest 95% of its capital commitments.

Tom noted that GERP had earned roughly \$16 million above its target return so far this year. If the markets hold up, the Plan should see a significant reduction in its unfunded liability in the next actuarial valuation.

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

Twelve participants received lump sum payments totaling \$281,034.99.

**5) Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Michelle Reding moved and Cliff Haight seconded a motion to approve retirement benefits for **Pauline Luedecke** and **Joseph Stibrich**. The motion passed unanimously.

**6) New Business**

**A) GERP Office Lease Renewal**

Tom presented a summary of the renewal terms that were agreed to by the Aurora Corporate Plaza. He noted that the average monthly rent for the new seven-year term matches the rate that GERP is currently paying. Beginning in 2019, GERP will also be responsible for a pro rata share of any increases in the landlord's operating expenses. The landlord has agreed to repaint the offices and install new carpeting and tile. In addition, GERP's name will be added to the outdoor monument sign. Terri Velasquez asked if there was a provision to end the lease for a natural disaster. The Board agreed to have that provision added to the lease by Hans Hernandez.

Terri Velasquez suggested looking into a cost free option by locating the GERP administration at the City Municipal Building. She suggested that she could conduct a survey of plan participants regarding locating the GERP offices nearer to where they serve. Janice Napper suggested that other City facilities might be available. Trevor Vaughn made a motion to add an escape clause to the lease renewal. There was no second.

Michelle Reding moved to approve the lease renewal. Hans Hernandez indicated that the lease language wasn't quite finalized. Michelle withdrew her motion.

**B) Cost of Living Adjustments for January 1, 2018**

Tom Connell informed the Board that the consumer price index (CPI-W) had increased by 2% between the 3<sup>rd</sup> quarters of 2016 and 2017. As required under City Code, the regular benefit for Tier 1 retirees (those hired before 2012) will increase by 2% on January 1, 2018.

Staff recommended that the Board approve the same increase for the Plan's five Tier 2 retirees, noting that the total annual cost for this discretionary increase would amount to just \$292. Cliff Haight expressed his hope for more substantial and permanent benefit enhancements for Tier 2 participants. Terri Velasquez stated that she would oppose unsustainable benefit enhancements. Michelle Reding moved and Trevor Vaughn seconded a motion to increase Tier 2 regular benefits by 2%. Trevor and Michelle voted in favor; Cliff Haight, Joe McCleary and David McConico were opposed. The motion did not pass.

Increases to the supplemental benefit are also at the discretion of the Board. Since the Plan remains in an underfunded status, Board members agreed to keep the supplemental benefit at its current level. Joe McCleary asked that the actuarial impact of a supplemental benefit increase be included in next year's information.

### **Public Comments**

There were no public comments.

### **7) Old Business**

#### **A) Asset/Liability Study – Preliminary Results**

**Alex Browning, Gordie Weightman and Jason Ellement – Callan Associates**

Alex Browning announced that Bill Howard will be leaving Callan Associates. Alex will take over primary responsibility for serving GERP, with Gordie Weightman providing backup.

Jason Ellement explained that the goal of an asset/liability study is to establish a long-term strategic asset allocation target. He explained the importance of balancing risk and return. Jason noted that GERP's underlying actuarial assumptions call for the Plan to earn a 4.5% real (after inflation) return. Given that Callan is predicting a 2.25% inflation rate over the next 10 years, 6.75% is GERP's nominal return hurdle.

Jason presented three sets of optimizations showing the effect of adding high yield/multisector credit, listed infrastructure and real estate debt to GERP's current asset classes. The more aggressive mixes had higher median expected returns, but could result in deeper "worst case" losses.

Board members requested that Callan re-run the optimizations without a 5% upper limit on the listed infrastructure and real estate debt allocations. Members also discussed implementation issues. Due to the illiquidity of GERP's private investments, it could take years to fully fund new allocations.

### **8) Report on Travel**

Tom Connell attended Abbott Capital Management's annual client and advisory board meetings at the end of September. Abbott's team discussed the advantages of adding co-investments to their funds, which is a more direct, focused and concentrated way of investing in higher conviction ideas. (This is a strategy already used by HarbourVest.) Abbott is also looking carefully at general partners' use of lines of credit to fund investments. This can reduce the frequency of capital calls, but can also inflate internal rates of return.

While in New York, Tom also attended a program on real assets hosted by Cohen & Steers. Global real estate, commodities, listed infrastructure, and master limited partnerships were highlighted. Presenters pointed out that current valuations for real assets, which provide protection against inflation, make them attractive.

As part of the same trip, Tom also visited with the staff of Smith Graham & Company and had discussions about their operations, including IT security and disaster recovery.

**9) Staff Report**

Tom Connell congratulated Joe McCleary on his re-election to the Board.

The first session of GERP's Retirement Ready Workshop took place on October 10<sup>th</sup> and was very well received by participants. The Board packet contained a summary of the attendee evaluations.

Tom is continuing to research options for GERP's IT security and disaster recovery. He will present proposals to the Board for the 2018 budget discussion in December.

Terri Velasquez informed the Board that the finance department will not support the ordinance proposed by GERP that would remove the 10-year limit in determining an employee's highest average earnings. She said that it represented an increase in the Plan's pension liability without a corresponding increase in funding. Cliff Haight moved and Joe McCleary seconded a motion to withdraw the proposal from this month's Management & Finance Committee agenda. The motion passed unanimously.

Tom Connell stated that he attended the City benefits fair and two employees of the City came up to him and said that they knew nothing about GERP. Joe McCleary discussed the need for GERP administration to be part of the employee orientation process for new City employee and that he would meet with new employees to educate them regarding GERP. Terri Velasquez stated that a meeting with Interim Human Resources Director, Noel Mink should be the next step to discuss education efforts. Joe McCleary and Tom Connell said they would follow up with Noel Mink.

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

Meeting Adjourned 11:30 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David L. McConico  
Chairperson of the Board

11/16/17  
Date