

Minutes of the Retirement Board

August 19, 2022 - Meeting #844

Meeting #844 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, Roberta Monaco, and Danielle Sexton. 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, Amy McDuffee from Mosaic Governance Advisors, LLC, Rhonda Gunnerson.

1. The Minutes of Meeting #843 were approved by a unanimous vote of the Board Members.
2. Amy McDuffee presented the final Strategic Plan to the Board. Ms. McDuffee noted that the mission and vision statements have had no major changes, because they are elements that last the lifespan of DERP. Ms. McDuffee highlighted the three strategic goals: 1) Ensure Long-Term Financial Health; 2) Evolve Education and Service; and 3) Uphold DERP's Leadership Position. She stated that the next step for DERP is for executive leadership to create an annual action plan for the upcoming year, that identifies specific activities that DERP will take proactively to advance the strategic planning goals and objectives. The annual action plan will include a timeline for the Board to be able to assess and evaluate DERP's progress towards the goals. Ms. McDuffee noted that, in the past, strategic goals were assessed in each board meeting since there were more goals. She suggested that, in the future, progress on one of the three goals could be reported once a quarter, with progress on the entire plan reported at the end of the year. The Board expressed agreement with the potential change in goal reporting. Heather Darlington verified that the action plan would be presented at either the October or November Board meeting.
3. Jake Huolihan made a presentation about Cost-of-Living Adjustments (COLAs) to the Board. Mr. Huolihan identified the relevant DRMC provisions governing COLAs. He provided a background on DERP's history with COLAs, noting that a COLA has not been

granted since 2002, except for a one-time stipend of \$153 in 2008 pursuant to an amendment to the DRMC. In 2004, COLAs were ceased to help curtail the increasing actuarially determined contribution (ADC), which had risen to approximately 10% at that time. Mr. Huolihan then presented the COLA cost estimate to the Board. He highlighted the yearly cost and contribution percent increases for various potential COLA rates. He raised the issue of plan equity across Tiers, noting that a COLA would increase the ADC, which would most impact Tier 2 and 3 members. He also displayed a model comparing the Tiers, showing that Tier 1 contributed less than Tiers 2 and 3, while the estimated benefits for Tier 2 and 3 members were much lower. He also explained that DERP members participate in Social Security, which has a statutory COLA required by law based on the Consumer Price Index. DERP management did not recommend granting a COLA at this time.

Board members discussed the arguments for and against granting a COLA, including the cost and potential to exacerbate inequity among DERP membership tiers. In particular, the Board noted that many Tier 1 members did not make any contributions to DERP, while all members of Tiers 2 and 3 have made employee contributions. As there was no interest in offering a COLA, no formal Board action was taken.

4. Roni Kirchhevel presented the results of the semi-annual New Retiree Survey. She noted that there were 190 surveys sent out to new retirees and DERP received 42 responses, equivalent to an approximately 20% response rate, the average of most surveys. She expressed the desire to increase feedback from members. Based on the 42 responses, there was very positive feedback on service received from the membership services team. Members who took the survey had the option to leave comments, which are shared with staff to show how they did. Although most of the feedback was positive, there were some frustrations from retiring members due to issues with the Kronos system causing estimated and sick and vacation payouts to take longer.
5. Leandro Festino and Jonas Noack provided the mid-year investment review. Mr. Festino started off by providing an overview of historical stock and bond market events. He highlighted the fact that the first six months of 2022 have been one of the worst opening six months for stocks and the worst ever for US bonds. He provided data on the performance of different asset classes over that same time period. Mr. Noack provided a summary of the economy and capital markets, along with details of investment performance for the quarter ending June 30, 2022. He described the results achieved by DERP compared to the blended portfolio benchmark, and relative to peers, for various time periods, as calculated by Meketa. Mr. Noack explained that DERP's quarterly performance of -6% was strong relative to peers, outperforming peers'



median return of -8.6%. Randall Baum noted that total public equity had been below its lower allocation range and subsequently corrected, but asked for a motion to approve a continued waiver of non-compliance until the end of the year for the alternatives allocation which remains in excess of approved limits. The Board unanimously passed the motion.

6. Pamela Watson presented an asset class review of core fixed income, non-core fixed income and cash management. Her presentation included a high-level review of what defines the asset classes and the role they play in the DERP portfolio, an overview of the current market environment, a summary of the composite performance of DERP's various funds over multiple time periods, and a description and commentary on the performance of each manager. She also provided an overview of the securities lending program, including the types of risks and types of income involved.
7. Randall Baum presented an overview of investment benchmarks, including the purpose of benchmarking, a description of what is benchmarked, and potential pitfalls of benchmarking. He identified and described the benchmarks used for each of DERP's investment allocations.
8. Heather Darlington presented the Executive Director's report. The report began with a 3-minute video created by the Marketing and Communications department entitled Introduction to DERP. Julie Vlier stated that the video will be shown to new hires during their onboarding training. Ms. Darlington noted that additional videos about different topics will be created over the next couple months. The videos will be shorter to address specific topics. Maurice Goodgaine questioned if the videos will be in different languages. Ms. Vlier stated DERP would investigate what it would take to make it possible. Jake Houlihan updated the Board on the implementation of the two-factor authentication for internal users, noting that it would be rolled out soon. Heather Britton provided a briefing on the educational conference she recently attended. Ms. Britton stated that she learned about an increase in the number of lawsuits for excessive fees, primarily for defined contribution plans. This trend has resulted in an increase in fiduciary liability insurance premiums for retirement boards. She also attended a panel that warned about the risks of including cryptocurrency in a retirement portfolio.
9. Rhonda Gunnerson addressed the Board with comments about her disability retirement benefits.
10. The Board met in executive session, beginning at 11:58 a.m. pursuant to Section 24-6-402(4)(f) of the Colorado Revised Statutes to discuss personnel matters.

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

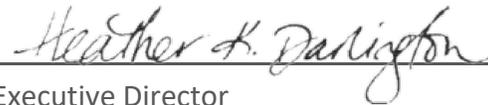


Board Chair

11. The next regularly-scheduled Board Meeting will be held on Friday, October, 21 at 9:00 a.m.
12. The meeting was adjourned at 12:37 p.m.



Board Chair



Executive Director

