

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

Held Thursday, September 19, 2019  
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	Excused
	Michelle Reding	Present
	Sue Sandstrom	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for the City Manager)	Excused
	Carol Toth for Terri Velasquez (Finance)	Present
	Dianna Giordano (for Human Resources)	Present
	Hanosky Hernandez (City Attorney)	Present
Staff	Steven Shanks	Present
	Aaron Kahn	Present

**2) Approval of the Minutes**

Trevor Vaughn made, and Michelle Reding seconded, a motion to approve the minutes of the Regular Meeting held on August 15, 2019 and the Investment Manager Meeting held on August 22, 2019. The motion passed unanimously.

**3) Treasurer's Report**

Steve Shanks reviewed the financial statements and investment performance for July 2019. As of August 11, 2019, the fund was valued at approximately \$496.2 million.

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

15 participants received lump sum payments totaling \$126,542.68.

**5) Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Trevor Vaughn made, and Michelle Reding seconded, a motion to approve retirement benefits for **Deborah C. Allen, Anita Burkhart, Cathy R. Haddon, John P. Humin, Vivian S. Singer, William P. Virgin, Stephen Wasiecko, and Kirk Watson**. The motion passed unanimously.

**6) Old Business**

**A) Actuarial Experience Study and Review of Actuarial Assumptions  
Milliman, Joel Stewart**

Milliman conducted an actuarial experience study on data between 2014 and 2018. The experience study tests whether the underlying actuarial assumptions are reasonable.

Joel Stewart reviewed GERP economic assumptions, including inflation, investment return, and salary scale. Joel noted that many institutions, including the Congressional Budget Office, Social Security Administration, Callan, and Milliman, are predicting that inflation will remain under control and lower than GERP current assumption of 2.75%. Milliman recommends decreasing the underlying inflation assumption by 0.25% to 2.5%. Joel explained that the inflation assumption drives the other economic assumptions and that this change in the inflation assumption combined with the current real return assumption of 4.5% would suggest a total return assumption of 7%. Given the actuarial study's results, Joel recommended increasing the productivity component of the salary scale by 0.25% to keep the salary scale the same.

Joel reviewed the mortality assumption. The actuaries recommend updating the mortality assumption to PUB2010 General Employees, Projected Generationally using Projection Scale MP2018. The current mortality assumption is static. The recommended assumption assumes that a younger person will have a longer life expectancy than a 65-year-old today.

Next, Joel reviewed expectations for timing of retirement, withdrawal, and lump sum elections. Joel noted that the study shows that there are a greater number of 63 and 64-year-olds taking a reduced retirement than the current assumption would suggest. The current assumption for unreduced retirements agrees with the study data. Aaron Kahn suggested that since many Tier 2 participants will have a money purchase pension for their early retirement, that Tier 1 and Tier 2 retirements assumptions should be the same up until ages 66 and 67.

Joel noted that the study suggests that the assumption that deferred vested participants take their pension at earliest eligibility differs from the data. Aaron Kahn noted that when that assumption was made it was shown to slightly overstate the liability. Since Tier 2 participants have a greater early retirement reduction, that may no longer be the case. After some discussion, Aaron and Joel suggested that a more accurate assumption would be if we assume that Tier 1 participants with greater than 10 years of service take their pension as early as age 55, and we assume that Tier 2 participants wait until age 67.

Joel noted that the study data suggested increasing the assumption about withdrawals for members with less than five years of service and removing the assumption that 12% of retirement eligible participants take a lump sum instead of their pension benefits. He noted that the study also indicates that approximately 30% of deferred vested participants will not wait for the pension and will instead take a lump sum benefit.

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Joel Stewart reviewed the financial impact of each assumption change. By far, the assumption change that will have the greatest impact to the actuarial liability is the mortality assumption. The changing the inflation and return assumption increases the actuarial liability by 0.8%. Changing the mortality assumption, increases the actuarial liability by 4.5%.

Board members discussed the inflation and return assumption. Trevor Vaughn and Michelle Reding had some concerns that lowering the return assumption at the same time that we change the mortality assumption will create the impression that the increase in Plan liabilities is due the return assumption. Aaron Kahn noted that if you look at Callan's June 30, 2019 Quarterly Review, GERP has been able to achieve a real return of over 4.5%. Joel Stewart pointed out that Milliman and Callan's expectations are consistent and suggest that lowering both inflation and return is their recommendation. Sue Sandstrom made, and Helen DiBartolomeo seconded, a motion to adopted Milliman's suggested that the inflation assumption be 2.5% and the overall return assumption be 7%. The motion passed: Sue Sandstrom, Helen DiBartolomeo, and David McConico – for; Trevor Vaughn and Michelle Reding – against.

Board members then discussed the demographic assumptions. Board members all agreed that GERP should adopt the recommended mortality assumption. Since the new mortality assumption is not static and assumes that younger participants will see an increase in their life expectancy, the Board hopes that the next time that this is reviewed the impact on the Plan's expected liabilities will be less substantial. Michelle Reding made, and Sue Sandstrom seconded, a motion to adopt the recommended mortality table, to adopt the recommended reduced retirement table, with Tier 1 and Tier 2 to match until age 66 and 67, to not change the unreduced retirement assumption, to change the vested inactive retirement assumption for Tier 1 to be earliest eligible after age 55, to adopt an assumption that Tier 2 vested inactive participants all retire at 67, and to change the withdrawal assumption and lump sum election as suggested by Milliman. The motion passed unanimously with Michelle Reding, Sue Sandstrom, Trevor Vaughn, Helen DiBartolomeo, and David McConico – for.

**B) Update on GERP Election**

Steve Shanks noted that two participants will be running in the October election; Cliff Haight and Andrew Jamison. Mr. Jamison works in the Finance Department as the Debt and Treasure Senior Analyst.

Steve also noted that Barbara Shafer in the City Clerk's office let him know that the Board vacancy beginning in January, 2020 due to Helen's decision not to apply for re-appointment has been posted. There were some questions from the Board concerning where the upcoming vacancy has been posted and a suggestion from Trevor Vaughn that the upcoming Board vacancy be posted on the City's Facebook page. Steve said he would check with Barbara Shafer for the answers.

**C) Abbott Capital Conference on Tuesday, November 5, 2019**

Steve Shanks requested that a Board Member volunteer to attend the Abbott Capital Conference on November 5th as part of the Board's due diligence.

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**7) Public Comments**

There were no public comments.

**8) New Business**

**A) Evaluation of Pension Plan Administrator – Executive Session**

The Board did not enter executive session. David McConico, Dianna Giordano, and Trevor Vaughn are on the Evaluation Committee. Trevor Vaughn volunteered to head the committee and to distribute and collect the relevant forms and documents. The committee will meet before November 1, 2019.

**9) Report on Travel**

Sue Sandstrom, Steve Wasiecko, Terri Velasquez, Dianna Giordano and Steve Shanks attended the Colorado Public Plan Coalition conference. The conference covered many subjects including cyber security, avoiding predators, and economic outlook. At the conference, Terri Velasquez, Cindy Cross, and Nancy Wishmeyer gave a presentation on auto-enrollment and auto-escalation for contributions to the City's Nationwide 457 Plan. Cindy Cross also talked about the PEHP plan from the payroll perspective. Those that attended the conference recommended it as a valuable educational opportunity.

David McConico attended the Public Fund Forum in Park City, Utah. He was particularly impressed by a presentation from Perry Golkin which highlighted how Private Equity has changed through the years. The underlying asset is no longer getting the multiples that it traditionally achieved, though it continues to provide a premium over public markets. Mr. Golkin suggested some changes to the industry that David found very interesting and educational.

**10) Staff Report**

There was no staff report.

Trevor Vaughn made, and Michelle Reding seconded, a motion to adjourn. The motion passed unanimously.

Meeting Adjourned 11:05 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

David L. McConico

Chairperson of the Board

12/12/19

Date