

**EL PASO COUNTY
BOARD OF RETIREMENT**

EL PASO COUNTY RETIREMENT PLAN
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MARK LOWDERMAN, CHAIR
BRIAN PAYNE
RAY BERNIER
CHRIS LONG
DAVID GUEST
MICHAEL VARNET

MINUTES

Retirement Board Meeting
April 3, 2018 - 9:00 a.m.
Room 1017, Citizens Service Center
1675 Garden of the Gods Road
Colorado Springs, Colorado 80907

MEMBERS PRESENT: Mark Lowderman, Michael Varnet; Ray Bernier, Chris Long

MEMBERS ABSENT: Brian Payne

ASSOCIATE MEMBERS PRESENT: David Guest

Call to Order 9:00 a.m.

1. Discussion on Changing Plan Assumed Rate of Return and effect on Plan Asset Allocation & Funding
Dale Connors, CFA, Senior Consultant – Ellwood Associates & Thomas Pfeifle, Executive Director

THE ASSET ALLOCATION ANALYSIS THAT REFLECTED OUR CURRENT 8% RATE OF RETURN OVER THE COURSE OF THE NEXT 10 YEARS, PRESENTED AT OUR MARCH 26 MEETING, WAS NOT ACHIEVABLE IN THE OPINION OF OUR INVESTMENT CONSULTANT, DALE CONNORS OF ELLWOOD ASSOCIATES. BY KEEPING THE ASSUMED RATE OF RETURN AT 8%, IT BRINGS WITH IT INCREASED INVESTMENT RISKS THAT COULD GREATLY INCREASE OUR UNFUNDED LIABILITY IF ANOTHER ECONOMIC DOWNTURN WOULD OCCUR IN THE NEAR FUTURE.

BASED OFF HIS MARCH 26 REPORT, DALE CONNORS ADVISED THE PLAN TO LOWER THE ASSUMED RATE OF RETURN FROM 8% TO 7.50% TO BETTER ALIGN ITSELF WITH ITS LONG TERM FUNDING GOALS AND PROJECTED INVESTMENT PERFORMANCE.

TOM PFEIFLE PROVIDED A COMPARISON AS TO WHAT OTHER DEFINED BENEFIT PLANS HAVE FOR FEE AND RATE STRUCTURES IN COLORADO OF SIMILAR SIZE, PARTICULARLY OTHER COUNTIES IN COLORADO THAT OFFER DB PLANS. HE ALSO PRESENTED OPTIONS OTHER BOARDS IN THE PAST HAVE CONSIDERED TO LOWER THE UNFUNDED LIABILITY OF THE PLAN AND INCREASE ITS FUNDING

STATUS, SHOULD THE BOARD AGREE TO LOWER THE ASSUMED RATE OF RETURN. MR. PFEIFLE STATED WE ARE THE LAST COUNTY PLAN OF OUR SIZE IN OUR STATE TO LOOK AT LOWERING OUR ASSUMED RATE OF RETURN FOR 2018.

CHRIS LONG STATED THAT HE WANTS IT ON THE RECEORD THAT HE IS NOT COMFORTABLE WITH KEEPING THE ASSUMED RATE AT 8%, AND THIS IS WRECKLESS IF WE STAY AT THAT NUMBER. MR LONG WOULD LIKE TO PROVIDE ACCURACY FOR OUR PLAN SPONSOR PARTNERS AND PROVIDE SUSTAINABILITY, AND IN HIS OPINION, 8% IS NOT SUSTAINABLE OVER THE NEXT DECADE. LOWERING OUR ASSUMED RATE OF RETURN HELPS US MAKE THOSE SMALL ADJUSTMENTS TO THE PLAN STRUCTURE ALONG THE WAY OVER THE LIFE OF THE PLAN, INSTEAD OF MAJOR ADJUSTMENTS IN A CRISIS IF WE DO NOT LOWER THE ASSUMED RATE NOW.

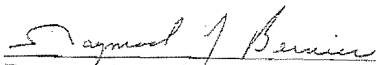
CHRIS LONG MADE A MOTION TO APPROVE CHANGING THE ASSUMED RATE OF RETURN FROM 8% TO 7.5% AND LOWERING THE ASSUMED INFLATION RATE FROM 3.5% TO 2.5% FOR THE 2018 ACTUARIAL VALUATION PERIOD. MICHAEL VARNET SECONDED THE MOTION. THE MOTION FAILED 3-1 OPPOSED.

MICHAEL VARNET MADE A MOTION TO APPROVE LOWERING THE ASSUMED RATE OF RETURN FROM 8% TO 7.75% AND TO EXCLUDE THE INFLATION RATE AT THIS TIME. THE MOTION DID NOT CARRY FOR LACK OF A SECOND MOTION.

MICHAEL VARNET MADE A MOTION TO APPROVE LOWERING THE ASSUMED RATE OF RETURN FROM 8% TO 7.75% AND TO LOWER THE ASSUMED INFLATION RATE FROM 3.5% TO 2.5%. CHRIS LONG SECONDED THE MOTION. THE MOTION DID NOT CARRY DUE TO A TIE 2-2.

THE ASSUMED RATE OF RETURN WILL REMAIN AT 8% FOR 2018.

2. The next meeting will be April 23, 2018, @ 9:00 a.m.
3. Being no further business the meeting was adjourned at 10:46 a.m.


Raymond Bernier, Secretary


Linda Fowler, Recording Secretary

“Financial Security for the Golden Years”