

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

Held Thursday, December 12, 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	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Trevor Vaughn	Present
Nonvoting Members	Janice Napper (for the City Manager)	Present
	Terri Velasquez (Finance)	Present
	Dianna Giordano (Human Resources)	Absent
	Hanosky Hernandez (City Attorney)	Present
Staff	Steven Shanks	Present
	Aaron Kahn	Present

Board members thanked Helen DiBartolomeo for her service.

2) Approval of the Minutes

Sue Sandstrom made, and Michelle Reding seconded, a motion to approve the minutes of the regular meeting held on September 19, 2019. The motion passed unanimously with Cliff Haight abstaining. David McConico, Helen DiBartolomeo, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

Trevor Vaughn made, and Cliff Haight seconded, a motion to approve the minutes of the regular meeting held on October 17, 2019. The motion passed unanimously with Helen DiBartolomeo and Sue Sandstrom abstaining. David McConico, Cliff Haight, Michelle Reding, Trevor Vaughn: for.

Cliff Haight made, and Sue Sandstrom seconded, a motion to approve the minutes of the regular meeting held on November 21, 2019. The motion passed unanimously with Michelle Reding and Trevor Vaughn abstaining. David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom: for.

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3) Treasurer's Report

Steve Shanks reviewed the financial statements and investment performance for October 2019. As of December 6, 2019, the fund was valued at approximately \$510.4 million.

4) Review of Lump Sum Distributions for November

33 participants received lump sum payments totaling \$197,108.78

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 **Laurie L. Cole**. The motion passed unanimously. David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

6) Old Business

A) Appointment to Fill out Term

Michelle Reding made, and Trevor Vaughn seconded, a motion to appoint Cliff Haight to fill the open Board seat through the end of 2020. The motion passed unanimously with Cliff Haight abstaining. David McConico, Helen DiBartolomeo, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

7) Public Comments

There were no public comments.

8) New Business

A) 2020 GERP Operating Budget

Steve Shanks reviewed the 2020 GERP Operation Budget. Trevor Vaughn reiterated his opposition to the Holiday Reception.

Sue Sandstrom made, and Cliff Haight seconded, a motion to approve the 2020 GERP Operating Budget as presented. The motion passed unanimously. David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

Terri Velasquez suggested that the Board consider the purchase of new chairs for the Board room.

B) Pension Plan Administrator Evaluation and Compensation – Executive Session

Cliff Haight made, and Trevor Vaughn seconded, a motion to enter executive session to discuss the Pension Plan Administrator's Evaluation. The motion passed unanimously. David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for. Trevor Vaughn moved, and Sue Sandstrom seconded, a motion to leave executive session. The motion passed unanimously. David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

After the executive session Board members requested that Steve Shanks get Greenwich salary survey results for next year's evaluation. Steve noted that if you participate in Greenwich's surveys, you gain access to the results. He will reach out to Greenwich so that he will have access next year.

Trevor Vaughn made, and Cliff Haight seconded, a motion to increase Steve Shanks pay by 3% and, in addition, to give him a \$2,500 bonus as of January 1, 2020. The motion passed unanimously: David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

C) 2020 Interest Crediting Rate on Employee Contributions

The interest rate credited to participant accounts is at the discretion of the GERP Board. The rate has a lower limit of 3%. Steve Shanks provided a survey of local defined benefits interest rates. Adams County, Arapahoe County, and PERA all have an interest rate of 3% and Denver and Pueblo have an interest rate of 1%. Given that our peers have a lower interest rate than we do, several Board members were open to lowering our rate. Trevor Vaughn noted that he'd be open to lowering the rate if there was some adjustment to the vesting schedule. Cliff Haight agreed with Trevor.

Aaron Kahn noted that this interest rate doesn't only affect the cash-out benefits for participants, but also has a dramatic effect on anyone who ultimately is paid a money purchase benefit. The money purchase benefit is a conversion of the cash out value at retirement into a monthly pension benefit. He noted that the money purchase benefit is much more prevalent for Tier 2 retirements before 67 or before the rule of 80 because of the more substantial early retirement adjustment. Tier 1 participants don't have as much of an impact because more of them will have a higher defined benefit than money purchase benefit. In addition to the Tier 2 participants, deferred vested participants monthly benefits will be impacted, and older, longer service employees also sometimes have a higher money purchase benefit.

Given the impact on monthly benefits and the recent excellent returns of the Fund, Board members agreed to leave the interest rate at 4%. Cliff Haight made, and Trevor Vaughn seconded, a motion to leave the interest rate a 4% compounded biweekly. The motion passed unanimously. David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

D) Interviews of City Council Appointed Board Applicants

The General Employees' Retirement Board reviewed applications from Linda Arms, Connie Bechtolt, Brenda Eways, Robert O'Riley, Thomas Tobiassen, and Samuel Torrez on December 5, 2020. The GERP

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Board invited Linda Arms, Connie Bechtolt, and Thomas Tobiassen in for interviews as they felt that those three candidates had more relevant experience and qualifications.

Linda Arms worked for the City of Aurora from 1975 to 1989. While working for the City she managed municipal bond issuance and debt administration and custodianship of three City pension funds and was a project manager for software development. After leaving the City, Ms. Arms worked as a customer support manager and a consultant for customer service, support delivery and software development.

Connie Bechtolt was the Chief Operation Officer for both Shelton Capital Management and Zoola Inc and was the Vice President and Assistant Treasurer for Oppenheimer Funds. She is currently the Principal for Startup Business solutions LLC which helps startup businesses take advantage of specific credits offered in the tax code.

Tom Tobiassen is actively involved on several boards and commissions in the City. Mr. Tobiassen was the Chair of the RTD Board of Directors and was also the Chair of the RTD Salaried Employees Defined Benefit Pension Fund for five years. Mr. Tobiassen also has experience in information systems security which he felt might benefit the Board.

After discussion the Board was very happy with all the candidates. The Board directed Steve Shanks to write a memorandum to City Council recommending Tom Tobiassen for the Board vacancy citing Mr. Tobiassen's direct experience with defined benefit pension plans.

9) Travel Report

David McConico attended the Alternative Investment Summit presented by Opal Financial Group. He said that the main takeaway for the conference was that private equity returns are now much closer to public equity than before and that the industry changing as a result.

10) Staff Report

One of the lump sums that Trevor Vaughn was reviewing this morning was a person who is over the age of 67. Under 102-142(e) if a participant's pension has an actuarial value of less than \$3,500 then the Plan will pay out the actuarial value instead of a monthly pension amount. Under the definition for Final average monthly compensation, "If the employee was employed for fewer than 36 consecutive calendar months, such final average monthly compensation shall be based on the employee's compensation for all full months of credited service with the City." Therefore, the participant was paid approximately double the lump sum that she would have been paid if they were younger than 67.

Trevor noted that this seems to reward a very short service employee. Aaron Kahn suggested that one option would be to always use a divisor of 36 months when calculating average earnings. He will present some examples at a future Board meeting.

Steve Shanks reminded the Board that the Holiday Reception is on December 17.

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Cliff Haight made, and Trevor Vaughn seconded, a motion to adjourn. The motion passed unanimously.
David McConico, Helen DiBartolomeo, Cliff Haight, Sue Sandstrom, Michelle Reding, Trevor Vaughn: for.

Meeting Adjourned 11:04 AM
Minutes Submitted by Aaron D. Kahn

Minutes Approved

Sue Sandstrom
Vice -Chairperson of the Board

2/20/2020
Date