

## **DENVER EMPLOYEES RETIREMENT PLAN**

### **Minutes of the Retirement Board Friday, November 20, 2009 - Meeting #675**

The 675<sup>th</sup> meeting of the Board of the Denver Employees Retirement Plan was held in the conference room of the Retirement Plan located at 777 Pearl Street, Denver, Colorado, on Friday, November 20, 2009. Board Members present: Ms. Cheryl Cohen –Vader, Mr. Irving Hook, Mr. Bonney Lopez, Mr. Tom Migaki, and Mr. Robert Strenski. Advisory Committee Member present: Ms. Erma Zamora. Advisory Committee Members absent: Mr. Mike Aleksick and Dr. Adeniyi Kelani. Others present: Mr. Steven Hutt, Executive Director, Ms. Roni Kirchhevel, Assistant Director, Ms. Fran Augenblick, Assistant Director, Mr. Mike Clark, Accounting Manager, Mr. John Finamore, Incoming Accounting Manager, Mr. Randy Baum, Chief Investment Officer, Ms. Stephanie Starns, Investment Analyst, Mr. Rich Harris, Finance and Compliance Officer, and Ms. Vicki Halliday, General Counsel.

1. The minutes of meeting #674 were approved by a unanimous vote of the Board Members.
2. The Board unanimously accepted Retirement List #528 and Refund List #426, Plan Operating Expenditures, and the Financial Statements for the period ending October 31, 2009.
3. Mr. Hutt noted that it was Ms. Fran Augenblick's final meeting, prior to her retirement on November 30, 2009. He and the Board highly commended her 24 years of hard work for the Plan and for the City.
4. Mr. Hutt updated the Board on the completion of two Ordinance processes. The Ordinance to reset the City employee contribution rate by 2% was approved and completed after much discussion beforehand with the Administration and individual City Councilmembers. It passed unanimously without a roll-call vote at City Council. The change will go into effect during the first pay-period in January, 2010, a later date than had been anticipated by the Plan.

The Ordinance to exclude the City's new Paid Time Off (P.T.O) from the Plan's pension benefit calculation was also decided upon and approved. This change will also be effective, for new hires only, on January 1, 2010. The Plan will also be adopting this change for new hires to the Plan staff. Current members of the Plan staff, who wish to do so, will have the option of switching from traditional sick and vacation leave accrual to P.T.O. - - because current City employees will be given that same choice.

5. Mr. Hutt updated the Board on the Retirement Incentive Programs for both the City and DHHA. The enrollment period for the DHHA Incentive takes place November 1 – December 15, 2009. Approximately 82 DHHA employees are

eligible for this incentive, and have the option of remaining employed and retiring under the DHHA Incentive as late as March 1, 2010.

The window for the City's Retirement Incentive has closed. 339 employees, or 33% of eligible employees, retired under this Incentive. Under this Incentive, members have to terminate service by November 30<sup>th</sup>. First benefit payments will be made on December 1, 2009. Mr. Hutt commended the staff for their outstanding work and cooperation between Plan departments in successfully handling this huge number of members who chose to retire.

6. Mr. Hutt shared the media coverage involving Detroit's public pension funds which also, in contrast, described DERP in a very positive light in terms of the Ethics Policy maintained by the Board. The Board then discussed a future review of its current Code of Ethics, to see how it could be even further improved. This will be discussed at the full-day work session in January, 2010.
7. The 2010 contract with JPMorgan Chase has been re-negotiated by Mr. Hutt, with an enhanced revenue agreement for the Plan on the split of securities lending income. The revenue threshold at which the split of income becomes more favorable to the Plan has been lowered significantly for the upcoming year. Mr. Hutt will be meeting with the Plan's securities lending contacts in New York in December to check in and follow-up on several issues.
8. After review by the Budget Committee and Plan staff, the Board unanimously approved to adopt the 2010 Budgets. Copies will be transmitted to the City as required by Ordinance.
9. Mr. Baum presented the Staff Investment Report. Contained in that report were updates of the asset allocation position, performance data and other related investment information. As of October 31, 2009, the market value of the Plan was \$1,604,919,243.86(p). The market value was down \$23,214,133.98(p) in October and is up \$65,085,854.86(p) since December 31, 2008.
10. Mr. Baum presented a Real Estate Portfolio update for the Plan, which included Fidelity Growth II and II, JP Morgan Alternative/Special Situation Property/Strategic Property, Prudential PRISA and PRISA II, UBS Realty Investors, and Walton Street Capital V. He emphasized that this asset class has moved from being the Plan's top performer for the last several years to now being dramatically the worst, hurting the Plan's overall investment performance relative to the target earnings benchmark and relative to peers. Given the illiquid nature of real estate investments, this drag on the Plan's investment returns will likely persist for an extended period.
11. Ms. Starns presented the Fixed Income Manager Review for Neuberger Berman.
12. Ms. Tamara Doi Aoyagi, Senior Vice President, and Mr. Andy Johnson, Portfolio Manager, of Neuberger Berman, provided a portfolio and performance review of the fixed income portfolio they manage for the Plan.

13. Ms. Starns presented the Fixed Income Manager Review for Denver Employees Retirement Plan.
14. Mr. Baum provided a portfolio and performance review of the Plan staff's fixed income portfolio.
15. Mr. Roger L. Brown, Vice President, and Mr. Tim Runnalls, Senior Research Analyst, of Summit Strategies Group, made a presentation to the Board on Master Limited Partnerships (MLPs). After the presentation, the Board voted unanimously to increase the Alternative Investments class by a 2.5% allocation to MLPs, making the total Alternatives asset class target 7.5%. The next step will be to initiate a manager search.
16. Ms. Starns presented the Fixed Income Manager Review for Loomis, Sayles & Company.
17. The Board met in executive session, pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes to discuss, with General Counsel, potential litigation and settlement with Denver Health.

"I, Robert Strenski, as Chairman of the executive session, attest that these written minutes accurately reflect the substance of the discussion held during the executive session."



Robert Strenski, Chairman

18. Following the executive session, the Board returned to open session.
19. The next regularly scheduled Board Meeting will be on Wednesday, December 16, 2009 at 8:30 a.m. at the Denver Employees Retirement Plan.
20. The meeting was adjourned at 1:45 p.m.



Chairman

Executive Director