

**ADAMS COUNTY RETIREMENT BOARD MEETING
MINUTES - REGULAR MEETING
RETIREMENT CONFERENCE ROOM
BRIGHTON, CO 80601**

SEPTEMBER 5, 2024

BOARD MEMBERS PRESENT

Pernell Olson - Chairman
Sean Allegar – Vice-Chairman
Alex Villagran – Treasurer
Crystal Hoffner – Secretary
Alisha Reis

BOARD MEMBERS EXCUSED

ADMINISTRATIVE STAFF

Debbie Haines – Executive Director (Corresponding Secretary)
Burt Burrows – Retirement Benefit Specialist

ACTUARIAL STAFF

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

LEGAL COUNSEL

Davis Graham & Stubbs – Cindy Birley
Davis Graham & Stubbs – Kent Quidachay

INVESTMENT CONSULTANTS

CAPTRUST – Andy Fiegel

OTHER ATTENDEES

Susan Dobbs – Rangeview Library District
David Shaklee – Sheriff’s Office

Called to Order: 1:27 P.M.

INTRODUCTION OF SPECIAL GUESTS/ATTENDEE’S

None

SPECIAL PRESENTATION

None

EMPLOYEE/RETIREE CORRESPONDENCE

None

REGULAR BUSINESS SESSION

Ms. Haines informed the Board that the August 1, 2024 Board minutes were amended because of a couple of grammatical corrections found by Ms. Birley.

CONSENT AGENDA

Consent Agenda: Distributed by E-Mail

Approval of Regular Board Meeting Minutes – August 1, 2024 - *As Amended*
Approval of Money Manager Fund Totals – July 2024

Provided at Board Meeting:

Approval of Terminated Retirement Members Payout Report – August 2024

Ratify of Administrative Expenditures – September 5, 2024

September 2024 Expenditures - \$ 40,565.72

August 2024 Paid Expenditures - \$ 345.94

Moved by Board Member – Mr. Allegar

Seconded by Board Member – Ms. Reis

Unanimously carried.

UNFINISHED BUSINESS

None

NEW BUSINESS

Gabriel Roeder Smith (GRS) – Paul Wood & Krysti Kiesel

Cost of Combining Certain Benefit Enhancements

Mr. Wood stated that at the August 2024 Board meeting the Board of Retirement asked Gabriel Roeder Smith (GRS) to prepare a presentation with the proposed scenarios that demonstrate the sensitivity to returns in the short term. He indicated GRS used 5 different scenarios:

1. Proposed Benefit Enhancements: 7.25% returns in each year going forward
2. Impact 1: 0.00% return in 2024 and 7.25% return going forward
3. Impact 2: -5.00% return in 2024 and 7.25% return going forward
4. Impact 3: -10.00% return in 2024 and 7.25% return going forward
5. Impact 4: -15.00% return in 2024 and 7.25% return going forward

Mr. Wood stated that between each scenario there was an addition of 2 years added to the funding status of the Plan from 2035 to 2042. He also ran a baseline scenario repeating the historical returns from the last 23 years. This also showed an addition of 2 years to the funding status of the Plan from 2042 to 2044.

Davis Graham & Stubbs (DGS) – Cindy Birley
Benefit Enhancement Considerations

Ms. Birley indicated that the Board of Retirement needs to do a deliberative process when deciding to enhance benefits to the Plan. She stated that this needs to be a thoughtful decision by the Board. They need to take their time and consider the following:

1. Impact on retirees

Many retirees may question why they are not receiving cost-of-living adjustments or 13th checks. For many years, the Plan has not provided COLA adjustments or 13th checks due to the Plan's funded status.

2. Conflict of Interest since the Board members will benefit from the enhancements

Ms. Birley discussed that Section 9.2 of the Plan prohibits a Board member from voting or deciding on a matter relating solely to himself or vote in any case in which his individual right or claim to any benefit under the Plan is particularly involved. Ms. Birley noted that because the benefit enhancements impact all active Plan members and not solely the individual Board members, that the Board could vote on the benefit enhancements.

3. Senate Bill 12-149

Ms. Birley also discussed Senate Bill 12-149, which allowed for the modification of benefits to ensure Plan sustainability. Senate Bill 12-149 also added C.R.S. Section 24-54-117, which requires the Plan to provide written notice to each member, inactive member, and beneficiary that the possibility of a reduction of benefits to ensure the sustainability of the Plan could occur in the future.

4. Possible decrease in funded status of Plan

5. Whether the County and Rangeview try to reduce employer contributions to the Plan in the future.

6. August 13, 2009 Statement of Intent

Ms. Birley discussed the August 13, 2009 Statement of Intent from the then acting Board of Retirement. The Statement of Intent was drafted, and Plan design changes were made, due to poor stock market performance for the Plan's investments and decreased interest rates, which severely impacted the Plan's funded status. The then acting Board of Retirement cautioned future Boards of Retirement to approach each action or decision with a long-term view and assess the effect on the Plan and the Plan's ability to meet its goals.

7. Doomsday Scenarios

Ms. Birley further noted that before the Board makes any decision with respect to benefit enhancements, the Board should consider doomsday scenarios, such as bad market returns or the reduction/elimination of the mill levy.

Ms. Birley stated that these are just a few of the items that need to be considered before a decision is made by the Board.

In discussing the conflict of interest issue, the Board members discussed that they all fall under Tier-3 of the Plan and would benefit from the benefit enhancements. Mr. Villagran stated that out of all the current Board

members, he is the one Board member who would (a) immediately benefit the most and (b) be least impacted long-term from any adverse consequences from a benefit enhancement.

Ms. Reis posed the question whether the proposed benefit enhancements would harm retirees or beneficiaries in Tier-1 or Tier-2. Mr. Wood stated that the proposed benefit enhancements do not impact their benefits. It was also determined that the proposed benefit enhancements likely do not impact any group negatively. The Board then discussed the argument that benefit enhancements would decrease the rate at which the Plan would reach funded status. To this issue, Mr. Olson stated that the initial projection for funded status was 2044 and because of increased employer contributions, that projection was accelerated to 2034. Mr. Olson stated that while the proposed benefit enhancements delay the Plan's funded status by a couple of years, the Plan would still reach funded status before the initial target projection of the year 2044.

Mr. Villagran posed the scenario where the Board would have to reduce benefits for all Tiers and beneficiaries. Ms. Birley responded that the reduction of benefits would only apply to actives and people who have not retired. Mr. Villagran stated that it is common knowledge what will happen if the Board reduces benefits.

Ms. Reis stated that she believes that given the multiple discussions that have taken place and the multiple requests for assessment by the actuaries that the deliberation of whether to implement the proposed benefit enhancements has been thoughtful. Ms. Reis stated that the Board members do not control the fact that they are all in Tier-3. She reiterated the conclusion that the proposed benefit enhancements do no harm to any of the other Tiers or any of the retirees. She further reiterated that the proposed benefit enhancements do not extend the Plan's funded status to a date beyond the initial projection (2044).

Mr. Villagran urged the other Board members to consider the conflict of interest issue Ms. Birley discussed.

Mr. Villagran stressed that the Plan's 2023 expenses amounted to \$42,152,740.00. He noted that as of September 5, 2024, approximately \$28,990,644.40 has been contributed to the Plan in 2024 and that \$1,700,000 is going to the retirement fund on September 6, 2024. Mr. Villagran discussed calculations he prepared and determined that the County only has a few million dollars actually free to contribute to the retirement fund. Mr. Villagran stated that he is looking at the long-term health of the Plan and, for him, that is waiting for the Plan to reach a funded ratio of 80%. Mr. Villagran stated that he believes the Board is relying too much on investment returns in his professional judgment. He emphasized the uncertainty of how long this pattern of good investment returns will last. Reemphasizing that he would benefit the most from the proposed benefit enhancements, Mr. Villagran urged the Board to delay implementation of the proposed benefit enhancements as it is premature to do so.

With respect to investment returns, Mr. Olson stated that the Board has discussed which annualized return rate to use with Mr. Connors and Mr. Fiegel multiple times, including using an annualized return rate below 7.5%. Mr. Olson noted that Mr. Connors and Mr. Fiegel have confirmed multiple times that using a 7.5% annualized return rate, while aggressive compared to other plans, is acceptable and feasible. Mr. Olson also discussed that Mr. Wood and Ms. Kiesel developed scenarios implementing the 7.5% annualized return rate.

Mr. Villagran noted that when he first became a member of the Board, he asked for actuarial studies to be run using a 5.0% annualized return rate. Mr. Villagran stated that using a 5.5% annualized return rate is more realistic. He further noted that the Plan's funded ratio is lower than PERA's; PERA is currently 69.6% funded. Mr. Villagran acknowledged that the Plan is heading in the right direction with respect to its funded ratio, but firmly stated that implementing the proposed benefit enhancements is premature at the moment. He would like to see more investment return patterns and for the Plan to be 80% funded. He again emphasized that he has the most to benefit from the proposed benefit enhancements and he is against implementing them.

Mr. Allegar asked Mr. Villagran if he wanted to wait another six years to implement the proposed benefit enhancements. Mr. Villagran responded that he does not know.

Mr. Allegar pointed out that if the Retirement Board waits until 2030 to make changes, an entire generation may miss out on the benefit enhancements. Mr. Allegar further noted that the benefit enhancements should be implemented for employee retention and recruitment purposes.

Mr. Villagran questioned if employees of the current generation plan to leave the County any time soon. Mr. Allegar stated that if the Board waits until 2030 to implement the proposed benefit enhancements, employees of the County may leave.

Mr. Villagran stated that if the Board starts enhancing things too much when the Plan is not sufficiently funded, it would create problems in the years to come.

Mr. Allegar responded that the benefit enhancements are responsible, small improvements.

Mr. Villagran stated that nothing can be done with the people in the younger generation who want to leave after 5 years when they vest and move on to other jobs.

Mr. Villagran stated that it is possible the benefit enhancements would help with employee recruitment, he stated that as a fiduciary of the Plan, his opinion is that the Board is not in the position to implement any benefit enhancement responsibly due to the unknown future funding status of the Plan.

Mr. Olson countered that all the Board members are fiduciaries of the Plan and are doing what they think is in the best interests of the Plan. Mr. Olson questioned that with all the information provided and analyzed, is a two-year delay in reaching an 80% funded ratio that significant in the whole scheme of things.

Mr. Villagran noted that while a doomsday scenario is unlikely, the Federal Reserve is probably going to cut interest rates which will impact the market. He also discussed the fact that employment rate is going up, which would help with recruitment.

Mr. Allegar stated that given the scenarios presented by GRS and the information already analyzed in prior meetings, he respectfully disagrees with Mr. Villagran; it is not irresponsible or premature to implement benefit enhancements for the Plan. Mr. Allegar posed the question of whether the Board: (1) needs to answer more questions and wait on voting or (2) has collected enough information to come to an informed opinion regarding the proposed benefit enhancements.

Ms. Hoffner answered Mr. Allegar, stating the answer to his question is two-fold: the Board has collected a lot of information, but it would be helpful to take some time to look at the questions and answer them. Ms. Hoffner proposed waiting to vote since the benefit enhancements cannot be implemented immediately anyway. She proposed waiting another month or until after the election to vote since it is a busy time of the year.

Mr. Allegar agreed with Ms. Hoffner, stating that the Plan has already dodged a bullet with respect to Initiatives #50 and #108.

Ms. Reis stated that she is fine with waiting one month for a vote on implementing the proposed benefit enhancements, but she is reluctant waiting longer than that since she would like to put together a robust member engagement program to discuss the proposed benefit enhancements. She wants members to be able to make year end choices, since that is when people make their financial planning for the next year.

After a lengthy discussion, the Board would like to have a communications and an engagement plan in place for participants regarding the Retirement Plan.

Ms. Reis moved to create a two-person communication sub-committee for the purpose of communicating potential changes to the Plan. Mr. Allegar seconded the motion.

Pernell Olson – Aye
Sean Allegar – Aye
Alisha Reis – Aye
Crystal Hoffner – Aye
Alex Villagran – Nay

Carried.

Mr. Allegar moved to have Ms. Reis and Ms. Hoffner serve on the communications subcommittee. Ms. Reis seconded the motion, and it was unanimously approved.

Mr. Villagran asked why the retirees are not represented on the Retirement Board. Ms. Birley stated that Board membership is set by the Colorado Revised Statutes and she would need to review them.

Ms. Reis proposed the drafting of a decision memo to document the Retirement Board's thought process on the decision to increase benefits, and multiple people agreed it would be a good idea to do so.

Davis Graham & Stubbs – Cindy Birley
Legal Update

Ms. Birley stated that the IRS/Treasury departments is making changes to the Required Minimum Distributions (RMD's). She indicated that she will be deciphering the changes to see if they affect the Plan. Ms. Birley stated that there could be some tax law changes at year-end.

2024 CPPC Annual Conference – Pernell Olson & Alisha Reis
Conference Update

Mr. Olson stated that Ms. Reis and himself attended the 2024 CPPC Annual Conference held in Breckenridge, Colorado. Mr. Olson indicated that at this year's conference they talked heavily about documentation on what you did and why you did it. He stated that the number of lawsuits has been increasing against Plans. Ms. Reis stated that there were a couple of good sessions. The first was on the impact of AI and how you can utilize it with Retirement and the second was on cybersecurity.

STANDING REPORTS

CAPTRUST – Andy Fiegel
Monthly Investment Update

Mr. Fiegel gave the July 2024 updated regarding the Plan. He indicated that for the month the Plan was up 1.3% and up 6.2% YTD. Mr. Fiegel stated that small cap stocks outperformed large cap stocks.

Davis Graham & Stubbs – Cindy Birley
Legal Update

None

**Gabriel Roeder Smith – Paul Wood
Actuarial Update**

None

**Retirement Staff
Administration Business**

Ms. Haines reminded the Board that Tuesday, September 10, 2024, they are meeting with the Board of County Commissioners (BoCC) giving them the annual update on the Retirement Plan.

OTHER BUSINESS

None

EXECUTIVE SESSION

None

The Regular Board Meeting adjourned at 2:34 p.m.

Respectfully submitted,

Debbie Haines
Executive Director (Corresponding Secretary)

NEXT BOARD MEETING

**THURSDAY, OCTOBER 3, 2024
REGULAR BOARD MEETING
4430 S. ADAMS COUNTY PKWY
RETIREMENT CONFERENCE ROOM
BRIGHTON, COLORADO**