

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

Held Thursday, January 19, 2023
12100 East Iliff Avenue, Suite 108
Aurora, CO 80014

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	Sheree Van Buren (for the City Manager)	Present
	Terri Velasquez (Finance)	Present
	Ryan Lantz (Human Resources)	Present
	Hans Hernandez (City Attorney)	Present
Staff	Steven Shanks	Present
	Aaron Kahn	Present

The Board Meeting held on Thursday, January 19, 2023, was a hybrid meeting conducted via WebEx and in person at the GERP office.

1) Election of Officers and Subcommittee Assignments

Sue Sandstrom nominated David McConico for chair. Tom Tobiassen seconded the nomination. The motion passed unanimously, with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for. David McConico nominated Sue Sandstrom for vice-chair. Tom Tobiassen seconded the nomination. The motion passed unanimously, with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

Andrew Jamison, Cliff Haight, Michelle Reding, and Sue Sandstrom volunteered to be on the Audit Committee. David McConico, Ryan Lantz, and Trevor Vaughn volunteered for the Personnel Committee.

2) Approval of the Minutes

Trevor Vaughn made, and Cliff Haight seconded, a motion to approve the minutes of the Investment Managers Meeting held on December 1, 2022. The motion passed with Cliff Haight, Andrew Jamison, David McConico, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for. Michelle Reding abstained.

**Minutes of the Regular Meeting
Held Thursday, January 19, 2023**

Page 2

Cliff Haight made, and Tom Tobiassen seconded a motion to approve the Minutes of the Regular Meeting held on December 8, 2022. The motion passed with Cliff Haight, Andrew Jamison, David McConico, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for. Michelle Reding abstained.

3) Treasurer's Report

Steve Shanks reviewed the financial statements and investment performance for November. As of January 16, 2023, the fund was valued at approximately \$588.4 million.

4) Review of Lump Sum Distributions for December

Fifteen participants received lump sum payments totaling \$116,381.36.

5) Approval of Retirement Benefits

Aaron Kahn presented the retirement calculations. Andrew Jamison made, and Cliff Haight seconded, a motion to approve retirement benefits for **Vernon Adam, Steve Buchner, Robert Carmody, William Fleck, Paulette Fulmer, Jo Ann Giddings, Michele Gillman, Michael Hayes, Barbara Jones, Charles Juniel, Howard Kaplan, Pamela McClendon, Susan Kauffman, Michael McHugh, Douglas McNeil, Alvin Nettingham, David Pyle, Dana Spade, and Heath Walter**. The motion passed unanimously, with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

Public Comments

There were no public comments.

6) Old Business

There was no old business.

7) New Business

**A1. Response to Actuarial Audit and Review of Assumptions for January 1, 2023 Valuation
Joel Stewart, Milliman**

Joel Stewart discussed Milliman's response to the Foster & Foster Actuarial Audit. He noted that that Foster & Foster, though it was beyond the scope of GERP's requirements, did a full replication of Plan liabilities for no extra cost. They replicated Milliman's liabilities and normal cost, in the aggregate, to within 0.4%, which is well within the acceptable threshold. Joel provided some examples of individual participant liabilities which resulted in immaterial changes in the liability amounts.

Foster & Foster provided commentary on the amortization of the unfunded liability. Milliman agrees with Foster & Foster and has provided some discussion on amortization methodologies in their reports.

Joel suggested further discussion in the future.

Joel described difficulties in predicting mortality given the effects of COVID. In addition, the economic effects of COVID, the recent substantial increase in inflation, and the potential for a near term recession have made it difficult to assess the salary scale. Over longer time periods, our assumptions have been good predictors of later demographic and economic result. Board members suggested that, given the volatility of recent experience, our regular review every 5 years remains prudent.

**A2. Providing Employee Choice between GERP and a Defined Contribution Plan
Actuarial Analysis provided to City Council by Milliman, Joel Stewart**

Joel Stewart also reviewed Milliman's report to City Council regarding their proposal to look at the possibility of providing a choice to new hires to participate in either GERP or in a defined contribution plan. The analysis only looks at the effect on GERP's funding should the plan be implemented, and provides the effect of either a 10% or a 30% participation rate in the defined contribution plan. The report does not speculate as to the format of the potential defined contribution plan.

The Milliman report shows that offering new hires a choice to participate in a defined contribution plan would have a negative impact on GERPs funding status. If GERP fails to meet its return assumption, then lower participation accelerates the increase in the unfunded liability. If GERP does meet its return assumption, it will take longer for the Plan to become fully funded.

Joel noted that upon the implementation of a defined contribution choice program, it would take some time before participation in the plan of either 10% or 30% becomes representative of the whole workforce. Due to this, the early negative impact on GERP takes some time to develop.

Board members noted that similar ideas have been discussed by City Council in the past. In the past studies, actuaries have shown that, to provide comparable benefits to retiring participants, a defined contribution plan would have to have a higher contribution rate than the GERP contribution rate. In addition, if the economy stabilizes and Plan funding improves, Board members hope to ultimately improve benefits for Tier 2 participants, or reduce the contributions to GERP by both the City and Plan participants. GERP provides an economy of scale that keeps administrative costs and investment fees low, as well as providing due diligence and high-level investment consulting to Board members. Trevor Vaughn noted that the actuarial report does not include the effects of adverse selection, where the individuals who are expecting to work for a longer time with the City and expect to eventually retire with a monthly GERP benefit are more likely to choose to participate in GERP, increasing the real liabilities to the Plan beyond what the statistics indicate.

B. Bull & Bear Award and Predictions for 2023

The Board congratulated Andrew Jamison with his prediction of -5.00% for the S&P 500. In 2023, the S&P 500 lost 18.11%.

Cliff Haight	-12.5%	Terri Velasquez	2.5%
Andrew Jamison	1%	Jackie Ehmann	3%
David McConico	11.2%	Hans Hernandez	7.7%
Michelle Reding	-1%	Steve Shanks	27%
Sue Sandstrom	2.6%	Aaron Kahn	2%
Tom Tobiassen	11%	Laura Steege	9%
Trevor Vaughn	22%		

C. Pension Plan Administrator's Goals

As part of his review process, Steve Shanks reviewed his goals with the Retirement Board. Board members agreed with his priorities for GERP.

D. Discussion on Search for Administrative Coordinator

Steve Shanks announced that Laura Steege will be retiring on May 31, 2023. He has budgeted for a new hire to have overlapping employment so that Laura can help train.

E. Network Security Discussion – Executive Session

Michelle Reding moved, and Cliff Haight seconded, a motion to enter executive session to discuss network security. The motion passed unanimously, with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for. After discussion, Cliff Haight moved, and Michelle Reding seconded, a motion to leave executive session. The motion passed unanimously, with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

8) Report on Travel

There was no report on travel.

9) Staff Report

Steve Shanks noted that the Holiday reception went well. Cliff Haight and several retirees helped to both set up and break down the tables and chairs. Many retirees thanked staff for organizing the party.

Michelle Reding made, and Sue Sandstrom 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.

**Minutes of the Regular Meeting
Held Thursday, January 19, 2023**

Page 5

Meeting Adjourned at 10:05 am
Minutes Submitted by Aaron Kahn

Minutes Approved

David L. McConico
Chairman of the Board

2/16/2023
Date