

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

Held Thursday, July 16, 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, July 16, 2020 was conducted via WebEx.

**2) Approval of the Minutes**

Michelle Reding made, and Sue Sandstrom seconded, a motion to approve the minutes of the regular meeting held on June 18, 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 May. As of July 10, 2020, the fund was valued at approximately \$499.2 million.

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

Five participants received lump sum payments totaling \$10,768.27.

**5) Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Sue Sandstrom made, and Trevor Vaughn seconded, a motion to approve retirement benefits for **Joanna Davis, Mary L. Gilpin, John Kint, and Terry Sparks.**

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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) Fiduciary Training**

Jessica Culotti, Reinhart Boerner Van Deuren S.C.

Jessica Culotti presented an educational presentation regarding the fiduciary duties of Board members. She reviewed the fiduciary principles of prudence, care, loyalty, and impartiality. The fiduciary duty of prudence requires that the Board act with skill, prudence, and diligence as a prudent person with similar duties would act. Fiduciaries need to document their deliberations and procedures when making decisions. The fiduciary duty of care requires the Board designate professionals for those responsibilities outside of their skill set, including investment consultants and professionals and actuaries. The Board must carefully consider the advice of these experts. The fiduciary duty of loyalty requires that fiduciaries act in the sole interest of participants and beneficiaries and for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the plan. Board members must also avoid conflicts of interest and self-dealing. The duty of impartiality means that the Board must balance the interest of different groups in the Plan. For example, decisions need to consider the interests of both retirees and active participants.

Jessica reviewed recent legislation and court cases. She noted that the SECURE Act allows pension plans to increase the age that plan participants are required to start their pension from 70 ½ to 72. The Plan is not required to increase the age. She also discussed the CARES Act. She suggested that very few defined benefit plans have in-service distributions, so the rules related to in-service distributions do not apply. Lump sum distributions for participants who have left employment could qualify for the coronavirus related distribution rules, but it is the responsibility of the participant to provide that information when they file their income tax returns for 2020.

Jessica reviewed the Supreme Court case, *Thole v U.S. Bank*. In the case, two retirees sued U. S. Bank for violating ERISA fiduciary standards of prudence and loyalty by poorly investing the plans assets which resulted in losses of \$1.1 billion. After losing a motion to dismiss at the District Court, U.S. Bank fully funded the plan and the District Court granted the motion to dismiss which was affirmed by the Eighth Circuit Court of Appeals. The Supreme Court found that the Plaintiff's lacked Article III standing because win, or lose, they would still be paid their pensions. The case does not impact the ability of a plan sponsor, employer, or the federal government from suing a defined benefit plan for fiduciary violations. Jessica also noted several class action suits related to actuarial equivalence and mortality assumptions. No decision on the merits of those cases have been reached.

Jessica reviewed recent Department of Labor proposed rules on ESG (environmental, social, and governance investing.) The DOL has consistently stated that a fiduciary cannot sacrifice returns or take on additional risk to further ESG considerations. The proposed guidance may make ESG investing more difficult for pension plans. Jessica encouraged the Board to careful document deliberations and analysis of any ESG investment considerations.

**B) Management and Finance Committee Presentations**  
Annual Update and Amendment to City Code

Steve Shanks reviewed a presentation that he will be giving to the Management and Finance Committee Meeting on July 28, 2020. The presentation includes information about the funded status of the plan as of the end of the year.

While preparing the presentation, staff noted that the actuarial assumption changes will have a larger impact on the money purchase calculated benefit than anticipated. Staff suggested that the Board might consider delaying the adoption of the actuarial assumptions to give staff time to inform participants who may be adversely affected by the mortality assumption and allow the participant some time to consider whether to start their pensions earlier. Staff noted that the same mortality assumption also increases the joint & survivor calculations for participants. Board members requested that Staff inform the plan participants who have the option of retiring before the actuarial assumptions would take effect but suggested keeping the January 1, 2020 adoption date.

Board members suggested several modifications to Steve's presentation. They suggested that Steve should emphasize that the actuarial assumption changes, particularly, the mortality assumption, had a substantial impact on the Plan's funded status.

**7) Public Comments**

There were no public comments.

**8) Old Business**

**A) Approval of Investment Policy Statement**

Steve Shanks had some concerns about removing a statement on small/mid cap investment requirements. After research, Steve found that the statement that is being removed from the Investment Policy Statement is in the service agreement with Smith Graham. Since the language is in the service agreement, Steve feels that it is not necessary to have it in the Investment Policy.

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

**9) Report on Travel**

Steve Shanks noted that the Colorado Public Pension Conference has been cancelled. Steve will be attending the Heitman Annual Investors Meeting online on July 29, 2020.

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**10) Staff Report**

Staff has set up a WebEx account for GERP. Aaron will be using the account for plan participant consultation.

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

Meeting Adjourned 10:31 AM  
Minutes Submitted by Aaron D. Kahn

Minutes Approved

*David L. McConico*  
Chairperson of the Board

8/20/20  
Date