

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

Held Thursday, December 14, 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 the City Manager)	Present
	Terri Velasquez (Finance)	Present
	Noël Mink (Human Resources)	Excused
	Hans Hernandez (City Attorney)	Present
Staff	Thomas Connell	Present
	Aaron Kahn	Present

**2) Approval of the Minutes**

Michelle Reding moved and Cliff Haight seconded a motion to approve the minutes of the regular meeting held on November 16, 2017 and the investment managers meeting held on November 30, 2017. The motion passed unanimously, with Trevor Vaughn abstaining from the November 16<sup>th</sup> meeting.

**3) Treasurer's Report**

Tom Connell reviewed the financial statements and investment performance for October 2017. As of December 12, 2017 the fund was valued at approximately \$467.6 million.

After a recommendation by Tom Connell, Trevor Vaughn moved and Cliff Haight seconded a motion to sell \$4.5 million of the BlackRock S&P 500 Equity Index Fund, reinvest \$2.5 million in American Funds EuroPacific Growth Fund and transfer \$2 million to the operating cash account. The motion passed unanimously.

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

Nineteen participants received lump sum payments totaling \$141,303.86

**5) Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Joe McCleary moved and Trevor Vaughn seconded a motion to approve retirement benefits for **William McCormick, Michael J. Sax, LaDonna Skufca and Jane Stetson**. The motion passed unanimously.

**6) Old Business**

**A) GERP Security Assessment Report & Evaluation of Office Technology Upgrade Proposals**

Tim McCain, Chief Information Security Officer, City of Aurora

Tim McCain explained that in his role as the City's Chief Information Security Officer he works with entities that have access to confidential information in order to improve security and to make sure that all parties are in compliance with relevant laws.

In terms of GERP's systems, Tim stated that the first step in the process will be to upgrade the technology, but that he will also be reviewing administrative controls and practices with respect to data management. Tom Connell has obtained upgrade proposals from three IT vendors. Tim suggested some follow up questions for clarification, including line item pricing for the services proposed. He also suggested that GERP avoid proprietary or uncommon IT solutions where appropriate.

Terri Velasquez asked if Tim McCain might suggest other qualified vendors. Tim explained that he is not familiar with small office providers. Terri asked Tim to explain the advantages of cloud-based vs. on-site data storage. Tim explained that it is ultimately a business decision that the Board will need to make. A cloud-based solution incurs an ongoing expense whereas on-site storage has an upfront capital cost. Microsoft's cloud storage has the inherent advantage of being managed by a very large sophisticated service provider. With an on-site storage device, GERP would retain greater control of its data and access to it would not be impacted by internet outages.

Cliff Haight noted that GERP currently has cyber insurance coverage and is likely to convert to encrypted workstations before the City adopts those safeguards.

Joe McCleary asked Tom and Tim if they felt that a proper amount of due diligence had been done to find an appropriate IT provider. Tom noted that he was comfortable with the current direction, but ultimately that would be a question for the Board to decide. Tim stated that he could work with any vendor to come up with a solution that addresses his concerns, but he would like answers to his clarifying questions before assessing due diligence.

Aaron Kahn asked about the difficulty of encrypting an on-site storage device. Tim explained that ease of encryption depends on its manufacturer. Aaron also noted that from the perspective of cyber insurance providers, properly followed policies and procedures were often more important than technology upgrades. By far, most breaches are due to human error, employee malfeasance, malware and phishing. Aaron thanked Tim for his review and stated that he looked forward to tightening up policies and procedures and taking part in training from the City's IT staff.

**Public Comments**

There were no public comments.

**7) New Business**

**A) 2018 GERP Operating Budget**

Tom reviewed the proposed \$1,505,649 operating budget for 2018. Projected costs for investment management were \$844,275, other professional fees were \$118,974 and payroll and administrative costs totaled \$542,400.

Trevor Vaughn stated that he doesn't think that the holiday reception for retirees is an appropriate use of GERP funds. Terri Velasquez added her view that providing discretionary cost of living adjustments to retirees should have a higher priority than the holiday reception, and that she agrees with Trevor. Cliff Haight noted that a number of Council Members and the Mayor have also attended the annual receptions through the years. David McConico felt that these events give retirees an opportunity to discuss their concerns with both staff and other retirees. Trevor Vaughn moved to make this year the last year of the holiday reception. There was no second.

Cliff Haight moved and Sue Sandstrom seconded a motion to approve the budget as presented. The motion passed unanimously.

**B) Executive Session: Pension Plan Administrator's 2018 Compensation**

Since Tom Connell has agreed to remain as a temporary contract employee until a replacement is hired, Michelle Reding moved and Cliff Haight seconded a motion to enter executive session to discuss his compensation for 2018. The motion passed unanimously. Joe McCleary moved and Cliff Haight seconded a motion to leave executive session. The motion passed unanimously.

Trevor Vaughn moved and Joe McCleary seconded a motion to set Tom Connell's compensation at \$70 per hour, with no employer paid benefits. Tom requested that the agreement include pay for holidays that fall within the weeks that he will be working. Trevor and Cliff agreed to amend the motion to include that provision. The motion passed unanimously. Hans Hernandez was asked to draft the employment agreement.

**C) 2018 Interest Rate on Employee Contributions**

Tom noted that changing the interest rate affects both lump sum distribution amounts paid to terminating employees as well as money purchase pension benefits for certain retirees. He stated that for Tier 2 participants with less than 5 years of service, the interest credited is their only benefit from the Plan, other than the return of their contributions. Aaron Kahn noted that many Tier 2 participants would

be affected by a change in the interest rate due to their more substantial early retirement adjustments and greater likelihood of qualifying for a money purchase benefit.

Cliff Haight moved and Michelle Reding seconded a motion to keep the interest rate for 2018 at the current 4% compounded biweekly. The motion passed unanimously.

**D) Policy on Cost of Living Adjustments for Tier 2 Pensions**

Tom Connell explained that when the Board was addressing the underfunded status of the Plan in 2009, making cost of living adjustments discretionary for Tier 2 retirees was accepted because the actuary showed that it would lower future costs significantly and allow the unfunded liability to be paid down within 30 years. In the years since, lower inflation and higher investment returns have brought GERP to the point where assets and liabilities are almost in balance.

Terri Velasquez requested that the Board create a policy for Tier 2 cost of living adjustments so that the decision each year doesn't seem to be arbitrary. Joe McCleary suggested that discretionary cost of living adjustments should not be implemented unless the Plan is fully funded. Trevor Vaughn suggested that a 95% funded ratio, together with a projection indicating that the Plan is on a trajectory to becoming fully funded, could be a reasonable policy. Tom suggested allowing increases in years where the investment return exceeds the actuarial target return and the funded ratio is above a minimum level set by the Board.

Michelle Reding warned that creating a policy might require that the actuary add an assumption about the Tier 2 cost of living adjustments to the valuation, so the Board should be cautious about creating any policy that requires action. Joe McCleary asked that this discussion be included in the agenda moving forward.

**E) Board Communication and Goals for 2018**

David McConico stated that Board meetings have taken on a stressful tone. He explained that he feels that it is important that all Board members' concerns are seriously considered, but that revisiting issues that have already been decided has created distractions and is concerning to him.

Terri Velasquez expressed the feeling that, due to certain differing views, Board members have been rejecting her suggestions without serious consideration. She believes that she has a duty, both as a fiduciary and as the City's Director of Finance, to look for cost savings. Many of her suggestions have been about leveraging the resources of the City to benefit the operation of the Plan. Janice Napper added that meetings have become more contentious and felt that an unwelcoming atmosphere has been created.

Terri Velasquez shared that Human Resources and GERP Staff, including Noel Mink, Tom Connell, Aaron Kahn, and Terri, have met to discuss education of Plan participants. Joe McCleary suggested that Plan participant education be a standing agenda item.

Joe McCleary apologized for a statement he made at a previous Board meeting.

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Trevor Vaughn explained that one of his reasons for running for a position on the Board was that it seemed that every vote taken, before his tenure, was unanimous. He stated, "You're not a functional board if everything is unanimous." He went on to say that working through disagreements is a sign that the Board is considering multiple solutions to complex issues.

David McConico summarized the goals of the Board for 2018:

- Participant education is a primary concern, particularly for new hires. The Board would like the GERP Staff and the Human Resources department to work together to address these concerns. Tom Connell stated that he would like to prioritize providing training and information to HR staff who are involved in new employee orientation.
- Tom referred to the plans to update IT hardware and data management processes and procedures.
- Board members would also like to reassess the benefits offered to GERP staff.

**8) Report on Travel**

There was no report on travel.

**9) Staff Report**

Tom Connell noted that GERP had received its 18<sup>th</sup> Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 2017 Comprehensive Annual Financial Report. The Board congratulated Tom.

Tom noted that the office will get new paint and carpeting over the coming weekend. Staff will have limited availability on Friday and Monday as furniture and office equipment will need to be moved.

David McConico thanked the Board for work that they've accomplished this year.

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

Meeting Adjourned 11:50 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David L. McConico  
Chairperson of the Board

January 18, 2018  
Date