

ADAMS COUNTY RETIREMENT BOARD MEETING

**MINUTES - REGULAR MEETING
4430 SOUTH ADAMS COUNTY PARKWAY
RETIREMENT CONFERENCE ROOM
BRIGHTON, COLORADO 80601**

AUGUST 2, 2016

BOARD MEMBERS PRESENT

Joe Pacyga – Chairman
Ben Dahlman – Vice-Chairman
Brigitte Grimm –Treasurer – 1:37 P.M.
Marlise Bruno – Secretary
Marc Osborne

BOARD MEMBERS EXCUSED

ADMINISTRATIVE STAFF

Pamela Mathisen, Executive Director
Debbie Haines, Senior Benefits Manager (Corresponding Secretary)

ACTUARIAL STAFF

Gabriel Roeder Smith – Leslie Thompson
Gabriel Roeder Smith – Paul Wood

LEGAL COUNSEL

Davis Graham & Stubbs – Cindy Birley

INVESTMENT CONSULTANTS

Ellwood – Dale Connors
Ellwood – Andrew Fiegel

OTHER ATTENDEES

Susan Dobbs – Rangeview Library District

Called to Order: 1:35 P.M.

INTRODUCTION OF SPECIAL GUESTS/ATTENDEE'S

Mr. Pacyga welcomed Mr. Fiegel, Ellwood from the Chicago office.

SPECIAL PRESENTATION

None

EMPLOYEE/RETIREE CORRESPONDENCE

Thank You Note – Deb Murphey

REGULAR BUSINESS SESSION

CONSENT AGENDA

Consent Agenda: Distributed by E-Mail

Approval of Board Meeting Minutes – July 5, 2016

Approval of Money Manager Fund Totals and US Bank Summary Reports – May 2016

Approval of Administrative Expenditures – August 2, 2016

Expenditures - \$ 99,428.74

Paid July Expenditures - \$ 1,626.38

Provided at Board Meeting:

Approval of Lump-Sum Distributions Report/Retirees Payout Report – July 2016

Moved by Board Member – Mr. Dahlman

Seconded by Board Member – Mr. Osborne

Unanimously carried

UNFINISHED BUSINESS

Ellwood – Contract Amendment – Dale Connors

Mr. Connors indicated that included in the Board packet was a draft to the First Amendment of Agreement to Perform Investment Consultant Services. He stated that Davis Graham & Stubbs had made some clarifications to the payment and fee schedule with regards to the Agreement. He stated that Ellwood has agreed to those changes and would like the Board to approve the revised Agreement.

Mr. Osborne moved to approve the revised First Amendment of Agreement to Perform Investment Consultant services with Ellwood. Ms. Bruno seconded the motion.

Discussion:

Mr. Dahlman clarified with Section 4.1 quarterly, paying in arrears. Mr. Connors stated that he had that language added because under the SEC registered Investment Advisory regulation if you bill any other way a custody account would need to be setup. In adding this language it makes things easier.

Unanimously carried.

July 2016 Vendor Review – Pam Mathisen

CliftonLarsonAllen (CLA) – Contract Extension (Three (3) Years)

Gabriel Roeder Smith (GRS) – Contract Extension (Two (2) Years)

Ms. Mathisen stated that at the July 2016 Board meeting regarding vendor review the Board asked her to go back to CliftonLarsonAllen and find out if they were willing to extend their contract at the same incremental increase. She also mentioned the possibility of extending Gabriel Roeder Smith's contract as well. Ms. Mathisen indicated that she had a response from Mr. Petri, CliftonLarsonAllen stating that they would be happy to extend the Adams County Retirement Plan's contract for auditing services at a 3% increase per year. She stated that Mr. Dahlman had a concern with a conflict of interest between Adams County's audit and the Adams County Retirement Plan's audit being completed by the same firm. Mr. Petri responded by saying he did not believe this would be a problem because the Adams County Retirement Plan and Adams County have different management teams.

Ms. Mathisen stated that she had a conversation with Ms. Thompson, Gabriel Roeder Smith about extending their contract. She indicated that Ms. Thompson has agreed to a 3% increase as well. Ms. Mathisen informed that Board that with extending these two contracts this would put all vendors up for a Request for Proposal (RFP) in 2019. Mr. Dahlman indicated that Adams County gives their vendors a one year extension.

The Board of Retirement had a lengthy discussion about one year versus two year extensions and doing RFP's on all vendors in 2019.

Mr. Dahlman moved to extend CliftonLarsonAllen's contract by one year for the 2016 audit. The motion died for lack of a second.

Mr. Dahlman amended his motion to extend the contracts for CliftonLarsonAllen, auditing services and Gabriel Roeder Smith, actuarial services for one additional year at the rate proposed. Mr. Osborne seconded the motion.

Ms. Bruno – Nay
Ms. Grimm – Aye
Mr. Dahlman – Aye
Mr. Osborne – Aye
Mr. Pacyga – Aye

Motion approved.

NEW BUSINESS

Ellwood – Dale Connors 2nd Quarter 2016 Performance Evaluation

Mr. Connors introduced Mr. Fiegel, Consultant for Ellwood to the Board and stated he will be moving to Denver from the Chicago office. Mr. Fiegel continued by giving an overview of the 2nd quarter investment analysis on the Adams County Retirement Plan. Mr. Fiegel indicated that the S&P 500 was up 2.5%, small cap up 3.8% and emerging markets up .8%. He stated that in late June the markets reacted sharply to the exiting of the United Kingdom from the European Union. This negatively impacted the market because it was so unexpected.

Mr. Connors continued by going over each of the investment sectors in the Adams County Retirement Plan. He stated that the Adams County Retirement Plan continues to have fairly significant net outflows. He indicated that at the end of the 2nd quarter the Adams County Retirement Plan was at \$228,138,929 up 3.2%.

Mr. Connors stated at the last Board meeting that he discussed the fixed income side of the portfolio with the Board. He stated again that with the changes Denver Investment made Ellwood believes it will be business as usual. Mr. Connors indicated that Ellwood believes it is time to make a change with PIMCO. He stated that PIMCO has had numerous changes, underperforming and the final straw was hiring a new CEO for the firm which was unexpected. Mr. Connors indicated that the new hire was a CEO of the Man Group which is a very large European Hedge Fund Group. He stated that this move points to PIMCO to be less dependent on managing bonds and have more management in the higher revenue levels of alternatives. Mr. Connors stated that this is not what the Adams County Board hired them to do and therefore recommends looking at other candidates at the September 2016 Board meeting.

Mr. Connors indicated that the Principal Real Estate Debt Fund is about done with its investment period and will be going into its harvest period. He stated that the Principal Real Estate Debt Fund 2 is being organized and recommends allocating money keeping it at the 5% allocation into fund 2. Mr. Connors indicated that the documents are not ready yet and should be out in September 2016.

Asset Allocation Study/Review Private Capital Pacing Model – Dale Connors

Mr. Connors indicated that Ellwood reviews the portfolio asset allocation with the Board of Retirement each year and revisits the Retirement Plan's unique circumstances and constraints. He stated that Ellwood recommended conducting a thorough asset allocation analysis since it has been two years since the current allocation was approved. The asset allocation analysis includes revisiting the Board of Retirement's collective risk preferences as it relates to the Retirement Plan. Mr. Connors stated that the risk preference survey summary was completed by 4 out of the 5 Board members and a response from the Plan's Executive Director. He indicated that the survey results pointed out several preferences:

- The investments should be structured to achieve the 7.5% return objective even if that requires having higher short-term volatility and higher tracking error, though there was also a desire to have limited annual downside risk which is inconsistent with higher short-term volatility,
- Alternative and illiquid investments should be used in the portfolio and
- The fund should raise cash to meet benefit and plan expenses rather than maintain a cash reserve.

Less clear were results related to:

- The role of bonds in the portfolio,
- Whether active management or indexing should be emphasized and
- Where the equity portfolio should be structured to outperform in up markets or down markets.

Mr. Connors indicated that Ellwood created input sets for both a 10 year analysis and a 20 year analysis. He stated that in the 10 year analysis bonds do not look like they will generate any income. Mr. Connors indicated that if the Plan has any chance of earning 7.5% return and want bonds as a safety measure and diversifier then the other parts of the portfolio need to take that risk. Mr. Connors continued to go over the scenario analysis with the Board. He indicated that based on the results Ellwood recommends raising the target allocation on private equity to 10% and implement the emerging market piece of the portfolio with Aberdeen.

Ms. Grimm – stepped out – 3:05 P.M.

After some discussion the Board will table the private equity discussion to the September 2016 Board meeting. Mr. Dahlman moved to allocate 5% to Aberdeen as recommended by Ellwood. Ms. Bruno seconded the motion and it was unanimously carried.

STANDING REPORTS

Ellwood

Investment Updates – Performance Update

None

Davis Graham & Stubbs

Legal Information Updates

None

Gabriel Roeder Smith & Company

Update

None

Retirement Staff – Administrative Business

Administrative Updates

62nd Annual Employee Benefits Conference

Orlando, Florida

Ms. Haines indicated that included in the Board packet was a copy of the 62nd Annual Employee Benefits Conference information to be held November 13 through November 16, 2016 in Orlando, Florida. She informed the Board that the IFEBP – Teds conference will be held in Denver, Colorado next September 2017.

OTHER BUSINESS

None

Recess at 3:17 P.M.

Reconvened at 3:25 P.M.

All Board members, Retirement staff, actuaries and legal counsel were present.

Mr. Dahlman moved to convene into Executive Session at 3:26 P.M. Pursuant to C.R.S. Section 24-6-402(4) regarding the discussion of County's data request with legal counsel. Ms. Grimm seconded the motion and it was unanimously carried.

EXECUTIVE SESSION

Ms. Bruno moved to adjourn Executive Session and reconvene the Regular Board Meeting. Mr. Osborne seconded the motion and it was unanimously carried.

The Regular Board Meeting reconvened at 4:00 P.M. with all Board members, Retirement staff, actuaries and legal counsel present.

Mr. Dahlman moved to approve for the Chairman to sign on behalf of the Board of Retirement the Confidentiality Agreement between the Board of Retirement and Gallagher for preparing data by Gallagher for Adams County's study and send the letter to Mr. Finger, Deputy County Manager. Ms. Grimm seconded the motion and it was unanimously carried.

The Regular Board Meeting adjourned at 4:02 p.m.

Respectfully submitted,

Debbie Haines, Senior Benefits Manager
(Corresponding Secretary)

NEXT BOARD MEETING

**TUESDAY, SEPTEMBER 6, 2016
REGULAR BOARD MEETING
ADAMS COUNTY GOVERNMENT CENTER
4430 SOUTH ADAMSCOUNTY PARKWAY
RETIREMENT CONFERENCE ROOM
BRIGHTON, COLORADO 80601**