



El Paso County Retirement Plan

2880 International Cir., STE N030
Colorado Springs, CO 80910

PH (719) 520-7490 • FAX (719) 520-7495
EPCRPSupport@elpasoco.com

Minutes

Meeting of the Board of Directors of the El Paso County Retirement Plan

November 28, 2022 – 9:00am

RDC Hearing Room

2880 International Circle

Colorado Springs, CO 80910

And by live stream link

Attendees

Board Members:

Chris Long (Chair)
Nikki Simmons (Vice Chair)
Ray Bernier (Secretary)

Associate Members:

Taylor Gross
Heather Laslie
Victoria Bennett (by Teams)

Other attendees:

Greg Kuppenheimer, EPCRCP, Executive Director
Linda Fowler, EPCRCP, Senior Retirement Counselor
Christopher Del Valle, EPCRCP, Retirement Counselor
Longinos Gonzalez Jr, EPC, County Commissioner
Tom Toth, Wilshire Capital Advisors (by Teams)
Katie Kohn, Groom Law Group (by Teams)

Absent Members

Board Members:

Mark Lowderman (Treasurer)
Ryan Chacon

Associate Members:

Meeting

1. **Chairman Long called the meeting to order at 9:03 am, notes quorum.**
2. **Chairman Long noted no public comment.**
3. **Greg Kuppenheimer presents Executive Director's Report (see attached).**
 - Executive Director Kuppenheimer reports that the Plan's current funding level is 66%, and reviews Plan performance compared to year end 2021. Mr. Kuppenheimer notes that according to Wilshire, the Plan's performance has exceeded that of public pension funds on average. There were no questions from the Board.
 - Mr. Kuppenheimer then described that the Plan has developed its own model to value the service purchase requests. The model was validated by the Plan's actuary and will save the Plan between \$50-60k annually. Mr. Kuppenheimer further noted that the Plan's model more accurately prices liabilities

associated with service purchase requests than the prior model. There were no questions from the Board.

- Mr. Kuppenheimer then described the finalization of a video-on-demand presentation on the Plan for new hires and soon-to-be retired employees. There were no questions from the Board.
- Mr. Kuppenheimer then reported that the Plan has completed an operational manual, which will allow the Plan to operate more efficiently. There were no questions from the Board.
- Mr. Kuppenheimer then reported on vendor expenses, noting a 50% decline as compared to historical vendor expenses. There were no questions from the Board.
- Mr. Kuppenheimer then reviewed the 2023 budget of approximately \$551k, comparing the budget to higher historical expenditures. Vice-Chair Nikki Simmons stated that she appreciates the hard work of the Plan staff to reduce Plan expenses. Chairman Chris Long echoed Ms. Simmons' appreciation of Plan staff. There were no further comments or questions from the Board.

4. Tom Toth, Managing Director of Wilshire Capital Advisors reviews recommendation to shift to direct implementation of marketable alternatives segment of the Plan's portfolio (see attached presentation).

- Mr. Toth describes that under a direct implementation structure, Wilshire would develop a portfolio of 6-8 underlying strategies with reasonably high liquidity that will deliver diversification to the Plan and that are not driven solely by the equity or fixed income markets.
- Mr. Toth noted that a direct implementation structure could benefit the Plan through enhanced returns and diversification, and will also save the Plan an estimated \$140k in management fees.
- Chairman Long noted that the off-the-shelf implementation structure the Plan is in now captures more downside than the recommended direct implementation approach. Chairman Long further noted that Wilshire is not recommending a change to the overall allocation of the Plan's portfolio, and that he believes the recommended approach will optimize results for the Plan.
- There were no further comments or questions from the Board.

5. Executive Session

- Chairman Long stated that the Board will enter Executive Session regarding personnel matters for the 2023 salaries as authorized by C.R.S. 24-6- 402(4)(d), and to conference with the El Paso County Retirement Plan's attorney for purposes of receiving legal advice relating to monthly Board Meetings as authorized by C.R.S 24-6-402(4)(b).
- Vice-Chair Simmons moves to enter Executive Session. Board Member Bernier seconds the motion. Motion is unanimously approved.
- The Board enters executive session at 9:28 am.
- The Board reenters open session at 10:10 am. Vice-Chair Simmons moves to come out of Executive Session, Chairman Long seconds. Motion is unanimously approved.

- Chairman Long states that the Board entered Executive Session for the purpose of discussing personnel matters for the 2023 salaries as authorized by C.R.S. 24-6- 402(4)(d), and to conference with the El Paso County Retirement Plan’s attorney for purposes of receiving legal advice relating to monthly Board Meetings as authorized by C.R.S 24-6-402(4)(b). Chairman Long reported that no decisions were made in Executive Session.

6. Chris Long presents the Chairman’s Report

- Chairman Long reported that Board member Ray Bernier is terming out at the end of 2023, and noted a new Board member will be needed to replace him. There were no questions from the Board.

7. Chris Long presents the Board packet for ratification by consent.

- There were no questions from the Board.
- Vice-Chair Simmons moved to approve the Board packet. Board Member Bernier seconded the motion. The motion was unanimously approved.

8. New Business

- Chairman Long states that the Board must decide whether to approve the 2023 operating budget.
 - Vice-Chair Simmons requested clarification about what was considered in the salary and benefit lines of the proposed budget. Executive Director Kuppenheimer responded that the amounts represent an estimate of County salaries and benefits, which the Plan follows.
 - Vice-Chair Simmons requested clarification regarding the estimated cost of insurance. Executive Director Kuppenheimer responded that the amount estimated for insurance is simply an estimate and the cost of insurance could be different. Vice-Chair Simmons noted that the Plan cannot exceed the overall dollar amount budgeted, and suggested the 2023 budget be increased to \$581,800.
 - Vice-Chair Simmons moved to approve a 2023 budget in the amount of \$581,800. Chairman Long seconded the motion. The motion was unanimously approved.
- Chairman Long states that the Board must decide whether to approve the 2022 audit engagement letter from Stockman Kast Ryan + Company.
 - Vice-Chair Simmons moved to approve the 2022 audit engagement letter from Stockman Kast Ryan + Company. Chairman Long seconded the motion. The motion was unanimously approved.

9. Adjournment

- There being no further business, Chairman Long declared the meeting adjourned. He noted the next board meeting is January 23, 2023, at 8:00 a.m.

The meeting adjourned at 10:19 am.

Raymond Bernier
Raymond Bernier (Feb 1, 2023 17:12 MST)

Ray Bernier, Secretary

Christopher Del Valle

Christopher Del Valle, Recording Secretary



El Paso County
C O L O R A D O

Executive Director Report 28 November 2022

Executive Director Report

Plan Funding Summary	Month End 2022	Year-End 2021
Actuarial Liability Value (YE 2021)	\$687 mil	\$687 mil
Asset Value (Estimate as of Month End)	\$450 mil	\$491 mil
Unfunded Liability	\$237 mil	\$196 mil
Funded Ratio	66%	71%

Highlights From 2022:

- Built new in-house valuation models and validated these with the actuaries. Year-to-date we have priced over 450 service purchase estimates, 175 manually before this was automated, which would have cost over \$50,000-\$60,000.
- Created video-on-demand presentations for new-hire and soon-to-retire employees. These videos are used in new-hire training and can be sent as a link via email, before someone comes in with questions.
- Created an operational manual which sets out attorney-approved standards for handling certain complex situations.
- Vender expenses down approximately 50% compared to years past and expected to stay around this level going forward.

Executive Director Report

Financial Review and 2023 Budget:

Annual expenses have been moving steadily downward, from a 2016-2020 average of \$785k to a 2022 actual of \$505k and a 2023 estimate of \$540k. We expect expenses to remain at this lower \$550k range for the foreseeable future.

	2019	2020	2021	2022E	2023B
Salaries & Benefits	479,479	229,689	253,162	244,639	300,000
Vendor Contracts					
Legal	116,715	109,261	197,489	24,000	25,000
Actuary	99,208	104,399	61,788	49,300	45,200
Audit	27,000	27,500	28,000	29,000	30,000
Accounting	28,000	22,000	24,800	24,000	24,000
Data Provider*	154,457	153,157	95,241	86,621	66,500
Life Force	3,434	3,542	3,400	3,400	3,750
Insurance	44,667	50,149	59,817	57,749	65,000
Total	473,481	470,007	470,534	274,070	244,200
Administrative Expenses	20,666	12,809	1,651	20,452	22,600
Total Expenses	973,626	712,505	725,347	539,161	581,800
<i>* Includes depreciation expense from original investment in Buck data management system</i>					

Executive Director Report

Financial Review and 2023 Budget Estimate:

Legal: *new vendor*

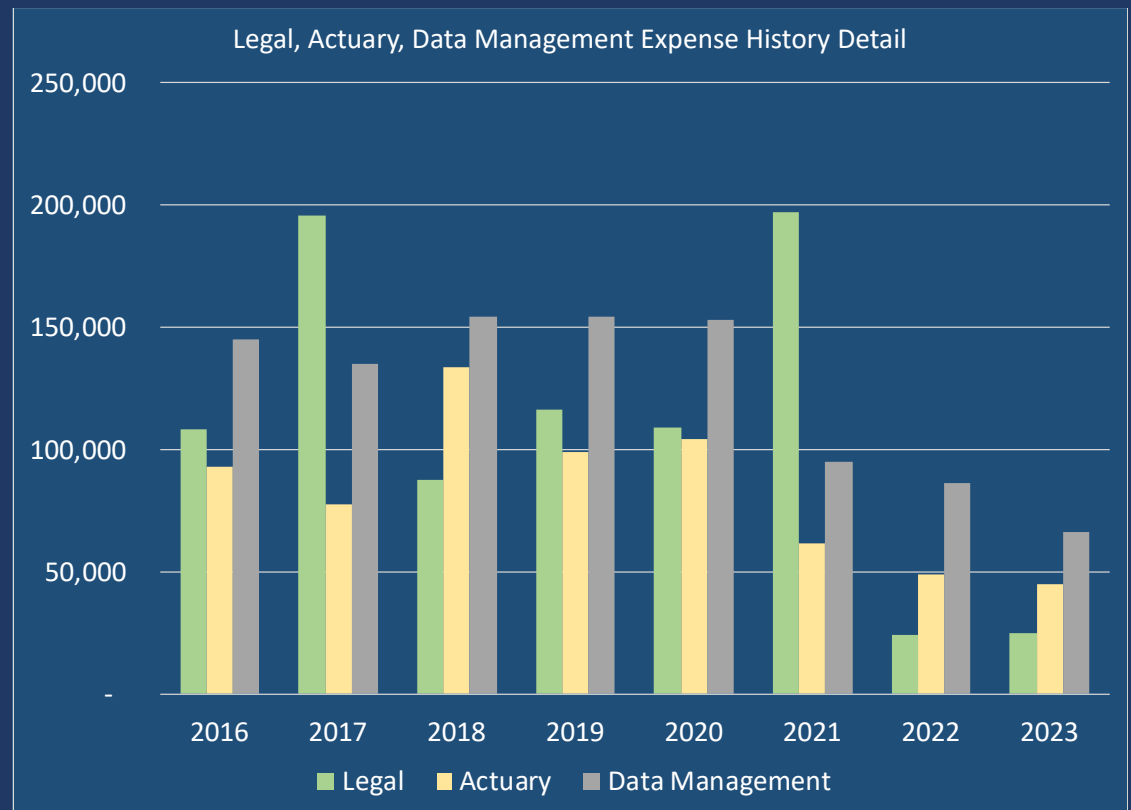
- 2016-2020 average \$125k
- 2021 transition & investment \$197k
- 2022 actual \$24k, 2023 budget \$25k

Actuary: *new vendor*

- 2016-2020 average \$101k
- 2021 transition actual \$62k
- 2022 actual \$49k, 2023 budget \$45k

Data Management: *new vendor*

- 2016-2020 average \$140k
- 2021-22 transition \$95k then \$87k
- 2023 budget \$67k

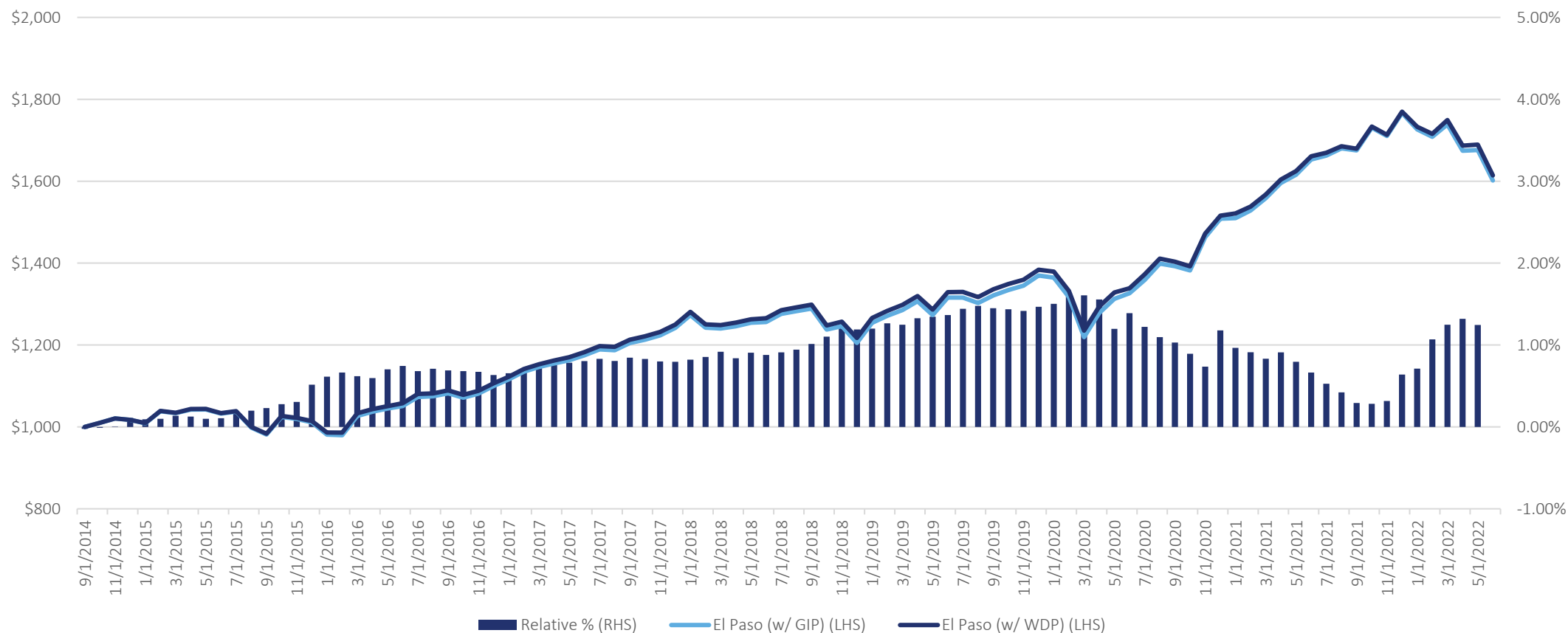


Wilshire

Wilshire Advisors LLC | Diversifying Marketable Alternatives Analysis

August 2022

Performance Analysis – 5% Allocation to WDP vs. GIP

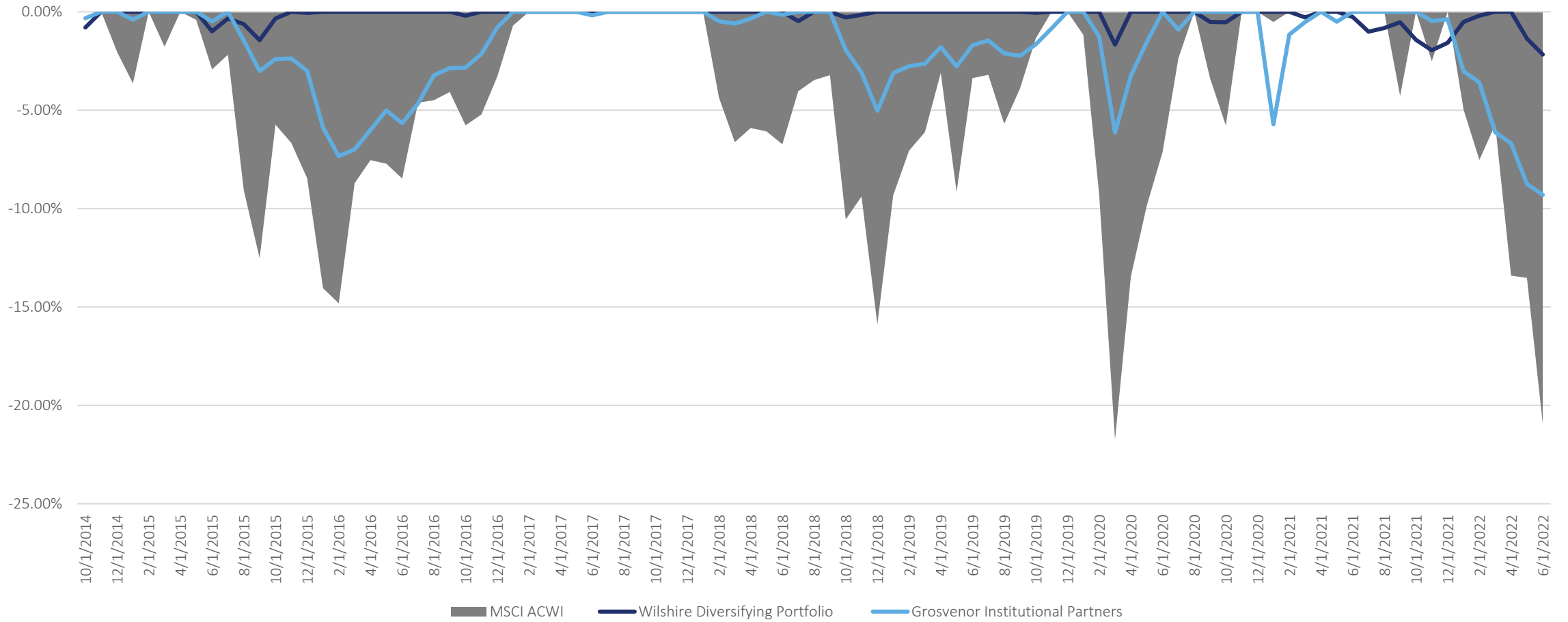


Performance Analysis returns are calculated by applying a 5% allocation to both GIP and WDP returns, respectively, and a 95% allocation to El Paso (ex-GIP) returns, rebalanced monthly. The returns represent hypothetical performance which differs from actual account performance. Please see Important Information regarding additional details about Hypothetical Performance. Past performance is not indicative of future results.

Source: Grosvenor, HFRI, Wilshire. As of June 30th, 2022. Returns calculated by applying a 5% allocation to both GIP and WDP returns, respectively, and a 95% allocation to El Paso (ex-GIP) returns, rebalanced monthly.

Confidential. For illustrative purposes only.

Drawdown Analysis



Source: Grosvenor, HFRI, Wilshire. As of June 30th, 2022.

Confidential. For illustrative purposes only.

Total Portfolio Comparison

Portfolio Statistics - Oct 2014 - Jun 2022	Grosvenor Investment Partners	Wilshire Diversifying Portfolio
Annualized Return	3.50%	5.53%
Annualized Volatility	5.85%	2.47%
Annualized Sharpe (Rf = 1%)	0.42	1.81
Correlation to ACWI	0.62	0.36
Correlation to Barclays Agg.	0.15	0.15
Correlation to Barclays HY	0.54	0.41
Beta to ACWI	0.25	0.06
Beta to Barclays Agg.	0.17	0.07
Beta to Barclays HY	0.42	0.13
Skewness	-0.13	-0.40
Max Monthly Loss	-5.72%	-1.67%
Max Drawdown	-9.30%	-2.17%



Portfolio Statistics - Oct 2014 - Jun 2022	El Paso (w/ GIP 5%)	El Paso (w/ WDP 5%)	diff
Annualized Return	6.27%	6.37%	2%
Annualized Volatility	7.39%	7.26%	-2%
Annualized Sharpe (Rf = 1%)	0.71	0.73	4%
Correlation to ACWI	0.98	0.98	0%
Correlation to Barclays Agg.	0.36	0.37	1%
Correlation to Barclays HY	0.84	0.84	0%
Beta to ACWI	0.50	0.49	-2%
Beta to Barclays Agg.	0.53	0.52	-1%
Beta to Barclays HY	0.81	0.80	-2%
Skewness	-0.66	-0.66	1%
Max Monthly Loss	-7.43%	-7.26%	-2%
Max Drawdown	-11.00%	-10.75%	-2%

Performance Analysis returns are calculated by applying a 5% allocation to both GIP and WDP returns, respectively, and a 95% allocation to El Paso (ex-GIP) returns, rebalanced monthly. The returns represent hypothetical performance which differs from actual account performance. Please see Important Information regarding additional details about Hypothetical Performance. Past performance is not indicative of future results.

Source: Grosvenor, HFRI, Wilshire. As of June 30th, 2022. Returns calculated by applying a 5% allocation to both GIP and WDP returns, respectively, and a 95% allocation to El Paso (ex-GIP) returns, rebalanced monthly.

Confidential. For illustrative purposes only.

Fee Information

<u>Fund Information</u>	<u>Market Value (as of 9/30/22)</u>	
Total Fund	\$ 411,913,360	100%
Marketable Alternatives Target	\$ 17,506,318	4.25%
<u>Fee Information</u>	<u>Management Fee (\$ annual)</u>	<u>Management Fee (% per annum)</u>
Grosvenor Institutional Partners	\$ 201,323	1.15%
Wilshire	\$ 61,272	0.35%

- Direct marketable alternatives implementation saves approximately \$140,000 in management fees annually

Fee savings are estimated based on calculating the difference between Wilshire's management fee and GIPs management fee for a 4.25% target allocation. Fees and savings will differ from the estimate provided depending on implementation.

Important Information

This material contains confidential and proprietary information of Wilshire and is intended for the exclusive use of the person to whom it is provided. It may not be disclosed, reproduced, or redistributed, in whole or in part, to any other person or entity without prior written permission from Wilshire. Third party information contained herein has been obtained from sources believed to be reliable. Wilshire gives no representations or warranties as to the accuracy of such information and accepts no responsibility or liability (including for indirect, consequential, or incidental damages) for any error, omission, or inaccuracy in such information and for results obtained from its use. Information and opinions are as of the date indicated and are subject to change without notice.

This material is intended for informational purposes only and should not be construed as legal, accounting, tax, investment, or other professional advice.

Hypothetical Performance

The Performance Analysis returns presented represent hypothetical performance which differs from actual account performance. Hypothetical performance uses various assumptions and is reported with the benefit of hindsight, based on historical data, and does not reflect the impact that certain economic and market factors might have had on the decision-making process, nor can they accurately account for the ability of an investor to withstand losses. Investors should not assume that the results of the hypothetical returns would be the same for any actual account managed using the strategy described here. Additionally, hypothetical returns do not necessarily reflect the deduction of relevant fees or expenses.

This report may include estimates, projections and other "forward-looking statements." Forward-looking statements represent Wilshire's current beliefs and opinions in respect of potential future events. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual events, performance, and financial results to differ materially from any projections. Forward-looking statements speak only as of the date on which they are made and are subject to change without notice. Wilshire undertakes no obligation to update or revise any forward-looking statements. Examples provided are for demonstration purposes only and are not to be relied upon.

Wilshire is a global financial services firm providing diverse services to various types of investors and intermediaries. Wilshire's products, services, investment approach and advice may differ between clients and all of Wilshire's products and services may not be available to all clients. For more information regarding Wilshire's services, please see Wilshire's ADV Part 2 available at www.wilshire.com/ADV.

Wilshire Advisors, LLC is an investment adviser registered with the SEC. All other trade names, trademarks, and/or service marks are the property of their respective holders.

Copyright © 2022 Wilshire. All rights reserved.

MR-322422 E1222