

ADAMS COUNTY RETIREMENT BOARD MEETING

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

JULY 11, 2017

BOARD MEMBERS PRESENT

Marc Osborne - Chairman
Ben Dahlman – Vice-Chairman – 1:34 P.M.
Jim Morgen - Secretary
Brent Voge – Newly Appointed Board Member

BOARD MEMBERS EXCUSED

Brigitte Grimm –Treasurer

ADMINISTRATIVE STAFF

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

ACTUARIAL STAFF

Gabriel Roeder Smith – Paul Wood

LEGAL COUNSEL

David Graham & Stubbs – Kevin Teng

INVESTMENT CONSULTANTS

Ellwood – Dale Connors

OTHER ATTENDEES

Glenn Granz – Dimensional Fund Advisors
Grady Smith – Dimensional Fund Advisors

Called to Order: 1:31 P.M.

INTRODUCTION OF SPECIAL GUESTS/ATTENDEE'S

Mr. Osborne welcomed Mr. Voge to the Board of Retirement. Mr. Voge responded by saying he worked for the State of Colorado for 33 years in the Revenue Department and in the Office of the State Controller. He currently works in the Human Services, Finance Department and as has been with the County since September 2016.

SPECIAL PRESENTATION

Dimensional Fund Advisors: Non-U.S. Equity

Mr. Granz, Dimensional Fund Advisors (DFA) gave an update on the firm. He stated that DFA has more than 1,100 employees globally with \$497 billion in assets under management. Second, on February 22, 2017, Dave Butler was appointed Co-CEO of DFA alongside Eduardo Repetto. He indicated that David Booth who served as Co-CEO continues as the Executive Chairman.

Mr. Smith continued with an overview of Dimensional Fund Advisors and the market review for 2016 and 2017. Mr. Smith 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 – June 6, 2017

Approval of Money Manager Fund Totals and US Bank Summary Reports – April 2017

Approval of Administrative Expenditures – July 11, 2017

Expenditures - \$ 62,417.21

Paid June Expenditures - \$ 500.08

Provided at Board Meeting:

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

Moved by Board Member – Mr. Dahlman

Seconded by Board Member – Mr. Morgen

Unanimously carried

UNFINISHED BUSINESS

June 19, 2017 Electronic Board Meeting – Ratify Motion into Board Minutes

Motion

Moved, that in consideration of its deliberations during its meeting on June 6, 2017, and bearing in mind certain information subsequently provided, the Adams County Board of Retirement hereby approves and ratifies an investment of \$8 million in Golub Capital Partners 11, L.P., a Delaware limited partnership, subject to the satisfactory review and negotiation of the associated documents by outside counsel.

Board member tally

Marc Osborne – Aye – June 16, 2017 at 2:36 P.M.
Jim Morgen – Aye – June 19, 2017 at 7:48 A.M.
Ben Dahlman – Aye – June 19, 2017 at 10:51 A.M.
Ray Gonzales – Aye – June 19, 2017 at 9:17 P.M.
Brigitte Grimm – Aye – June 20, 2017 at 8:50 A.M.

Mr. Dahlman moved to ratify the motion in the Board minutes. Mr. Morgen seconded the motion.

Marc Osborne – Aye
Ben Dahlman – Aye
Jim Morgen – Aye
Brent Voge – Abstain

Motion approved.

NEW BUSINESS

Ellwood Associates – Dale Connors Equity Investment Structure Review

Mr. Connors indicated that since he missed the last Board meeting he wanted to go over briefly the broad view of recommended changes with the Board of Retirement. He stated that Ellwood has three general recommendations for 2017. Mr. Connors stated that he will discuss with the Board today the global equity managers, the private capital managers that were discussed at the June 2017 Board meeting in which Golub Capital Partners was hired and the low volatility portfolio with the Board.

Ellwood Associates – Dale Connors Global Equity Review

Mr. Connors continued by giving a review of global equity. He stated that global equity investing offers many advantages to consider when comparing to the more traditional domestic and international approach. Mr.

Connors indicated that most sectors of the economy are truly global in nature, especially amongst the largest sectors represented in the global stock market. He continued by going over 4 global equity value managers Artisan, Dimensional Fund Advisors, Dodge & Cox and Kiltearn.

Mr. Connors continued giving an overview of 3 global equity growth managers Capital Group, GQG Partners and Harding Loevner.

Recess at 3:19 P.M.

Reconvened at 3:22 P.M.

Mr. Dahlman moved that the structure of the Plan's equity investments be reallocated as follows:

1. Lower the target allocation to MLPs from 10% of Plan assets to 5% and liquidate a portion of the Tortoise MLP portfolio in order to lower the investment to 5% of assets,
2. Eliminate the 15% of Plan assets target to the SSgA S&P 500 Flagship fund and liquidate the holdings in the fund,
3. Add a 10% of Plan assets target to the Vanguard Institutional Index fund and fund the investment with proceeds from the SSgA liquidation,
4. Add a 10% of Plan assets target to the Vanguard Total International Stock Market Index fund-Institutional shares and fund the investment with the proceeds from the SSgA liquidation and with the proceeds from the reduction in the Tortoise account,
5. Eliminate the 15% of Plan asset target in non-U.S. equity investments,
 - a. Liquidate both the EuroPacific Growth fund and the DFA World Ex-US Value fund positions
6. Add a 10% of Plan assets target allocation to global equity investments
 - a. Initiate a 5% of Plan assets position in Dodge & Cox Global Stock
 - b. Initiate a 5% of Plan assets position in American Funds New Perspective

subject to legal counsel review of commingled fund documents as needed. Mr. Morgen seconded the motion and it unanimously carried.

Ellwood Associates – Dale Connors Low Volatility Strategy Review

Mr. Connors continued by giving an overview of Parametric Defensive Equity manager. He stated that defensive equity portfolios utilize a straight forward portfolio construction process that includes four different types of holdings: equity index exposure, U.S. Treasury bills, equity index call options and equity index put options. Mr. Connors indicated that defensive equity is managed in a manner that seeks to maintain relatively stable portfolio risk/return characteristics. After some discussion the Board moved to hire Parametric Defensive Equity manager.

Mr. Morgen moved to target 5% allocation to Parametric Defensive Equity fund. Mr. Dahlman seconded the motion and it was unanimously carried.

**Ellwood Associates – Dale Connors
Gabriel Roeder Smith – Paul Wood
Review of Investment Return**

Ms. Mathisen stated that Mr. Osborne and she had a discussion about moving the assumed rate of return from 7.5% to 7.25%. She indicated that this change would include both the Investment Consultant and Actuary. Ms. Mathisen indicated that she asked Gabriel Roeder Smith to do a projection on how it would affect the Plan if the assumed rate of return was moved from 7.5% to 7.25%. Mr. Connors stated that Ellwood is fine moving to a 7.25% assumed rate of return however would still recommend to target a return of 7.5%.

Mr. Wood provided the Board information on how the Plan would be affected if the assumed rate of return was changed. He stated that by moving the assumed rate of return the Plan's total funding status moves down by three years.

**Gabriel Roeder Smith – Paul Wood
Experience Study Discussion**

Mr. Wood discussed the purpose of why GRS would do an experience study on the Adams County Retirement Plan. He indicated that the last study done was in 2013 and it is recommended that a new study should be done at least every five years. Mr. Wood stated that the assumptions are not static and should occasionally change to reflect new information, mortality improvement and changing patterns of retirements, terminations, etc.

Mr. Wood indicated that GRS recommends taking a detailed look at the current actuarial assumptions in 2018. He stated low yields and low inflationary environment are putting downward pressure on investment return and payroll growth assumptions. The growth within Adams County and its impact on payroll growth cannot be ignored.

Adams County Retirement Plan Vendor Review – Pam Mathisen

- **CliftonLarsonAllen**
- **Davis Graham & Stubbs, LLC**
- **Ellwood**
- **Gabriel Roeder Smith**
- **PensionGold**
- **US Bank**

Ms. Mathisen indicated that each July the Board reviews the primary vendor contracts. She proceeded by giving an overview of each vendor. Ms. Mathisen stated that the Board had extended CliftonLarsonAllen's contract for one year to get through GASB 67, 68 & 72 which ended with the presentation of the 2016 Financial and Audit report in May 2017. Ms. Mathisen stated that Mr. Petri, CliftonLarsonAllen has agreed if the Board wants to extend their contract for one more year it will be done at the same 3% incremental increase. Ms. Mathisen stated that Gabriel Roeder Smith contract is good through December 2017. They also agree to do a

3% incremental increase if the Board wants to extend their contract. After some discussion the Board would like to do an RFP for auditing services for the Adams County Retirement Plan.

Mr. Dahlman moved to have a Request for Proposal (RFP) done for auditing services for the Adams County Retirement Plan. Mr. Voge seconded the motion and it was unanimously carried.

Mr. Morgen moved to continue with Gabriel Roeder Smith through 2018. Mr. Dahlman 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

Ms. Haines indicated that included in the Board packet was information on the CPPC Conference to be held August 29, 2017 – September 1, 2017. She stated that if any Board member is interested to let her know and she will make arrangements.

Ms. Mathisen stated that Mr. Osborne and she met with Mr. Gonzales and Mr. Ostler of Adams County. She indicated that the County is interested in moving forward with a study to move the vesting for Tier 3 from 10 years to 5 years. Ms. Mathisen stated that Adams County would like Gabriel Roeder Smith to complete the study. She indicated that GRS is already preparing that information and will present that study to the Board of Retirement at the August 2017 Board meeting. It will then be on the agenda to be presented to the Board of County Commissioners at the August 8, 2017 Study Session. Ms. Mathisen indicated that this is moving quickly because Adams County wants it to be a topic of discussion during the budget process.

Mr. Morgen left 4:29 P.M.

OTHER BUSINESS

None

The Regular Board Meeting adjourned at 4:31 p.m.

Respectfully submitted,

Debbie Haines, Senior Benefits Manager
(Corresponding Secretary)

NEXT BOARD MEETING

**TUESDAY, AUGUST 1, 2017
REGULAR BOARD MEETING
ADAMS COUNTY GOVERNMENT CENTER
4430 SOUTH ADAMS COUNTY PARKWAY
RETIREMENT CONFERENCE ROOM
BRIGHTON, COLORADO 80601**