

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

Held Thursday, October 19, 2023
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	Excused
	Andrew Jamison	Excused
	Michelle Reding	Present
	Sue Sandstrom	Excused
	Tom Tobiassen	Present
	Trevor Vaughn	Present
Nonvoting Members	Sheree Van Buren (for the City Manager)	Present
	Jackie Ehmann (for Finance)	Present
	Ryan Lantz (Human Resources)	Present
	Hans Hernandez (City Attorney)	Excused
Staff	Steven Shanks	Present
	Aaron Kahn	Present

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

2) Approval of the Minutes

Tom Tobiassen made, and Trevor Vaughn seconded, a motion to approve the minutes of the Regular Meeting held on September 21, 2023. The motion passed unanimously, with David McConico, Michelle Reding, Tom Tobiassen, and Trevor Vaughn for.

3) Treasurer's Report

Steve Shanks reviewed the financial statements for investment performance for August. As of October 17, 2023, the fund was valued at approximately \$572.8 million.

4) Review of Lump Sum Distributions for September

Twenty-one participants received lump sum payments totaling \$245,612.34.

5) Approval of Retirement Benefits

Aaron Kahn presented the retirement calculations for Sharon K. Bruscher, Jeffrey D. Hancock, Wally R. Sels, and Salvador Silvestre Ramos. Tom Tobiasson made, and Michelle Reding seconded, a motion to approve retirement benefits for those noted. The motion passed unanimously, with David McConico, Michelle Reding, Tom Tobiassen, and Trevor Vaughn for.

6) New Business

A) Fiduciary Education, Rick Rodgers, Innovest

Rick Rodgers presented information regarding the responsibilities that Board members have as fiduciaries. Rick has worked with the Board in the past to provide participant education as well.

A fiduciary is anyone who has discretionary control over the management and administration of the plan, exercised control over plan assets, or renders investment advice for compensation. Fiduciaries include the plan sponsor, trustees, investment advisors, and others who have discretion over the administration of the plan. Actuaries, auditors, and accountants are usually not fiduciaries.

Rick explained that, in their role as fiduciaries, the Board members must act solely in the best interest of plan participants and beneficiaries. In addition, they must do so with prudence by carefully evaluating service providers and making decisions which a prudent person would make. It is very important that fiduciaries document the process that they go through to make decisions and that they follow those documents, including the investment policy statement, the Plan document, and laws, regulations, and policies that apply. Fiduciaries are responsible for ensuring that the fees paid are reasonable and competitive.

GERP is following many of the best fiduciary practices. The Board maintains by-laws, documents decisions made in meetings, updates the investment policy statement which mandates a diverse investment portfolio, provides disclosures and notices, and maintains liability insurance. Fiduciary insurance providers have been asking more direct questions about processes before providing insurance.

Rick reviewed recent legal cases and showed that, in the past most of the cases were against very large plans, mid-sized plans are becoming targets. The largest number of cases are regarding fees, but performance lawsuits are becoming more common. Several lawsuits have been filed regarding ESG investments.

Rick Rodgers reviewed the process required to be a prudent fiduciary. It's important to analyze the plan's goals and objectives and review sources of guidance. The Board should establish a strategy to achieve the goals of the plan and address fiduciary responsibilities. That strategy should be formalized and documented to show that reasonable due diligence was followed. The strategies then need to be implemented and periodically monitored. The Board has done a good job of implementing this process and should be mindful of continuing to analyze, strategize, formalize, implement, and monitor as fiduciaries.

In response to a question from David McConico regarding cybersecurity, Rick indicated that he was not aware of any lawsuits regarding participant data or investment data being compromised, but prudent protection of data is absolutely part of the Board's fiduciary responsibilities. Because of the complexity and ever-changing nature of information security, it would be important to have someone familiar with best practices to help the Board analyze whether the Plan's cybersecurity is up to date. It's important to also assess and document the practices of service providers including the custodian, auditors, actuaries, and investment managers.

In summary, it's important that Board members know their duties, delegate to prudent experts, monitor service providers, analyze fees and costs, and document all of the decisions that they make. The courts have shown leniency to boards that have received fiduciary education.

B) Cost-of-Living Adjustments for January 1, 2024

Aaron Kahn reviewed the history of cost-of-living adjustments. The cost-of-living for Tier 1 regular benefits is mandated by the City Code and will be a 3% increase as of January 1, 2024. The Tier 2 cost-of-living adjustment, and the increase to the Supplemental Benefit are at the discretion of the Board. Aaron provided a history of the cost-of-living adjustment.

It has been the Board's policy to keep the maximum Supplemental Benefit at \$176 until the Plan becomes consistently overfunded. In 2008, active participants gradually increased their contributions and the interest rate credited to cash accounts was reduced. Deferred vested participants saw a decrease in their benefits due to the decrease in interest credited and the decrease in expected return. The second tier was created for new hires. At that time, the Board made an informal policy to keep the Supplemental Benefit fixed so that retirees also participate in getting the Plan back into sustainable financial health.

Michelle Reding made, and Trevor Vaughn seconded, a motion to leave the Supplemental Benefit unchanged for January 1, 2024. The motion passed unanimously; David McConico, Michelle Reding, Tom Tobiassen, and Trevor Vaughn, for.

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Given the volatility of the markets, Board members suggested that this might be a year where Tier 2 regular benefit cost-of-living adjustments might not be awarded. One of the issues that the discretionary cost-of-living adjustment creates is that if it is the consistent policy of the Board to award a cost-of-living adjustment to Tier 2, the actuaries would recommend that a non-zero assumption be incorporated into the valuation. Board members also noted that awarding a cost-of-living increase to the current small population of Tier 2 participants has a very small impact on funding. Aaron Kahn also pointed out that inflation has been higher than the awarded increase over the last 2 years.

After further discussion, Trevor Vaughn moved, and Tom Tobiassen seconded, a motion to increase the Tier 2 Regular Benefit on January 1, 2024, by 3%. The motion passed; David McConico, Tom Tobiassen, and Trevor Vaughn, for; Michelle Reding against.

C) Interest Credited to Participant Accounts for 2024

Aaron Kahn reviewed the history of interest credited to participant accounts and provided a graph of the interest rate, inflation, the 10-year treasury rate, and GERP's 5 year rolling return. He noted the advantages to keeping the interest rate the same. It provides some stability to the projected money purchase benefit which adds to participant confidence.

Trevor Vaughn moved, and Michelle Reding seconded, a motion to keep the interest rate credited to participant accounts at 4%. The motion passed unanimously, with David McConico, Michelle Reding, Tom Tobiassen, and Trevor Vaughn for.

D) Discussion on Process for Distribution of Pension Plan Administrator Review Packet

Steve Shanks is about to provide Trevor Vaughn with an evaluation packet and other information that will be distributed to the Board.

Public Comments

There were no public comments.

7) Old Business

There was no old business.

8) Report on Due Diligence, Education and Travel

Steve Shanks attended the Public Pension Financial Forum (P2F2). He found information about regulatory expectations and bills that are currently being discussed to be interesting. He noted that the SECURE 2.0 Act of 2022 has increased the required minimum distribution age to 73 for those turning 73 after December 31, 2022. An amendment to the City Code is required to incorporate this change. The amendment is currently being drafted by GERP's third party law firm.

In addition, there was a session on correcting overpayments. For GERP, that is mostly due to being informed of the death of a retiree after they have been paid one or several payments. Steve noted that GERP has a death search performed quarterly by Northern Trust and the death search has improved recently, catching retiree deaths much earlier.

David McConico attended a due diligence meeting with Cohen & Steers. While income continues to be generated, Cohen & Steers does not have a positive outlook for the near term. In addition, David attended a meeting with Molpus. He noted how impressive their forestry systems are. Others at the meeting noted that Molpus is one of the best managers of timberland. Molpus generates additional income using carbon credits.

9) Staff Report

Steve Shanks noted that the cost-of-living adjustment letters will be sent out with an invitation to the holiday reception. Aaron Kahn will be working on setting up the COLA changes and changes to insurance deduction with Northern Trust.

Michelle Reding made, and Tom Tobiassen seconded, a motion to adjourn. The motion passed unanimously, with David McConico, Michelle Reding, Tom Tobiassen, and Trevor Vaughn for.

Meeting Adjourned at 10:34 am
Minutes Submitted by Aaron Kahn

Minutes Approved

David McConico

Chairperson of the Board

November 16, 2023

Date