DENVER EMPLOYEES RETIREMENT PLAN

Minutes of the Retirement Board
February 21, 2020 - Meeting #818

Meeting #818 of the Retirement Board of the Denver Employees Retirement Plan was held at the Grant-Humphreys Mansion located at 770 Pennsylvania Street, Denver, Colorado, on Friday, February 21st, 2020, beginning at 8:00 a.m. Board Members present: Mr. Maurice Goodgaine, Ms. Guadalupe Gutierrez-Vasquez, and Mr. Eric Rothaus. Board Member absent: Mr. Bruce Hoyt. Advisory Committee Members present: Mr. Frank Fresquez, Mr. Robert Press, and Mr. Mark Valentine. Advisory Committee Member absent: Ms. Heather Britton. Staff present: Ms. Heather Darlington, Executive Director; Mr. Jake Huolihan, Director of Finance and Operations; Ms. Roni Kirchhevel, Director of Benefits; Mr. Randall Baum, Chief Investment Officer; Mr. Joe Strese, Portfolio Analyst; Mr. James E. Thompson III, General Counsel (via telephone); and Ms. Claudia Eurioste, Executive Assistant. Others Present: Mr. Leo Festino and Mr. Jonas Noack, Meketa Investment Group.

1. The Minutes of Meeting #817 were approved by a unanimous vote of the Board Members.

2. Ms. Darlington relayed to the Board that the retiree who had been appointed to the Retirement Board would have to decline his appointment. The process to appoint a new Board Member will continue. Ms. Darlington will provide updates to the Board.

3. Mr. Leo Festino and Mr. Jonas Noack of Meketa presented the 2019 investment performance review. Included in that report was a recap of the financial market environment in the 4th quarter of 2019. They described the elements of DERP’s asset class and investment manager performance that most impacted the portfolio returns for the quarter and the calendar year, highlighting those sectors and managers whose performance most added to or subtracted from overall returns.

4. The Board met in executive session, beginning at 8:56 a.m., pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes to receive legal advice on operational compliance issues. Ms. Darlington, Ms. Kirchhevel, and Mr. Baum remained in the meeting.

"I, Eric Rothaus, as Chair of the executive session, attest that these written Minutes accurately reflect the substance of the discussions held during the executive session."

[Signature]
Board Chair

5. Following the executive session, the Board returned to open session. No action was taken regarding any matters discussed during the executive session.

6. Mr. Baum provided updates on UBS Trumbull Property Fund. Trumbull has offered loyalty incentive options for a four-year period. DERP Investment staff see no downsides to a longer commitment as the terms do not constitute a “lock up.” Meketa is in agreement with staff that DERP partake in the loyalty incentive option for a four-year period. Partaking in the loyalty incentive will lower DERP’s effective annual fee. DERP will have the flexibility to request redemption during the incentive period. Questions and comments from the Board ensued. This was an information item only, formal action was not required by the Board.

7. A committee to evaluate the initial six-month performance of the Executive Director was formed. Mr. Hoyt, Ms. Gutierrez-Vasquez, and Mr. Press will serve on this committee. The initial six-month evaluation period will end April 30.
8. Ms. Darlington provided an update on the ongoing conversations regarding Denver Health and Hospital Authority’s portion of the unfunded liability. She reminded the Board that Denver Health’s portion of the unfunded liability is larger relative to the amount of contributions DERP is receiving from Denver Health. She stated that she, Mr. Huolihan, and Mr. Thompson recently met with City officials to discuss the issue. The City is currently seeking to contract with outside counsel to determine what options are available that would require Denver Health cover some or all of their portion of the unfunded liability. This would be similar to the agreement currently in place to cover the difference in normal cost. The City and its employees bear the burden of any underfunding, thus it is DERP’s understanding that the City will lead this effort, and DERP will collaborate and assist in any way possible.

9. Ms. Darlington stated that the Sheriffs have requested a change to the City Charter in an effort to move certain employees who are under the Rule-of-85 to a Rule-of-75, or move from Tier 3 to Tier 2. Ms. Darlington and Mr. Huolihan attended City Council’s most recent Charter Change meeting, but due to a logistical oversight, the topic had not made it on the agenda and therefore the topic was postponed to their next meeting. DERP’s Actuary, Cheiron, has analyzed this potential change, and although DERP can provide information as to the cost and impact of a potential change, ultimately, it is the City’s decision, not DERP’s. Questions and discussion ensued.

10. Mr. Baum provided a brief update on the development of an ESG policy. Initial conversations between him and Mr. Hoyt determined that this topic would require an extensive discussion during a full Board Meeting. In light of Mr. Hoyt’s absence at today’s Board Meeting, this topic was deferred until the April Board Meeting.

11. Ms. Kirchhevel provided an update on progress on DERP’s Strategic Plan. She listed several objectives included in Goal 2 of the Strategic Plan (Increase engagement with all segments of members and beneficiaries to reinforce trust and drive awareness of DERP) and gave a progress update for each objective. Those objectives included: deliver more integrated and coordinated retirement education for the City and County workforce, increase the visibility of DERP’s value, its financial health, and its education and counseling services, evaluate the appropriate parameters for providing financial counseling to DERP’s members and beneficiaries, assess and adapt DERP’s delivery model, including the website/member portal, to better match the membership’s preferences and expectations and determine what additional benefits could be achieved for DERP’s members through further collaboration with the 457 Plan. Questions and discussions ensued. Mr. Rothaus thanked Ms. Kirchhevel and her staff for the increased communications effort to DERP membership.

Ms. Darlington provided an update on progress on Goal 5 of DERP’s Strategic Plan (Promote a highly-skilled and diverse workforce to manage growth and change). She noted the new communications position will be posted within the next month. Since DERP only has 20 staff members, she acknowledged that responsibility lies with management to utilize skills and assist staff with their career paths. Promotional opportunities are limited.

12. Mr. Goodgaine inquired about the OHR study. Board members expressed continued interest and asked that message be passed on to Ms. Niparko.

13. Mr. Strese presented a review of the Domestic Equity allocation and the Plan’s investment managers in that asset class. He noted that the managers include three large cap managers and two small cap managers. He reviewed the structure of the Domestic Equity asset class and the composite performance of the managers over various time periods. He then provided an analysis of each Domestic Equity manager and their performance relative to their benchmark and to peers.

14. Mr. Valentine inquired about when the funded status would be reported. Ms. Darlington stated that DERP’s Actuary, Cheiron will be presenting the valuation at the May Board Meeting. Ms. Darlington reminded the Board that Cheiron will be back in July to discuss risk review and any new actuarial standards.
15. Mr. Goodgaine inquired about materials for DERP membership that explains the differences between a “defined benefit” and a “defined contribution” plan. Ms. Kirchhevel reminded Board and Advisory Committee members that at the fall forums in 2019, DERP staff presented a slide deck highlighting the differences between “defined benefit” and “defined contribution” and that material is now included in DERP Membership Services information sessions with members.

16. Ms. Darlington provided an update on the topics scheduled to be on the agenda for the next Board meeting.

17. The meeting was adjourned at 11:17 a.m.

[Signatures: Board Chair, Executive Director]