

Minutes of the Regular Meeting
City of Aurora General Employees' Retirement Board
Held Thursday, October 17, 2024
12100 East Iliff Avenue, Suite 108
Aurora, CO 80014

1) 8:00 AM - Meeting Called to Order

Roll Call

Chairperson	David McConico	Excused
Legislative Members	Cliff Haight	Present
	Andrew Jamison	Present
	Michelle Reding	Present
	Sue Sandstrom	Present
	Tom Tobiassen	Excused
	Trevor Vaughn	Present
Nonvoting Members	Sheree Van Buren (for the City Manager)	Present
	Terri Velasquez (Finance)	Excused
	Ryan Lantz (Human Resources)	Present
	Hans Hernandez (City Attorney)	Present
Staff	Steven Shanks	Present
	Aaron Kahn	Present

The Board Meeting held on Thursday, October 17, 2024, was a hybrid meeting conducted via WebEx and in person at the GERP office. Sue Sandstrom chaired the meeting due to David McConico having technical issues.

2) Approval of the Minutes

Michelle Reding made, and Trevor Vaughn seconded, a motion to approve the minutes of the Regular Meeting held on September 19, 2024. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for.

3) Treasurer's Report

Steve Shanks reviewed the financial statements and investment performance for August. As of October 11, 2024, the fund was valued at approximately \$661 million. Steve noted that the transfer from Western Assets to Fidelity has been finalized.

Steve Shanks reviewed the transfer to increase the allocation to fixed income. The table below summarizes 1/3 of the total reallocation which will be done in October.

Manager	Withdraw	Manager	Add
BlackRock S&P 500	\$ 20,670,000	Segal Bryant & Hamill	\$ 15,000,000
DANA	\$ 6,000,000	Fidelity	\$ 13,670,000
Dodge & Cox	\$ 3,670,000	American Century	\$ 670,000
American Funds	\$ 1,000,000	Morgan Stanley	\$ 2,330,000
Cohen & Steers Listed Infrastructure	\$ 2,000,000	Heitman	\$ 1,670,000
Total	\$ 33,340,000	Total	\$ 33,340,000

Cliff Haight made, and Andrew Jamison seconded, a motion to transfer the funds as above. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for.

Steve Shanks reviewed his meeting with Molpus. They are well positioned to take advantage of many of the Timber-related opportunities.

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

23 participants received lump sum payments totaling \$342,366.86.

5) **Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations for Cynthia K. Selden and Wayne C. Sommer. Trevor Vaughn made, and Michelle Reding seconded, a motion to approve retirement benefits. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for.

6) **New Business**

A) **Results of the Board of Trustees Election**

Board members congratulated Trevor Vaughn who was reelected to the retirement Board. The election was conducted using Survey Monkey and was certified by Molly Barrett, a member of the City of Aurora Election Commission. Trevor thanked the Board and the other candidates for their interest in serving on the Board.

B) History and Reasoning for the Money Purchase Calculation

Aaron Kahn reviewed the money purchase calculation. He stated that a pension with an automatic cost-of-living adjustment is worth more than a pension with a discretionary cost-of-living adjustment. Assessing the difference in value is complex and is affected dramatically by changes in the underlying expectations about the future financial health of the Plan. The difference in value of the pension justifies differences in the money purchase factors.

He encouraged the Board to maintain the discretionary nature of the Tier 2 cost-of-living increase. If, eventually, the Plan was to become underfunded, the Board would have the ability to reduce cost-of-living increases and improve the financial health of the Plan. In addition, when the Plan then becomes healthier, the Board can more quickly reimplement the increases as it would not require a change to the Plan document.

Sue Sandstrom, Michelle Reding, and Trevor Vaughn agreed that keeping Board control over the cost-of-living adjustment for Tier 2 participants is valuable.

C) Cost of Living Adjustments for January 1, 2025

The Tier 1 Regular Benefit will increase by 2.5% on January 1, 2025, based on the CPI-W. Board members discussed the discretionary Tier 2 Regular Benefit cost-of-living adjustment. Aaron Kahn noted that the factors that the Board generally considers are inflation as measured by the CPI-W, recent returns and funded status of the Plan, and the impact on liabilities.

Board members understand that a pattern of increases to a discretionary benefit puts pressure on the actuary to include the pattern in their valuations. Board members noted that, due to the size of the population, awarding increases to current Tier 2 retirees has very little impact on Plan liabilities, and if GERP was to become underfund, the Board would not be inclined to award cost-of-living increases. Obviously, the Board cannot anticipate the actions of future Board members.

Cliff Haight made, and Michelle Reding seconded, a motion to increase the Tier 2 Regular Benefit by 2.5%. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for.

D) Discussion on Interest Credited to Participants' Accounts for 2025

Sue Sandstrom noted that, in the past, she had hoped that the interest rate credited to employee accounts might be tied to some economic measure of fair interest rates. She now believes that

Page 4

the stability implied by low variability in the interest rate improves the perception of GERP. Trevor Vaughn stated that the Plan is financially healthy and agrees with Sue Sandstrom.

Trevor Vaughn made, and Andrew Jamison seconded, a motion to not change the interest rate credited to participant accounts in 2025. The rate is 4% compounded biweekly. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for.

E) Discussion on Process for Distributions of Pension Plan Administrator Review Packets

Steve Shanks has provided Trevor Vaughn with information for his review. Trevor will distribute the review packets to Board members shortly.

F) Review of Audit Proposals

Steve Shanks noted that requests for proposals had been sent to seven auditing firms. GERP has received proposals from five of those companies plus one additional proposal. Board members have access to all of the proposals.

Steve noted that several firms had concerns about valuing the private equity investments and the timing of their official reporting. GERP has used estimates provided by HarbourVest to estimate the difference between the lagged reports and end of year valuations.

To lessen the burden on the City's human resources and payroll departments as the City transitions to phase 2 of the new enterprise resource planning tool, City management has offered to pay \$25,000 per year for the audit if GERP continues to retain Forvis Mazars as the auditor. Sue Sandstrom does have some concerns about the \$25,000 contribution which may lead to the perception of a conflict of interest or a lack of independence. Board members who are City employees noted that there is a real burden on employees of both human resources and the payroll departments, as well as other personnel, and the City's attempt to ease that burden is justified. Andrew Jamison, in particular, described the workday financials module, which has been time consuming to implement.

Cliff Haight made, and Trevor Vaughn seconded, a motion to accept Forvis Mazar's proposal for the next five years. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for.

G) Executive Session – Review of Legal Matters

Trevor Vaughn moved, and Cliff Haight seconded, to go into an executive session to consider a legal matter. The motion passed unanimously with Cliff Haight, Andrew Jamison, Michelle Reding, Sue Sandstrom, and Trevor Vaughn, for. Cliff Haight moved, and Andrew Jamison seconded for the Board to come out of executive session.

7) Old Business

A) Update on the Lease

GERP offices are located in a building owned by the lender. Therefore, negotiating the new lease has been a slow process. Steve Shanks continues to negotiate with the owners and the bank for a new lease and is waiting to hear back from the parties involved.

Public Comments

There were no public comments.

8) Report on Due Diligence, Education and Travel

There was no report on due diligence, education and travel.

9) Staff Report

Staff will be sending out the cost-of-living adjustment letters with an invitation to the Holiday Reception. The reception will be held from 5pm to 7pm on December 17th at the Aurora Municipal Center.

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

Meeting Adjourned at 10:05 am
Minutes Submitted by Aaron Kahn

Minutes Approved

**Minutes of the Regular Meeting
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Page 6

David L. McCoskie

Chairperson of the Board

November 21, 2024

Date