MINUTES OF THE REGULAR MEETING
City of Aurora General Employees' Retirement Board
Held Thursday, April 20, 2023
12100 East Iliff Avenue, Suite 108
Aurora, CO 80014

1) 8:00 AM - Meeting Called to Order

Roll Call

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Status</th>
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<tbody>
<tr>
<td>Chairperson</td>
<td>David McConico</td>
<td>Present</td>
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<tr>
<td>Legislative Members</td>
<td>Cliff Haight</td>
<td>Present</td>
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<td></td>
<td>Andrew Jamison</td>
<td>Present</td>
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<td></td>
<td>Michelle Reding</td>
<td>Present</td>
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<td></td>
<td>Sue Sandstrom</td>
<td>Present</td>
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<td></td>
<td>Tom Tobiassen</td>
<td>Present</td>
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<td>Trevor Vaughn</td>
<td>Present</td>
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<tr>
<td>Nonvoting Members</td>
<td>Sheree Van Buren (for the City Manager)</td>
<td>Present</td>
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<td></td>
<td>Terri Velasquez (Finance)</td>
<td>Present</td>
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<td></td>
<td>Ryan Lantz (Human Resources)</td>
<td>Present</td>
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<td></td>
<td>Hans Hernandez (City Attorney)</td>
<td>Present</td>
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<tr>
<td>Staff</td>
<td>Steven Shanks</td>
<td>Present</td>
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<tr>
<td></td>
<td>Aaron Kahn</td>
<td>Present</td>
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</tbody>
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The Board Meeting held on Thursday, April 20, 2023, was a hybrid meeting, conducted via WebEx and in person at the GERP office.

2) Approval of the Minutes

Cliff Haight made, and Michelle Reding seconded, a motion to approve the minutes of the regular meeting held on March 17, 2023. The motion passed unanimously with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, Tom Tobiassen, and Trevor Vaughn for.

3) Treasurer’s Report

Steve Shanks reviewed the financial statements and investment performance for February. As of April 17, 2023, the fund was valued at approximately $591.7 million.

4) Review of Lump Sum Distributions for March

Twenty-five participants received lump sum payments totaling $211,105.60.
5) **Approval of Retirement Benefits**

Aaron Kahn presented the retirement calculations. Trevor Vaughn made, and Sue Sandstrom seconded a motion to approve retirement benefits for Cheryl L. Daniels, Glenna J. Heath, Matthew J. Knight, Dawn L. Marshall, Gregory J. Morrissey, Jeannette R. Price. The motion passed unanimously with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, Sue Sandstrom, , and Trevor Vaughn for.

6) **Public Comments**

There were no public comments.

7) **New Business**

A) **Financial Audit Report 12/31/2022 - Lisa Horn and Dija Meddah - Forvis, LLP**

Lisa Horn reviewed the Independent Auditors Report and Financial Statements and discussed the notes to the financial statements. Mrs. Horn told the Board that GERP’s 2022 financial statements received an unmodified, or “clean” opinion. As of December 31, 2022, the Plan’s net position was $579.1 million. Lisa Horn reviewed the Report to the Retirement Board and Audit Committee and noted that there were no reportable matters. Lisa noted that the reports include compliance with GASB 87 regarding leases.

Lisa Horn noted that auditors often have suggestions for improvements, but that there were no proposed or recorded adjustments. She noted that as part of the internal controls, the details of monthly financial reports, including an item-by-item review by Aaron Kahn, were not signed off on in a timely manner in 2022. Aaron suggested that, moving forward, he will review the financials in a timely manner and Steve Shanks noted some of the difficulties that arose in 2022 that put staff behind. Cliff Haight suggested that the Audit Committee could review these reports to make sure that they have been completed. Board members agreed.

This year, it was more difficult getting reports and validating information for City employees due to the City’s new payroll system. Lisa Horn expects that future audits will be smoother as the City’s system becomes better integrated.

Lisa Horn stated that Forvis will be assisting in the preparation of the Annual Comprehensive Financial Report, formerly known as the CAFR.

B) **Actuarial Valuation 1/1/2023 – Joel Stewart (Milliman)**

Joel Stewart presented the preliminary report for the January 1, 2023, Actuarial Valuation. Mr. Stewart stated that the purpose of the annual valuation is to measure the Plan’s actuarial liabilities, to review demographic status of plan participants, to determine the adequacy of contributions and to provide information required under governmental accounting standards.
Due to investment losses in 2022, the market value of assets decreased from $673.6 million on January 1, 2022, to $579.1 million on January 1, 2023. As of January 1, 2023, the smoothed actuarial value of assets was $638.3 million. The actuarial liability was $669.5 million resulting in a funded ratio based on actuarial value of assets of 95%. The actuarial liability increased by $17.4 million due to increases in employee compensation, $8.1 million, and the higher-than-expected pension cost-of-living adjustment, $9.3 million. The normal cost for 2023 was $14.4 million, or 11.09% of payroll, including expenses.

Joel Steward addressed some of the issues brought up by Foster & Foster in their actuarial review. The actuaries at Foster & Foster had suggested that the mortality assumption should use more recent data than the MP-2018. Joel Steward noted that updating the mortality assumption to the most recent assumption would only change liabilities by approximately 0.5%. In addition, the impact of COVID on older populations has not been fully incorporated into the assumption and the Society of Actuaries has not released the most recent year’s study.

In addition, Foster & Foster suggested that a higher scale for wage increases is appropriate. Recent inflation combined with market adjustments to salaries have pushed salaries above the underlying actuarial assumption. Mr. Stewart suggested that these changes should be assessed at the next 5-year actuarial study. Milliman incorporated an assessment of the sensitivity of the liabilities to changing the mortality assumption and the salary scale. Interestingly, changing both assumptions does not lead to a large increase in liabilities, but it does lead to the normal cost increasing by approximately 1%.

Joel Stewart also reviewed incorporating an actuarial assumption about cost-of-living adjustments for Tier 2 participants in the January 1, 2024, valuation. If the cost-of-living adjustment on Tier 2 regular benefits was increased to 2.5% the liabilities would increase by $14.6 million, and the normal cost would increase from 11.09% of payroll to 12.61%. The normal cost for just the Tier 2 participants would be 12.87%. Aaron Kahn noted that, if there was an assumption change to expected cost-of-living for the valuation, then the Board would likely also change the assumption for both the money purchase calculation and for the joint & survivor and year certain calculations. If the benefit payment assumption increases, the money purchase calculated benefit would be reduced for Tier 2 participants. This potential benefit decrease would lower the liabilities and normal cost numbers in the report. Joel stated that the valuation assumption and the benefit option assumption do not have to be equal.

8) Old Business

A) Update on Hiring Process for the Administrative Coordinator Position

Steve Shanks noted that Staff had received approximately 200 resumes. Steve reviewed sorted all of the resumes and Laura Steege ranked those that remained after Steve’s review. Four qualified candidates were asked in for interviews with Steve Shanks, Aaron Kahn, and Andrew Jamison. Steve stated that an offer would be made this week.

9) Report on Due Diligence, Education, and Travel

Steve Shanks attended the Mountain States Investment Forum. The forum emphasized the potential impact of higher inflation and explored the asset class of private credit.
10) **Staff Report**

Steve Shanks noted that Smith Graham and Callan have provided information to the Board regarding William Charcalis’s intent to purchase the business that he oversees from Smith Graham. Callan will continue to monitor the situation and hope for some clarity on administration and support personnel in the new structure.

Steve reported that the Staff are beginning to work on the Annual Participant Statements and the Summary Financial Report, both to be issued at the end of May.

The Board discussed getting a gift for Laura Steege for her retirement. Cliff Haight made, and Michelle Reding seconded, a motion for Steve to spend up to $250 for a gift. The motion passed unanimously with Cliff Haight, Andrew Jamison, David McConico, Michelle Reding, and Sue Sandstrom for.

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

Meeting Adjourned 10:30 am
Minutes Submitted by Aaron D. Kahn

Minutes Approved

*David L McConico*  
Chairperson of the Board  
May 18, 2023  
Date