

## **DENVER EMPLOYEES RETIREMENT PLAN**

### **Minutes of the Retirement Board Friday, October 16, 2009 - Meeting #674**

The 674<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, October 16, 2009. Board Members present: Mr. Irving Hook, Mr. Bonney Lopez, and Mr. Tom Migaki. Board Members absent: Ms. Cheryl Cohen-Vader 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. 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 #673 were approved by a unanimous vote of the Board Members.
2. The Board unanimously accepted Retirement List #527 and Refund List #425, Plan Operating Expenditures, and the Financial Statements for the period ending September 30, 2009.
3. Mr. Hutt reported to the Board on the City Council Ordinance process to re-set the employee contribution rate. Mr. Hutt has been stressing to the City that, due to the magnitude of the 2008 investment losses, a 13% contribution is not the end of road for higher funding needed, but may only be the beginning. The Plan will need to strategize, if the contribution needs to expand beyond 13% in the future, how best to explain that despite the market growing stronger, the contributions need to increase further due to the lagged impact on the Plan's funding by virtue of the smoothing methods used by pension actuaries. The 13% contribution will be effective January 1, 2010, rather than in November as originally communicated to DERP by the City.
4. Mr. Hook will not be attending the IFEBP 55<sup>th</sup> Annual Employee Benefits Conference, November 8-11, 2009. In place of this conference, Mr. Hook received authorization to attend the IMN 14<sup>th</sup> Annual Superbowl of Indexing, December 6-9, 2009.

Mr. Hook received authorization to attend the 2010 GAIM USA Hedge Fund Session, January 19-21, 2010.

Mr. Hook received authorization to attend the Sit Investment Associates 28<sup>th</sup> Annual Client Workshop, February, 2010.

Mr. Lopez received authorization to attend the IMN 14<sup>th</sup> Annual Superbowl of Indexing, December 6-9, 2009.

Mr. Lopez received authorization to attend the Sit Investment Associates 28<sup>th</sup> Annual Client Workshop, February, 2010 (contingent on his remaining a Board member at that time).

Mr. Lopez submitted his report on the Corporate Library's 1<sup>st</sup> Annual Conference on the Future of Corporate Reform, September 8-10, 2009.

Mr. Strenski submitted his report on the Corporate Library's 1<sup>st</sup> Annual Conference on the Future of Corporate Reform, September 8-10, 2009.

5. Mr. Hutt requested a renewal of the limited Health Insurance Premium Reimbursement offer for former SecureHorizons Medicare-eligible subscribers whose doctors do not participate in the Anthem program. The Board unanimously approved the extension of the Premium Reimbursement for another year.
6. Mr. Hutt updated the Board on the Retirement Incentive Program. As of close-of-business the previous Friday, 188 members had signed up to retire under the incentive. Many other members have contacted the Plan with questions about the incentive, in order to decide whether or not they wish to participate. Weekly reports, divided by department but not listing individual member names, are being sent to the City to keep them updated on the level of participation in the Program. Enrollment in the Incentive Program continues through November 15, 2009. Members must terminate service by November 30<sup>th</sup>, and the first benefit payments will begin December 1, 2009.
7. Mr. Hutt discussed DHHA's incentive program for Authority employees. He explained that DHHA's incentive program will require an Ordinance change to carve out their incentive payments from the definition of compensation for pension calculation purposes - - just as was done for the City's incentive payments. That Ordinance change for DHHA's incentive program is scheduled to go before the Finance Committee on October 21, 2009.
8. Mr. Hutt reported to the Board on the City Council Ordinance process regarding the City's new Paid Time Off (PTO) benefit, and its impact on the Plan. Earlier in the year, the City had put together the Total Compensation Committee, to review everything involving City benefits, salaries, and how they compare to other public and private sector employers. Despite an initially very broad agenda of issues, the only proposed change coming from this whole Committee process that will

affect the Plan is a change from what was the traditional sick and vacation accrual to a new combined PTO. For new hires, when an employee cashes out their unused PTO balance, it will not come under the Plan's formula for calculation of benefits. This change will be effective, for new hires only, after January 1, 2010. Mr. Hutt explained two graphs that Rich Harris had put together, showing the benefit to the Plan, especially over time, of this change - - by lowering Normal Cost each year, as more (new) employees come under this provision every year.

9. Mr. Hutt reported on the negotiated agreement with Sagitec regarding "The Pause" of two months on the CRIS Project, made necessary by the workload of retirements being generated by incentive programs. He summarized the negotiations that led to a potential increase in the multi-year project cost of at most one month (in early 2012), and that if such additional hours are incurred, they will be charged at a negotiated discount of only 75% of the rates in place for the balance of the contract period.
10. The Board voted to appoint Mr. Hook, Mr. Migaki, and Ms. Zamora to a committee to review the Executive Director's 2008-2009 work performance and salary.
11. An educational session from the Plan's Investment staff regarding a potential additional investment category within Alternative Investments, Master Limited Partnerships (MLP's) has been scheduled for October 30, 2009, at 11:30 a.m, at the Plan.
12. An off-site educational session will be held either January 12 or 13, 2010, with Summit Strategies being one of the main intended presenters. The date, along with topics for the training session, will be determined by the Board in the near future.
13. Mr. Hutt informed the Board that the City is going to require direct deposit of payroll for all City employees, effective January 1, 2010. Mr. Hutt would like to require that direct deposit be mandatory for all new retirees, effective January 1, 2010, as well. The Board unanimously agreed that direct deposit should be required of all new retirees.
14. Mr. Clark presented the proposed Budget for 2010. The budget and associated schedules were reviewed in detail by the Board's Budget Committee earlier in the month. The budget will be up for approval at the Board meeting in November.
15. 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 September 30, 2009, the market value of the Plan


was \$1,635,910,751.47(p). The market value was up \$39,358,931.47(p) in September and is up \$96,077,362.47(p) since December 31, 2008.


16. Mr. Baum presented the Alternative Investments Review, covering Adams Street Partners, INVESCO, TCW, Hancock Timber, and JP Morgan Private Equity. He answered questions from the Board members and used a diagram to illustrate the flow of funds from DERP as the investor, via the fund-of-fund structure, down to the "portfolio companies" in which the funds invest.
17. Ms. Lauren Costa, Portfolio Manager, and Ms. Meena Gandhi, Portfolio Manager, of JP Morgan Private Equity, provided a portfolio and performance review of the private capital portfolio they manage for the Plan.
18. 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, Bonney Lopez, as Vice-Chairman of the executive session, attest that these written minutes accurately reflect the substance of the discussion held during the executive session."

  
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Bonney Lopez, Vice-Chairman

19. Following the executive session, the Board returned to open session.
20. The Board will meet for an Educational Session on Friday, October 30, 2008 at 11:30 a.m. at the Denver Employees Retirement Plan.
21. The next regularly scheduled Board Meeting will be on Friday, November 20, 2009 at 8:30 a.m. at the Denver Employees Retirement Plan.
22. The meeting was adjourned at 1:58 p.m.

  
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Vice-Chairman

  
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Steven E. Hill  
Executive Director