

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

Held Thursday, October 15, 2020
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	Cliff Haight	Present
	Andrew Jamison	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Tom Tobiassen	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for the City Manager)	Present
	Terri Velasquez (Finance)	Present
	Dianna Giordano (Human Resources)	Present
	Hans Hernandez (City Attorney)	Present
Staff	Steven Shanks	Present
	Aaron Kahn	Present

Due to concerns about COVID 19, the Board Meeting held on Thursday, October 15, 2020 was conducted via WebEx.

2) Approval of the Minutes

Michelle Reding made, and Trevor Vaughn seconded, a motion to approve the minutes of the regular meeting held on September 17, 2020. The motion passed unanimously with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

3) Treasurer's Report

Steve Shanks reviewed the financial statements and investment performance for August. As of October 13, 2020, the fund was valued at approximately \$527.2 million.

4) Review of Lump Sum Distributions for September

Sixteen participants received lump sum payments totaling \$231,612.91.

5) Approval of Retirement Benefits

Aaron Kahn presented the retirement calculations. Cliff Haight made, and Michelle Reding seconded, a motion to approve retirement benefits for **John Braketa, Charles Buckman, John Dean, Barbara Faut, and Larry Hagele**. The motion passed unanimously with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

6) New Business

A) Cost of Living Adjustments for January 1, 2021

Aaron Kahn presented the calculation of the cost of living adjustment for the Regular Benefit for Tier 1 participants which is based on the CPI-W. On January 1, 2021, the regular benefit will increase by 1.5%.

Board members discussed the discretionary cost of living increases for the Tier 2 Regular Benefit. Aaron Kahn noted that in 3 out of the last 5 years, the Board has awarded a cost of living increase for the Tier 2 Regular Benefit. Michelle Reding stated that that even if the cost of living increase is discretionary, if it becomes the Board's practice to always increase the benefit, the actuaries will strongly recommend adding an assumption to the valuation. On the other hand, awarding a cost of living of 1.5% this year will only affect 13 participants resulting in an extra \$62.76 per month in benefit payments.

Cliff Haight noted that the affected Tier 2 participants are all short service. David McConico stated that given the volatility in the markets, it may make sense to not increase the Tier 2 Regular Benefit this year.

Trevor Vaughn made, and Michelle Reding seconded, a motion to increase the Tier 2 Regular Benefit by 1.5% as of January 1, 2021. The motion passed with Andrew Jamison, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn, for; David McConico and Cliff Haight against.

Board members agreed to continue the policy of not increasing the Supplemental Benefit until the Plan is in better financial standing.

B) Audit Engagement Letter for 2020

Steve Shanks reviewed the audit engagement letter for the 2020 audit. The engagement letter states the objective, scope, and standards used in the audit. It also states the responsibilities of the auditors, staff, and Board. David McConico will sign the audit engagement letter.

C) Discussion on Process for Distribution of Pension Plan Administrator Review Packet

Steve Shanks will provide information to the Personnel Committee by November 1, 2020.

D. Private Equity Education

Steve noted that private equity has outperformed public equity during a time that public equity has had historically great returns. Private equity provides diversification and lower measured volatility to the fund. Steve reminded the Board that Callan's original recommendation this year was a \$15 million commitment to Abbott. Steve stated that 70% of GERP's portfolio is in liquid assets.

Alex Browning and Pete Keliuotis presented information regarding Private Equity investing. Private equity should provide enhanced returns and diversification. Private equity fund managers pursue long-term value creation and precipitate operational improvements in the underlying companies. There are 400,000 private companies in the US.

Pete Keliuotis reviewed the valuation process for private equity. The General Partner collects quarterly metrics from portfolio companies and determines company valuations based on Generally Accepted Accounting Principles (GAAP). Valuations are reviewed both internally by the GPs and independently. A Limited Partner Advisory Committee approves the quarterly valuations and annually an outside audit is conducted, usually by a big four accounting firm. Valuations tend to be somewhat conservative as the General Partner wanted to avoid write-downs.

Mr. Keliuotis also reviewed implementation options for Private Equity. GERP currently uses a fund of funds implementation. The advantage of fund of funds is lower complexity, access to diverse and high-quality general partners, and low administrative burden. There are also two types of direct programs: non-discretionary and discretionary. In a non-discretionary program, Callan provides options, and the Board makes all of the investment decisions. In a discretionary program, Callan reviews funds with the Board and makes final decisions on sizing and selection.

E. New Commitment to Private Equity

The Board deferred the private equity commitment decision.

F. Discuss Re-appointment of David McConico

David McConico expressed his interest in continuing to serve on the Board. Sue Sandstrom thanked David for his dedication to the Board, his willingness to be a leader, and for the work that he does in the community. Cliff Haight mentioned that David provided guidance and encouraged Cliff as a new Board member and taught him a lot about what it means to be a fiduciary. Aaron Kahn thanked David for his commitment to plan participants and how strongly David feels about the entire Board's commitment to their responsibilities as fiduciaries. Andrew Jamison noted David's tenacity and persistence as the Chair of the Board and Michelle Reding noted that David is dedicated to meeting people and learning about new strategies for pension plans.

The Board directed Steve to write a letter strongly supporting David McConico's reappointment to the Board by City Council.

Public Comments

There were no public comments.

7) **Old Business**

There was no old business.

9) **Report on Travel**

Steve Shanks attended the virtual annual investor meeting for Molpus. They indicated that, while lumber prices have increased, timber valuations have not. Managers at Molpus pride themselves in their ability to manage properties and take advantage of other value-added strategies including ESG. Thankfully, the hurricanes have not affected Molpus properties. Molpus does have insurance to help mitigate risks such as a hurricane.

Steve Shanks will be participating in the Public Pension Financial Forum.

David McConico and Trevor Vaughn attended a Callan session on fees in Private Equity.

10) **Staff Report**

Steve Shanks described staff's process and procedures for setting up the Board election on survey monkey. Staff has tested the process and has fully informed the election commission of the plans for the election. Voting opened on October 14th and will end on October 21st.

Cliff Haight made, and Tom Tobiassen seconded, a motion to adjourn. The motion passed unanimously with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

Meeting Adjourned 10:56
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David McConico
Chairperson of the Board

11/19/2020
Date