

ADAMS COUNTY RETIREMENT BOARD MEETING

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

JUNE 6, 2017

BOARD MEMBERS PRESENT

Ben Dahlman – Vice-Chairman
Brigitte Grimm –Treasurer
Jim Morgen - Secretary
Ray Gonzales

BOARD MEMBERS EXCUSED

Marc Osborne - Chairman

ADMINISTRATIVE STAFF

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

ACTUARIAL STAFF

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

LEGAL COUNSEL

David Graham & Stubbs – Vicki Johnson

INVESTMENT CONSULTANTS

Ellwood – Andy Fiegel
Ellwood – Paul Schreder

OTHER ATTENDEES

Lauren McDermott – Barings
Michael Ziobrowski - Barings
Susan Dobbs – Rangeview Library District

Called to Order: 1:31 P.M.

INTRODUCTION OF SPECIAL GUESTS/ATTENDEE'S

Mr. Fiegel introduced Barings (Babson Capital) to the Board of Retirement.

SPECIAL PRESENTATION

Barings (Babson Capital) Floating Rate Debt

Ms. McDermott, Barings gave two major updates since they were here last year. First, they changed their name from Babson Capital to Barings. She stated that in September 2016 Mass Mutual combined four of their subsidiaries fixed income, equity, real estate and alternative asset markets under the Barings name. Ms. McDermott indicated that Mass Mutual wanted to increase their global exposure and in the Asia markets the Barings name is the most recognized. Second, in April 2017, Russ Morrison, President and head of the global and fixed income platform retired and Mike Freno will be taking his place. She stated that this has been in the works for awhile and should be a seamless transition.

Mr. Ziobrowski continued with a portfolio and market outlook for 2017. He stated that 2016 was a transition year with commodity price movements dominating performance comparisons. Mr. Ziobrowski indicated that risk-on trade in energy and metal/mineral sectors and lower rated credits drove market returns. He stated that credit selection is likely to return in 2017 as the key driver of performance. Mr. Ziobrowski finished by thanking the Board for their time.

EXECUTIVE SESSION

None

EMPLOYEE/RETIREE CORRESPONDENCE

None

REGULAR BUSINESS SESSION

CONSENT AGENDA

Consent Agenda: Distributed by E-Mail

Approval of Board Meeting Minutes – May 2, 2017

Approval of Money Manager Fund Totals and US Bank Summary Reports – None

Approval of Administrative Expenditures – June 6, 2017

Expenditures - \$ 143,862.66

Provided at Board Meeting:

Approval of Lump-Sum Distributions Report/Retirees Payout Report – May 2017

Moved by Board Member – Mr. Gonzales

Seconded by Board Member – Mr. Morgen

Unanimously carried

UNFINISHED BUSINESS

None

NEW BUSINESS

Gabriel Roeder Smith (GRS) – Leslie Thompson & Paul Wood Actuarial Valuation Effective January 1, 2017

Mr. Wood presented the Actuarial Valuation Report as of January 1, 2017 for the Adams County Retirement Plan. He continued by stating some of the highlights of the Valuation:

- Market value of assets return was more than the rate of return assumption
 - 8.4% return vs. 7.5% assumption
- Actuarial value of assets return was less than the rate of return assumption
 - 7.2% return vs. 7.5% assumption
 - Overall loss on actuarial value of assets due to the recognition of 2014 and 2015 asset losses.
- Contribution shortfall decreased to 4.50% of payroll in 2017 from 4.91% of payroll in 2016
- Because the shortfall exists, there is upward pressure on the contribution rate and downward pressure on the funded ratio
- Employer and member contributions at 9.00% in 2017
- Funded ratio (ratio of assets to liabilities)
 - Market value funded ratio increased to 54% from 53.6% last year
 - Actuarial value funded ratio decreased to 56% from 56.2% last year

Mr. Wood continued by going over the information used in the valuation. He stated that the active and retiree population increased in 2017. Mr. Wood finished by stating that the valuation results indicate that the career average formula with soft freeze on the Tier 1 and Tier 2 continues to be necessary in order to improve the long term funded ratio of the Plan.

Ellwood Associates – Andy Fiegel Asset Allocation & Pacing Model Study

Mr. Fiegel 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. The asset allocation analysis includes revisiting the Board of Retirement's collective risk preferences as it relates to the Retirement Plan.

Mr. Fiegel stated that looking at the 10 year capital market assumptions the intermediate term fixed income and the global opportunistic fixed income do not look like they will generate much income. Mr. Fiegel indicated that the Plan needs to look for a diversified way in other asset classes to try and earn a 7.5% return. He stated that Ellwood believes that the private credit asset class is one of those asset classes.

Mr. Fiegel indicated that Ellwood recommends reducing the global/emerging markets equity from 50% to 45% and move the 5% to the inflation bucket under private credit.

**Ellwood Associates – Paul Schreder
Private Credit Manager Presentation**

Mr. Schreder continued with a private credit manager presentation to the Board. He stated that the U.S. Middle Market is a large segment of the U.S. economy representing several thousand businesses that drive a significant portion of the U.S. economic activity. Mr. Schreder indicated that the U.S. Middle Market companies represent a significant source of demand for financing needs. Though Middle Market companies are significant in size they are generally unable to directly issue high yield bonds or syndicate loans for financing needs providing an opportunity for lenders to under write loans at attractive rates of return. Ellwood believes that there are favorable and enduring supply/demand dynamics that provide an opportunity to lend to U.S. Middle Market companies at attractive risk adjusted rates of return. He stated that there are several dozen managers currently raising investment funds, but Ellwood believes that Golub Capital is different. Mr. Schreder proceeded by giving an overview of Golub Capital to the Board.

Mr. Morgen moved to reduce the asset allocation of Public equity by 5% and increasing the target to Private capital which includes Private equity and Private credit to 10% with a recommended investment to Golub Capital for a target of \$8 million, subject to legal counsel review of contracts. Mr. Gonzales seconded the motion and it was unanimously carried.

STANDING REPORTS

**Ellwood
Investment Updates – Performance Update**

Mr. Fiegel gave a performance update for April 2017 stating that it was another strong month for investments. He indicated that the Adams County Retirement Plan was up 5.1% year to date.

**Davis Graham & Stubbs
Legal Information Updates**

None

**Gabriel Roeder Smith & Company
Update**

None

**Retirement Staff – Administrative Business
Administrative Updates**

None

OTHER BUSINESS

None

The Regular Board Meeting adjourned at 3:53 p.m.

Respectfully submitted,

Debbie Haines, Senior Benefits Manager
(Corresponding Secretary)

NEXT BOARD MEETING

**TUESDAY, JULY 11, 2017
REGULAR BOARD MEETING
ADAMS COUNTY GOVERNMENT CENTER
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