

Minutes of the DERP Retirement Board

July 18, 2025 - Meeting #868

Meeting #868 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, 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; Veronica 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 (v) and Will Dupree (v) with NEPC, Erma Zamora, Antony Stolz, Lisa (Kelly) Hulla, and Sylvia Smith.

(v) Denotes attended virtually.

Call to Order and Roll Call

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

Approval of Minutes

Minutes of meeting #867 were approved by a unanimous vote of the Retirement Board members.

Executive Director's Report

Heather Darlington welcomed Chris Miller to the Advisory Committee and invited him to share his background. Mr. Miller introduced himself and provided a brief description of his professional and personal background, including his interest in serving as a member of the Advisory Committee. Ms. Darlington also announced that Danielle Sexton would be transitioning from the Advisory Committee to the Retirement Board and welcomed her to her new role.

Ms. Darlington invited Carole Buyers and John Dominguez to share insights from the National Conference on Public Employee Retirement Systems (NCPERS) conference they recently attended. Ms. Buyers participated in general education sessions and was impressed with the content. She reported feeling better equipped to serve on the DERP Retirement

Board. Mr. Dominguez was equally impressed with the content and speakers. He discussed his takeaways related to risk management in the public pension arena.

Ms. Darlington indicated that Heather Britton and Roberta Monaco would like to attend the International Foundation of Employee Benefit Plans (IFEBP) annual conference in Honolulu, HI. She reminded the Retirement Board that Ms. Britton and Ms. Monaco were approved to attend last year's annual conference in San Diego, CA, but the timing of their registration proved cost prohibitive. Ms. Darlington reported that costs of attendance this year, including travel and accommodations were in line with other conference locations. The Retirement Board unanimously approved Ms. Britton and Ms. Monaco's attendance at the upcoming IFEBP annual conference.

Strategic Plan Update

Ms. Darlington presented a strategic plan update, outlining the goals and action items for 2025 and providing a mid-year update on same. She addressed the goal of ensuring long-term financial health by summarizing continuing conversations with DHHA related to their UAL contributions and city stakeholders regarding tier inequity and the impact on active members. She also highlighted discussions with Cheiron related to the amortization schedule and noted the completion of a capital markets update and asset allocation review.

For the goal of evolving education and service, Ms. Darlington provided updates on the new website and brand direction and noted improvements to the active member handbook and subject-specific guides. She also reported that the retiree insurance survey will launch in November and RetireStrong education seminars increased from 12 in 2024 to 20 in 2025.

For the goal of upholding DERP's leadership position, she reminded the Retirement Board about the succession readiness project currently underway with Mosaic Governance Advisors and highlighted IT projects related to multifactor authentication and external security monitoring.

Mid-Year Expenditure and Demographic Review

Jake Huolihan presented the mid-year expenditures and demographic review. He reviewed mid-year expenditures comparing budget to actuals, highlighting increases to non-investment consulting and operating expenses related to the DERP building. Ms. Buyers asked about displaying quarterly versus annual budget variances and Mr. Huolihan responded that he would look into modifying future graphics.

Next, Mr. Huolihan reviewed mid-year membership demographics. He indicated that retirements year-to-date are on track with 2024 and may increase with announced layoffs. Separations and new hires year-to-date are down compared to 2024, with a net gain of 30.

Mr. Huolihan reviewed contributions and benefits paid. He reported that covered payroll is tracking slightly lower compared to projections, but overall contributions should be sufficient to prevent a shortfall. He reported on DROP accounts, noting a continued reduction in both the number of accounts and total DROP dollars being held by DERP since 2021. He also provided figures showing the continued transition from hard copy to electronic payment delivery.

Asset Class Review: Private Equity

Randall Baum and Pamela Watson presented a review of the private equity asset class. Mr. Baum shared that the target and actual allocation for private equity are both 9% and that the allocation is intended to be a return driver for the portfolio. He identified the relevant benchmark and described the characteristics of private equity including growth potential, illiquidity, and risk.

Mr. Baum provided the breakdown of DERP's private equity allocation across three managers: Adams Street Partners, J.P. Morgan Asset Management, and Hildred Equity Partners III L.P., noting that Adams Street Partners accounts for approximately 99% of the allocation. Since inception in 1997, the net internal rate of return (IRR) for private equity in DERP's portfolio is 11.94%. Mr. Baum shared metrics of diversification by strategy, subclass, geography, and industry.

Mr. Delaney asked about DERP's concentration with Adams Street Partners. Mr. Baum responded that other managers had been utilized in the past, but lagging performance led to their non-renewal, leaving Adams Street as the primary remaining manager. He noted Adams Street Partners' performance compared favorably with other fund-of-funds providers, and that the fund-of-funds model had excellent diversification.

Mr. Baum provided a re-cap of the historical performance of the asset class in general and DERP's portfolio specifically, indicating that private equity has been a positive for DERP. He then provided an outlook for the asset class, noting several headwinds and tailwinds. Pamela Watson reviewed performance for DERP's private equity composite in more detail, discussing results compared to benchmark and public markets. She also described the investment process and characteristics for each of the managers.

Mr. Dominguez asked about direct investing and the fund-of-funds model. Mr. Baum and Rose Dean from NEPC provided answers about the advantages and disadvantages of direct investing versus using the fund-of-funds model.

Asset Class Review: Real Estate

Mr. Baum and Ms. Watson presented a review of the real estate asset class. Mr. Baum noted that the target allocation for real estate is 10% and the actual allocation is 7.2%. It is intended to be a return driver, as well as providing some additional benefits including equity diversification, steady yield, interest rate sensitivity, and inflation responsiveness. Mr. Baum also remarked that real estate can be highly cyclical.

Mr. Baum described the distribution of DERP's real estate allocation across three open-ended managers (core and non-core), and four closed-ended managers (debt and non-core). Mr. Baum reviewed the real estate environment in terms of cap rates, interest rates, commercial price trends, and transaction volumes. Mr. Baum also shared the outlook for residential, industrial, office, and retail properties.

Ms. Watson reviewed the performance of DERP's real estate composite and individual managers. She provided details about strategy, assessment, characteristics, and performance for each of the seven real estate managers. She reported that, although DERP's investment in real estate has not met expectations, there are signs of improving performance. She also discussed secondary market exit strategies and activity.

Mr. Dominguez asked whether price levels and discounts on the secondary market might provide buying opportunities for DERP. Will Dupree from NEPC suggested instead that DERP should focus on current or new core managers that will deliver returns. Ms. Dean shared that non-core real estate has evolved and may provide more investment opportunities.

Advisory Committee Comments

Mr. Delaney invited Advisory Committee members to comment.


Member and/or Guest Comments

Mr. Delaney invited any member or guest comments. Erma Zamora shared a letter expressing her thoughts about cost-of-living adjustments and various other topics. Mr. Delaney thanked Ms. Zamora and noted that her letter will be shared with the Retirement Board for further review.

**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, August 15, at 9:00 a.m.

Adjournment

The meeting was adjourned at 11:53 a.m.



DERP Retirement Board Chair



DERP Executive Director