

ADAMS COUNTY RETIREMENT BOARD MEETING

**MINUTES - REGULAR MEETING
4430 SOUTH ADAMS COUNTY PARKWAY
RETIREMENT CONFERENCE ROOM, SUITE C3414
BRIGHTON, COLORADO 80601**

JUNE 4, 2013

BOARD MEMBERS PRESENT

Joe Pacyga – Chairman
Brigitte Grimm –Treasurer
Michael McIntosh – Secretary – 2:02 P.M.
Marlise Bruno

BOARD MEMBERS EXCUSED

Ben Dahlman – Vice-Chairman

ADMINISTRATIVE STAFF

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

ACTUARIAL STAFF

Gabriel Roeder Smith – Diane Hunt
Gabriel Roeder Smith – Andy Paine

LEGAL COUNSEL

Davis Graham & Stubbs, LLP – Cindy Birley

INVESTMENT CONSULTANTS

Watershed Investment Consultants – Dale Connors

OTHER ATTENDEES

Rangeview Library District – Susan Dobbs

Called to Order: 1:32 P.M.

SPECIAL PRESENTATION

Gabriel Roeder Smith (GRS) – Diane Hunt & Andy Paine

Ms. Hunt presented the Actuarial Valuation Report as of January 1, 2013 for the Adams County Retirement Plan. She indicated that the funded status on a market value basis went from 48.9% to 51.6%. She continued by stating some of the highlights of the Valuation:

- No benefit or assumption changes for the current year

- Career average formula and soft freeze for Tier 1 and Tier 2 beginning January 1, 2014
- Impact will not be seen in this January 1, 2013 valuation but will be seen immediately in 2014 valuation due to lower accrual formula
- Market value of assets return exceeded the rate of return assumption
 - 12.1% return vs. 7.5% assumption
- Actuarial value of assets return less than the rate of return assumption
 - 0.4% return vs. 7.5% assumption
 - Overall loss on actuarial value of assets due to the continued recognition of 2008 and 2011 asset losses. This is the last year of recognition of the 2008 loss.
- Contribution shortfall grew to 11.88% of payroll in 2013 from 11.68% of payroll in 2012
- Employer and member contributions increased to 8.5% in 2013 from 8.25% in 2012

Mr. Paine gave a brief overview of the active demographic information at January 1, 2013. He stated that the active count was up 44 participants from 2012 with an increase in payroll of 2.4%.

Ms. Hunt finished by stating that the valuation results indicate that the career average formula with soft freeze on the Tier 1 and Tier 2 was necessary in order to improve the long term funded ratio of the Plan.

Ms. Bruno questioned if the projection which was reflected in the presentation was updated with the current valuation results. Mr. Paine responded that the projection reflected in the report used results from the January 1, 2012 valuation. He indicated that this report did not reflect any of the Plan changes that will be in effect on January 1, 2014. There was some discussion whether to have GRS do an experience study on the Adams County Retirement Plan. Ms. Hunt indicated that every 5 years is standard to do an experience study. Ms. Bruno asked what the cost of the experience study would be. Ms. Haines responded that the estimated cost Ms. Thompson gave at the February Board Meeting was \$22,500.

Ms. Bruno moved to have Gabriel Roeder Smith do an experience study on the Adams County Retirement Plan. Ms. Grimm seconded the motion and it unanimously carried.

Ms. Mathisen indicated that she would send the experience study done by Mercer in 2008 to all Board members for their review.

Ms. Bruno moved to accept the Actuarial Valuation Report as of January 1, 2013. Ms. Grimm seconded the motion.

Ms. Bruno – Yea
 Ms. Grimm – Yea
 Mr. Pacyga – Yea
 Mr. McIntosh – Abstain

Unanimously carried.

EXECUTIVE SESSION

None

EMPLOYEE/RETIREE CORRESPONDENCE

Thank You Note – Haines Family

REGULAR BUSINESS SESSION

Consent Agenda: Distributed by E-Mail

Approval of Board Meeting Minutes – May 7, 2013

Approval of Termination Report – May 2013

Approval of Money Manager Fund Totals and US Bank Summary Reports – April 2013

Approval of Administrative Expenditures – June 4, 2013

Expenditures - \$ 121,689.80

May Paid Expenditures \$ 2,408.00

Moved by Board Member – Mr. McIntosh

Seconded by Board Member – Ms. Grimm

Unanimously carried

UNFINISHED BUSINESS

None

NEW BUSINESS

LRS/PensionGold – Service Request SR1-156447631 (CR46768)

January 1, 2014 Plan Changes - \$77,838.75

Ms. Mathisen indicated that she emailed a copy of the service request to all Board members for their review prior to the Board meeting. She indicated that it is a “white paper” which gives very specific detail on the types of changes that will be made to the PensionGold software. Ms. Mathisen stated that legal counsel has reviewed the document. She indicated that the cost of this service request is \$77,838.75. Ms. Mathisen stated that she needs an approval from the Board. She indicated that work has already been started by PensionGold and they have sent the Retirement staff information to start testing some of the changes. Ms. Haines commented that she put a copy of the computer expense report in the Board packet showing the amount the Retirement Plan has paid since 1999. She indicated that the cost for the Plan changes made in 2010 were \$57,255. Ms. Haines stated that the January 1, 2014 Plan changes involve a lot more detail to the software than the previous changes made in 2010. Ms. Mathisen stated that this is not the end but the beginning. Mr. Pacyga verified with Ms.

Mathisen that the changes to the software would be completed by January 1, 2014. Ms. Mathisen responded yes they would be completed. Ms. Mathisen stated that payment would not be made until the software is delivered, tested and in production.

After some discussion the Board agreed to approve the service agreement for the January 1, 2014 Plan changes. Mr. McIntosh moved to authorize payment of \$77,838.75 to LRS/PensionGold regarding the Service Request SR1-156447631 (CR46768) for the January 1, 2014 Plan changes. Ms. Grimm seconded the motion.

Discussion:

Ms. Grimm verified with Ms. Mathisen that the \$77,838.75 is a starting amount and we do not know where it will end? Ms. Mathisen responded "yes" we do not know the final cost. Ms. Grimm questioned will PensionGold be up and running by January 1, 2014. Ms. Mathisen stated yes it will be in place except web member services. She indicated that web member services will not be available until the first payroll is loaded into the system and that will not be until February 2014. Ms. Mathisen informed the Board members that this will not affect the maintenance fee. Ms. Grimm asked what would happen if the system is not ready. Ms. Mathisen indicated that the staff would send the calculations, refunds, etc. to GRS to verify.

Unanimously carried.

Plan to Plan Transfer Wizard

Ms. Mathisen indicated that currently Adams County and Rangeview Library District send transmittals to the Retirement office with data information for each participant. She stated if the transmittal is missing a Plan ID for a participant then it rejects in the transmittal and she then needs to have PensionGold send a script to correct. Ms. Mathisen indicated that currently PensionGold does not charge for this however with the new Plan changes taking place they will need to start charging which runs about \$500 to \$600 a script. Ms. Mathisen stated that PensionGold has a Plan to Plan Transfer wizard which allows a member to be moved from one plan to another without any assistance or incurred cost from PensionGold. Ms. Mathisen indicated that a ballpark figure is \$10,000 to \$20,000 depending upon the functionality needed. Ms. Mathisen asked the Board if she could have PensionGold provide a service request for an exact amount on the Plan to Plan Transfer wizard. After some discussion the Board agreed to have PensionGold do a work up on the Plan to Plan Transfer wizard.

STANDING REPORTS

Davis Graham & Stubbs, LLP Legal Information Updates

Ms. Birley handed out a draft of Amendment No. Three To The Adams County Retirement Plan. She stated that she has been working with a group which includes PERA attorneys and FPPA tax counsel regarding the civil union legislation and how it impacts pension plans in Colorado. Ms. Birley indicated that after review of the civil union legislation it will affect DRO's in pension plans. She stated that a defined benefit public pension plan is subject to division at the time the member retires or age 65, if earlier. Ms. Birley stated that the Adams County Retirement Plan does not have a provision stating to pay earlier. She indicated that if this happened it could disqualify the Plan because the IRS does not recognize civil union partners due to the Defense of

Marriage Act. Ms. Birley indicated that the Defense of Marriage Act is currently in front of the Supreme Court. Ms. Birley stated that the draft showed the new language to be added to the Adams Retirement Plan. She indicated that the Amendment would need to be completed by July 29, 2013. Ms. Birley will bring original documents to be signed at the July 2013 Board meeting.

Recess at 2:50 P.M.

Reconvened at 2:57 P.M.

Watershed Investment Consultants, Inc. – Dale Connors **Investment Updates – Performance Update**

Mr. Connors indicated that thru April 2013 the Adams County Retirement Plan was up 6.41% net of fees. He stated that stocks were primarily positive thru May 2013 with the exception of the emerging markets and bonds and they were primarily negative with the exception of high yield instruments.

Market Updates and Investment Strategy

Mr. Connors indicated that the US economy for the 1st quarter of 2013 is doing well. He stated that there is a very large uptick in residential home building. He indicated the drag on the economy is in government spending because of the sequester that was put in place. Mr. Connors indicated that even with the sequester the GDP was up 2.5% for the 1st quarter of 2013. Mr. Connors stated that this is not the case in the global economy. He stated most of Europe is in a recession. Mr. Connors indicated that bonds going forward are a problem. He stated that interest rates are historically low and they are not providing the 7.5% return that we need for the Plan. Mr. Connors believes that there needs to be something done to that area of the portfolio.

Mr. Connors indicated that Watershed's recommendation is to:

- Liquidate Janus Triton fund investment and move proceeds to Pyramis Small Cap
- Add exposure to uncorrelated, floating rate investments
 - PIMCO Unconstrained Bond fund – Liquid investment
 - Senior Secured Debt – Liquid investment
- Shift part of hedge fund allocation to real estate debt investment
 - Reduce Grosvenor and GAM Hedge fund-of-fund exposures from 7.5% to 5%
 - Invest 5% in Principal Real Estate Debt fund – Non-liquid investment
- Reduce non-US equity exposure/increase US equity exposure
 - Reduce 2.5% each from the allocations in the DFA World ex-US Value fund and the EuroPacific Growth fund
 - Increase SSgA S&P 500 investment target to 10% from 7%
 - Increase Vanguard Dividend Growth fund target to 7% from 5%

Mr. Connors stated that in April 2013 \$3.56 million was invested in Janus Triton fund. However, in May 2013 two portfolio managers on the Triton fund announced their departure. These two portfolio managers have co-managed the Triton fund since June 2006. Mr. Connors indicated that the investment process and track record of the fund are tied to these two portfolio managers. Watershed is concerned about their departure, the future of the Triton fund management and the stability of the equity investment staff at Janus. Mr. Connors indicated that

this is why Watershed recommends liquidating Janus and moving it into the Pyramis Smid Cap Core commingled fund.

Recess at 3:41 P.M.

Reconvened at 3:47 P.M.

Ms. Bruno moved to liquidate Janus Triton fund and move assets to Pyramis Smid Core fund. Ms. Grimm seconded the motion and it was unanimously carried.

Ms. Bruno moved to reduce the non-US equity exposure 5% and increase the US equity exposure 5% through 2.5% reductions each from DFA and EuroPacific Growth fund and increasing SSgA by 3% and Vanguard Dividend Growth by 2%. Mr. McIntosh seconded the motion and it was unanimously carried.

After discussion the Board would like to table the PIMCO transfer until the Board hears more on the PIMCO Unconstrained Bond fund.

Watershed will invite to the July 2013 Board meeting Principal Real Estate Investor to make a presentation on the Real Estate Debt fund.

Retirement Staff – Administrative Business Administrative Updates

Retirement Website Redesign

Ms. Haines indicated that the Retirement website was in production and asked the Board members if they had an opportunity they should take a look at the new site.

OTHER BUSINESS

The Regular Board Meeting adjourned at 4:24 p.m.

Respectfully submitted,

Debbie Haines, Senior Benefits Manager
(Corresponding Secretary)

NEXT BOARD MEETING

TUESDAY, JULY 2, 2013 –

**REGULAR BOARD MEETING
ADAMS COUNTY GOVERNMENT CENTER
4430 SOUTH ADAMS COUNTY PARKWAY
RETIREMENT CONFERENCE CENTER
BRIGHTON, COLORADO 80601**