

Minutes of the DERP Retirement Board

August 15, 2025 - Meeting #869

Meeting #869 of the DERP Retirement Board was held at the Grant-Humphreys Mansion and via video and audio conferencing. DERP Retirement Board members present were Chair George Delaney, Danielle Sexton, Diane Barrett, Carole Buyers, and Vice-Chair John Dominguez. DERP Advisory Committee members present were Heather Britton (v), Maro Casparian, Chris Miller, and Roberta Monaco. DERP staff present were Heather Darlington, Executive Director; Roni Kirchhevel, Deputy Executive Director/Membership Services Director; Randall Baum, Chief Investment Officer; Jake Huolihan, Finance and Technology Director; James E. Thompson III, General Counsel; Julie Vlier, Marketing and Communications Director; Pamela Watson, Deputy Chief Investment Officer; and Terri Campbell, Office Administrator. Guests in attendance were Rose Dean and Will Dupree with NEPC.

(v) Denotes attended virtually.

Call to Order and Roll Call

The meeting was called to order by George Delaney at 9:00 a.m.

Approval of Minutes

Minutes of meeting #868 were approved by a unanimous vote of the Retirement Board members.

Executive Director's Report

Heather Darlington introduced the topic of committee assignments and invited John Dominguez to comment. Mr. Dominguez proposed formally adding risk management oversight to the audit committee. Mr. Delaney agreed that this made good business sense. Carole Buyers agreed with the logic and asked how to formalize. James Thompson responded that the bylaws call for the Retirement Board to oversee a risk management plan and the bylaws would need to be updated to add risk management responsibilities to the audit committee. Mr. Thompson suggested a review of the bylaws specific to risk management and future discussions on changes to formalize the desired risk management oversight structure.

Mr. Delaney commented that the annual audit covers aspects of risk management. Jake Huolihan confirmed that the auditors review controls, including security of financial operations and information systems. Mr. Delaney indicated a need to determine how the Retirement Board should address risk management governance.

Mr. Delaney set forth the committee assignments: Diane Barrett, Danielle Sexton, and Heather Britton will serve on the Executive Director Review Committee. Mr. Delaney, Ms. Buyers, and Maro Casparian will serve on the Budget Committee. Mr. Dominguez, Chris Miller, and Roberta Monaco will serve on the Audit Committee.

Ms. Darlington indicated that DERP is working closely with the Office of Human Resources for the City and County of Denver to prepare for announced layoffs. She reassured the Retirement Board that the Membership Services team is well prepared to assist all members.

Semi-Annual Membership Overview and Retiree Survey Results

Roni Kirchhevel presented an overview of membership demographics and the results of the most recent retiree survey. She reported that membership demographics have remained steady in 2025. There are more than 10,000 active members, more than 3,600 inactive and vested members, and more than 11,400 members or beneficiaries who receive a monthly pension benefit. Ms. Kirchhevel presented figures on the number of member appointments and emails year-to-date, indicating that Membership Services assumed full responsibility for the general email account from Marketing and Communications early in 2025. Ms. Kirchhevel identified the education programs offered year-to-date and the participation rates, noting that most education programs are offered virtually, with in-person sessions offered on demand.

Ms. Kirchhevel presented statistics on employee contribution refunds and retirement applications year-to-date, noting that more members are initiating the retirement process online and using the online platform to update addresses, tax withholding, and direct deposit information. She also presented the numbers for DERP retirees using retiree healthcare benefits offered through DERP and provided details about open enrollment.

Ms. Kirchhevel reviewed the mid-year new retiree survey results. New retirees receive the survey a month after their benefits begin. Twenty-one percent of those surveyed in 2025 responded and the feedback on customer service, materials, navigation, and process was positive.

Mr. Dominguez asked about frequency of contact with retired members. Ms. Darlington responded that all members are contacted regarding annual statements, tax statements, education sessions, and annual enrollment. Ms. Kirchhevel indicated that phone calls aren't currently tracked, but that the new phone system will improve how calls to and from members are tracked and measured.



Mid-Year Investment Performance Review

Rose Dean from NEPC spoke about general market conditions and returns in the first half of 2025. Ms. Dean touched on various topics including weakness year-to-date in the U.S. dollar, tariff impacts, inflation, and the job market.

Randy Baum reviewed DERP's investment performance for the first half of 2025. He reported the total fund returned 6.3% year-to-date, with international small cap as the top performer for the second quarter and timber as the bottom performer. He noted that the total equity position of DERP had exceeded its upper limit at quarter end, as a trade initiated in June did not settle until July 3.

Mr. Baum discussed the performance of various managers in absolute terms and relative to benchmarks. He highlighted the differences in performance for the second quarter between domestic versus international stocks, large cap versus small cap, and growth versus value.

Mr. Dominguez remarked on the general market volatility so far in 2025 and asked if we will be able to look back and validate expectations for DERP's portfolio, and reconsider asset classes. Ms. Dean added that diversification into anything other than stocks hasn't really paid off recently, but diversification is taking on different meaning from stocks and bonds to include private assets.

Asset Class Review: Fixed Income and Securities Lending

Mr. Baum introduced the core fixed income and cash management review. He discussed the differing roles of core fixed income and private debt in the portfolio. He identified the role of core fixed income as defensive, and that of private debt as return-seeking.

Pamela Watson detailed performance of the core portfolio in real terms and relative to benchmarks. She emphasized excess returns as a good example of the success of active management of the internally managed portfolio. She gave a brief overview of the staff managed government bond portfolio, the MIC index fund and the cash prop fund, highlighting yields, risk, and durations.

Mr. Baum introduced the non-core fixed income, or private debt, asset class. He noted the irony that private debt isn't really fixed income as most loans are variable rate. He also noted the benchmark used to gauge performance is a benchmark comprised of public assets. Mr. Dominguez asked about private versus public benchmarks. Mr. Baum and Ms. Dean spoke about the dynamics and developments in benchmarking the asset class. Ms. Buyers asked about and provided commentary on the classification of private debt. Mr. Baum agreed the



classification of the allocation didn't fit neatly into fixed income, as noted earlier, and that it could be considered a separate asset class.

Mr. Baum reported that the market value of private debt in the portfolio is \$172 million, which represents a 6.1% allocation. The target portfolio allocation is 9%, which has been increased over the past several years. He identified two new managers, Arbour Lane and Sixth Street, and briefly described their strategies. Mr. Baum described the environment for non-core fixed income indicating that private debt fundraising and dry powder are steadily increasing.

Ms. Watson detailed non-core fixed income performance, noting differences in methods of reporting. She reviewed individual performance by firms and fund managers and by strategy. She reported that staff has been pleased with the performance of the DERP managers overall.

Will Dupree with NEPC provided comments on the diversity of the DERP managers in this space and he feels that DERP and NEPC are focused in the right and best areas.

Mr. Dominguez asked about the pacing models. Ms. Watson pointed to DERP's detailed pacing model including estimates and actuals. The pacing model is updated periodically to reflect current positions and revise predictions to get to the 9% target allocation. Mr. Dominguez followed up with questions about distressed debt and possibilities for exiting older vintages. Mr. Baum responded by describing staff efforts, using certain Bain funds as an example. Ms. Buyers asked additional follow-up questions about lockups and liquidity reflected in the pacing models.

Mr. Baum reported on securities lending. DERP has \$182 million of securities out on loan backed by government, U.S. Treasury collateral, or indemnified by BNY Mellon. Income from securities lending is steadily decreasing.

Advisory Committee Comments

Mr. Delaney invited Advisory Committee members to comment.

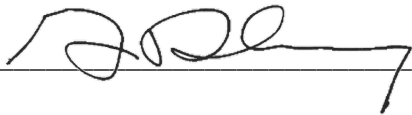
Member and/or Guest Comments

Mr. Delaney noted no guests were present for comment.

**Executive Session Pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes
to Receive Legal Advice on Litigation Matters**

The Retirement Board voted unanimously to enter into executive session pursuant to the Sections 24-6-402(4)(b) of the Colorado Revised Statutes to receive legal advice on litigation matters.

I, George Delaney, as Chair of the executive session, attest that these written minutes accurately reflect the substance of the discussions held during the executive session.



Review of Next Meeting and Call for Topics

The next regularly scheduled Retirement Board meeting will be Friday, October 17, at 9:00 a.m.

Adjournment

The meeting was adjourned at 11:05 a.m.



DERP Retirement Board Chair



DERP Executive Director