

Minutes of the Retirement Board

April 2022 - Meeting #840

Meeting #840 of the Retirement Board of the Denver Employees Retirement Plan was held at the Grant-Humphreys Mansion and via video/audio. The meeting began at 9:00 a.m. Retirement Board Members present: Diane Barrett, Maurice Goodgaine, Guadalupe Gutierrez-Vasquez, George Delaney, and Lisa Ramirez. Advisory Committee Members present: Heather Britton, and Andrew Luxen. Staff present: Heather Darlington, Executive Director; Jake Huolihan, Finance and Operations Director; Roni Kirchhevel, Benefits and Membership Services Director; Julie Vlier, Marketing and Communications Director; Randall Baum, Chief Investment Officer; Pamela Watson, Assistant Portfolio Manager; Nali Kande, Operations Assistant; and James E. Thompson III, General Counsel. Others present: Leandro Festino and Jonas Noack from Meketa; and Amy McDuffee and Catherine Jackson from Mosaic Governance Advisors, LLC.

1. The Minutes of Meeting #839 were approved by a unanimous vote of the Board Members.
2. Leandro Festino and Jonas Noack of Meketa presented the Capital Markets Outlook and the Strategic Asset Allocation Review. Mr. Festino stated that every year Meketa reviews projections for a variety of asset classes and the alignment of those projections with DERP's existing policy targets. The current asset allocation was adopted by the Board in November 2020. Mr. Festino presented an alternative policy that would eliminate the position of long-term government bonds and reallocate those assets to three other defensive asset classes: short-term government bonds, intermediate government bonds, and hedge funds. The alternative policy presented would address the anticipated rise in rates in the current environment. Meketa and DERP staff recommended the Board adopt the proposed asset allocation as presented. The Board unanimously approved the proposed changes to the asset allocation.
3. Amy McDuffee and Catherine Jackson of Mosaic Governance Advisors presented the Strategic Plan Review. Ms. McDuffee explained that the strategic plan is a living document that engages senior staff at the policy level on the long term-direction that the Board agrees to. She highlighted the work that Mosaic and DERP will undertake to create a new strategic plan that reflects DERP's adjustments relative to evolving

conditions. She noted the dual focus for the new plan will be new items and projects that will move DERP forward and identifying risks to DERP's future that should be monitored and addressed.

Ms. McDuffee described the strategic planning process as a cycle that reoccurs every 3-5 years, and the Board's current position in the cycle is to crystalize the mission, vision, and core values of DERP. Guadalupe Gutierrez-Vasquez asked how the strategic plan will address member points of view. Ms. McDuffee noted that DERP has recently established a method of addressing member opinions through the re-branding initiative and through the marketing and communications department. DERP gathered research on the perception of DERP and ways that DERP could improve. That research can be used with additional surveys from members to help develop the strategic plan. The strategic plan will capture the priorities of the Board and senior staff in a way that is ambitious but does not overwhelm.

George Delaney raised concerns about how the strategic plan can adapt in the current tumultuous environment and how it can navigate unpredictability in the future. Ms. McDuffee responded that the strategic plan is adaptable to the needs of the organization using it. Additionally, Lisa Ramirez stated that the plan looks at multiple scenarios and is created with those scenarios in mind. Maurice Goodgaine added that the Board brings their expertise and experience to the strategic plan. He also stated that it might be beneficial to further developing the Board, through training and re-evaluation.

Ms. McDuffee noted the timeline for the strategic plan begins with gathering sentiments from the Advisory Committee and the Board by May 6, 2022. Several senior staff strategy sessions will be held in May 2022 through June 2022. At the July 2022 Board Meeting there will be a Board, Advisory Committee, and senior staff strategy session. At the August Board meeting, the Board will review a draft of the strategic plan.

4. Jake Houlihan presented the DERP Actuarial Training. He stated the normal actuarial cycle is every year, and Cheiron will present the actuarial valuation for the 2023 funding cycle at the next Board meeting. He noted that DERP also contracts with an independent accredited actuary to perform a full replication and high-level peer review of the annual valuation. Mr. Houlihan noted that there are two components of the actuarial valuation: the actuarial value of assets (AVA) and actuarial liability. The AVA is the value of past contributions and smoothed investment earnings, less benefit payments and administrative expenses to date.

The actuarial liability is the present value of benefits due in the future. When actuarial losses exceed gains, an unfunded actuarial liability (UAL) is created. For DERP, the UAL is amortized over 20 years and is paid off like a debt. The actuarially determined annual contribution is an estimated dollar amount consisting of the normal cost for all active employees and the amortization of the UAL for that year. It is then expressed as a percentage of payroll. The recommended rates are provided to the City, which then determines the split between the employer and the employee contributions.

5. Heather Darlington presented the Executive Director’s Report. She discussed Board and Advisory Committee member travel requests. George Delaney is interested in travelling to the International Foundation of Employee Benefit Plans Investment Institute in Phoenix, AZ. Heather Britton is interested in travelling to the International Society of Employee Benefit Specialists Annual Symposium. Andrew Luxen is interested in travelling to International Employee Benefit Plans conference in October. Ms. Darlington requested a vote on approval of the travel requests. The Board voted unanimously to approve the travel requests.
6. Heather Darlington commented on the upcoming Advisory Committee election. There will be two vacancies, one for a retired member only and one that can be either a retired or active member. The voting process will begin the week of April 18 and the new Advisory Committee members will be announced at the May Board meeting.
7. Roni Kirchhevel provided the Board with a Membership Service Update. She noted that DERP had reopened its office in March for in-person appointments for all members for any DERP-related services. This shift to in-person appointment scheduling has given the membership service staff an opportunity to efficiently prepare for member needs.
8. Pamela Watson presented a review of the international equity allocation. She provided an outlook for the asset class and presented a side-by-side comparison of each manager within the asset class. She described the composite performance of DERP’s managers for the international equity asset class relative to benchmark for various time periods. She also highlighted the differences in investment strategies and in performance relative to benchmark and relative to peers among those managers. She reported that DERP staff is pleased with the international equity composite performance.
9. The Board met in executive session, beginning at 11:18 a.m., pursuant to Section 24-6-402(4)(b) of Colorado Revised Statutes to receive legal advice on securities litigation matters.



"I, Maurice Goodgaine, as Chair of the executive session, attest that these written Minutes accurately reflect the substance of the discussions held during the executive session."


Board Chair

Following the executive session, the Board returned to open session. No action was taken regarding any matters discussed during the executive session.

10. The next regularly-scheduled Board Meeting will be held on Friday, May 20, 2022 at 9:00 a.m.
11. The meeting was adjourned at 11:35 a.m.


Board Chair


Executive Director