

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
August 27, 2009
FINAL Agenda**

- 7:30 a.m. Call to Order**
Approval of July 23, 2009 Board Meeting Minutes
Approval of July 23-24, 2009 Strategic Planning Session Minutes
- 7:35 a.m. LSV Asset Management – Portfolio Review**
James Owens, Partner & Director, Client Portfolio Services
Bhaskaran Swaminathan, Partner & Director of Research
- 8:25 a.m. Trust Company of the West (TCW) – Portfolio Review**
James Hassett, Managing Director
- 9:15 a.m. BREAK**
- 9:30 a.m. Investment Report**
1. Review of July 2009 Performance
2. Review of Investment Managers
3. Portable Alpha Program Recommendation
4. Other Matters
- 10:00 a.m. Legal Report**
1. Litigation Update
2. Legislative Update
3. Review/Approval of Legislation DRAFT
4. Review of Rules DRAFT
5. State Lobbying Services 2010
6. Other Matters
- 11:00 a.m. Staff Report**
1. ASPEN Project Update
2. Other Matters
- 11:15 a.m. Internal Audit Report**
Tim O'Brien, FPPA Internal Auditor
- 11:30 a.m. LUNCH**
- 12:15 p.m. Approval of Hearing Officer's Findings and Recommendations –
Pre-existing Condition for Rawlin Sowell**
- 12:45 p.m. Review of Hearing Officer's Findings and Objections –
for Mike Hunter**
- 1:15 p.m. Chairman's Report**
1. Election of Officers
2. Discussion – Board and CEO
3. Other Matters
- 2:00 p.m. ADJOURN**

**FIRE AND POLICE PENSION ASSOCIATION
MINUTES - BOARD OF DIRECTORS MEETING
August 27, 2009**

**FPPA Office
5290 DTC Parkway, Suite 100
Greenwood Village, CO 80111**

BOARD MEMBERS PRESENT: Chairman Kirk Miller, Leo Johnson, Stan Sponsel, Todd Bower, Tim Nash, Cliff Stanton and Sue Eaton.

BOARD MEMBERS ABSENT: Vice Chairman Mark Sunderhuse and Monica Cortez-Sangster.

STAFF MEMBERS PRESENT: Dan Slack, Kevin Lindahl, Scott Simon, Gina McGrail, Kim Collins, Austin Cooley, Claud Cloete, Jeff Kaszubowski, and Janette Hester.

OTHERS PRESENT: James Owens, Partner & Director, and Bhaskaran Swaminathan, Partner & Director of Research – LSV Asset Management; James Hassett, Managing Director – Trust Company of the West (TCW); Tim O'Brien, FPPA Internal Auditor; Michael R. Hunter, member; Ann O'Connell, Pendleton Friedberg Wilson & Hennessey, P.C.; and Oksana Doncila, visitor – Morgan Stanley.

Notice of this meeting and a copy of the agenda were posted in the building lobby of the FPPA office and on the FPPA website at least twenty-four hours prior to the meeting.

At 7:30 a.m., Chairman Kirk Miller called the meeting to order and noted that there was a quorum present. Chairman Miller called for a motion to approve the minutes.

Leo Johnson made a motion to approve the minutes of the July 23, 2009, Board meeting. Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to approve the minutes of the July 23-24, 2009, Strategic Planning Session. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

PORTFOLIO REVIEW

LSV Asset Management

Scott Simon introduced James Owens and Bhaskaran Swaminathan, who presented a review of the international large cap value equity portfolio that LSV manages on behalf of FPPA. LSV has failed to meet minimum performance thresholds per

FPPA's watch list criteria. Mr. Swaminathan reported that negative stock selection by LSV portfolio managers caused the down performance in the portfolio. He explained the history of value and growth cycles and the resulting effects of the LSV investment management style on the FPPA portfolio. Mr. Swaminathan and Mr. Owens responded to questions from Board members and staff. They concluded their presentation and left the meeting at 8:16 a.m. Mr. Simon reported to the Board that LSV Asset Management had been on watch for one year and gave a watch status review. He reported that staff recommends extending the watch status for twelve months, pending the global equity review.

PORTFOLIO REVIEW

Trust Company of the West (TCW)

Mr. Simon welcomed James Hassett, who presented a review of the high-yield bond portfolio that TCW manages on behalf of FPPA. Mr. Hassett reported that year-to-date returns are ahead of the benchmark due to security selection. He reported that, although credit spreads have tightened, the return potential remains attractive relative to the long-term average. Mr. Hassett answered questions from the Board and staff. He concluded his presentation at 8:58 a.m. and left the meeting. Mr. Simon reported to the Board that TCW had been on watch since April 2008 due to trailing five year underperformance and peer ranking. Currently, TCW is compliant with FPPA's requirements and staff recommends removing TCW from Watch.

At 9:00 a.m., Mr. Johnson made a motion to extend watch list status for LSV Asset Management for twelve months pending FPPA's global equity allocation decision. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to remove TCW from watch. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 9:01 a.m., the meeting recessed for Break.

The meeting reconvened at 9:16 a.m.

INVESTMENT REPORT

Mr. Simon provided a review of the FPPA Total Fund performance for July 2009, which had an increase of 9.6% year-to-date. He reported strong equity performance in the portfolio and the continued stabilization of credit markets. Although investment managers generally agree that the recession seems to be over, they remain skeptical about the strength of the recovery. Mr. Simon reviewed the trailing 12-month performance of GAM and, although GAM has failed to meet the benchmark criteria set up in the Portable Alpha Program, staff recommends that the fund not be placed on Watch List. No action was required by the Board.

Mr. Simon reviewed the private equity portfolio and reported that distributions have slowed due to a lack of exit opportunities and this negative cash flow is increased due to continued capital calls. He reported on a secondary investment opportunity with Hamilton Lane. Mr. Simon noted that SVB Capital has revisited its plans and will not be investing the fund we are invested in an affiliated vehicle. He reported that that real estate had a large impact on the fund's performance for the month. He answered questions from the Board.

Mr. Simon provided a memo from Pension Consulting Alliance (PCA) which reviewed the results of the portable alpha program. The program performed within expectations since its inception in 2004 through early 2007. However, the hedge fund performance and liquidity issues have subsequently been detrimental to the program. PCA recommended that the Board give Staff the discretion to place the hedge funds into more appropriate asset classes. Mr. Simon answered questions from the Board.

At 9:46 a.m., Mr. Johnson made a motion to terminate the portable alpha program while maintain the existing hedge funds exposure. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon reported that the asset liability study will result in a new investment structure which will require a re-drafting of FPPA's investment policy. It will be a worthwhile exercise and will ensure that our policies reflect best practices.

Dan Slack reported that the rough draft of the 3-year Strategic Plan had been received and would be reviewed by the executive staff and presented to the Board at the September Board meeting.

Mr. Simon reported that staff would like to conduct a search for a new global equity index manager as a vehicle within the portfolio without using a formal RFP process. There are only a handful of investment managers that are qualified to provide such a service and staff and PCA are familiar with those firms. He requested Board approval to commence this search.

At 9:53 a.m., Mr. Johnson made a motion to mandate staff to begin a search for a new global equity index manager. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon provided an overview of memos from the Staff and PCA regarding the Public Private Investment Program (PPIP). He stated that the Staff's recommendation at this time is that the PPIP is not appropriate for FPPA 's fixed income allocation, which currently has an allocation to the Term Asset-Backed Securities Loan Facility program (TALF).

LEGAL REPORT

Kevin Lindahl gave an update on the litigation report and reported that a settlement had been reached in the G-1 Holdings case pending a hearing on September 30th. He reported on the Countrywide litigation, stating that the court has denied Plaintiff's objections to the settlement in Delaware. Once the settlement is approved in Delaware, the Plaintiffs can consider whether they wish to appeal the settlement.

Mr. Lindahl then gave a legislative update and reported on the first of two hearings of the Pension Reform Commission (PRC). At the first meeting, on August 7th, 2009, a three-hour presentation was made by Mr. Slack, Mr. Simon, Mr. Lindahl, and Joe Newton, FPPA's actuary. The topic of the hearing was the current status of FPPA's financial and actuarial condition. The second meeting is scheduled for September 14th, when the commission will review and consider proposed 2010 legislation.

Mr. Lindahl provided proposed legislation for Board approval. He reviewed the contents and answered questions from the Board. The Board made several modifications to the proposed legislation and asked Mr. Lindahl to prepare and submit the following bills to the PRC: (1) Extend Term of Retired Member on Board from 4 years to 6 years; (2) Remove Affiliated Local Money Purchase Plans; (3) Return to Work; (4) Member Approved Increase in Contributions – Statewide Defined Benefit. The bills in final format will be forwarded to the Board by email for review prior to presentation before the PRC meeting in mid-September.

At 11:00 a.m. Tim O'Brien joined the meeting.

Mr. Lindahl provided a Draft of Proposed Rule Amendments for early review by the Board. He reviewed the proposed amendments to the FPPA Rules & Regulations; the Statewide Hybrid Plan Rules and Regulations; and the Colorado Springs New Hire Pension Plan Rules and Regulations and answered questions from the Board. The Rules Hearing is scheduled for the September 24th Board Meeting and no action was taken by the Board.

At 11:23 a.m., Mr. Lindahl reported on the status of the 2010 state lobbyist services. Based on the Board's discussion at the strategic planning session, staff recommended that the Board request and evaluate two or three proposals from lobbyists for a service contract for the 2010 legislative session. The Board agreed to be actively involved in the lobbyist interview and selection process. The following Board members will serve on the selection committee: Kirk Miller, Todd Bower and Cliff Stanton.

Mr. Lindahl provided a handout of the Evidentiary Hearing for Michael Hunter and stated that Ann O'Connell, an associate with the law firm of Pendleton Friedberg Wilson & Hennessey, P.C., would be present, as counsel for the board, at the

Review of Hearing Officer Recommendation for Michael Hunter. He answered questions from the Board.

At 11:35 a.m., the meeting recessed for a ten-minute break and then continued during lunch. Ms. Ann O'Connell joined the meeting.

STAFF REPORT

Mr. Slack reported on his attendance at and the conference content of the annual meeting of the National Association of State Retirement Administrators (NASRA).

At 11:50 a.m., Tim O'Brien, FPPA Internal Auditor, reported to the Board on his audit of the FPPA Staff Payroll and Operating Expenditures. He made one recommendation regarding reconciliation by FPPA's payroll service provider to the withholding reports filed with federal and state government. Mr. Slack stated that staff concurs with this recommendation and has taken steps to implement a method of reconciliation.

Mr. O'Brien made a further recommendation that FPPA should perform a total compensation study of the salary and benefits provided to its employees. Mr. Slack stated that staff concurs and that the compensation and benefits structure will be reviewed during the next budget cycle.

Mr. O'Brien also recommended that FPPA should refine its written procedures to identify duplicate invoices. Kim Collins stated that staff concurs and will develop new procedures. Mr. O'Brien recommended that FPPA develop written procedures to process duplicate contributions by employers. Ms. Collins stated that the ASPEN system has been enhanced with the capability to identify and process returned deposits. The audit report concluded at 12:08 p.m.

CHAIRMAN'S REPORT

Chairman Miller referred the Board to the emailed letter of resignation received that morning from Board Vice Chairman Mark Sunderhuse. Mr. Slack reviewed the contents of the letter and answered questions from the Board. At 12:16 p.m., Chairman Miller called for nominations for new officers.

Tim Nash nominated Leo Johnson as Chairman, effective October 1, 2009 through August 31, 2010. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Sponsel nominated Tim Nash as Vice Chairman, effective October 1, 2009 through August 31, 2010. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Slack reported on the recent turnover at FPPA and the efforts he made to assure staff that these changes were justified and a necessary part of the internal reorganization of departments at FPPA. He answered questions from the Board.

At 12:41 p.m., the meeting recessed for ten minutes.

REVIEW of HEARING OFFICER'S RECOMMENDATIONS **for MICHAEL R. HUNTER**

At 12:51 p.m., Chairman Miller called to order the Hearing for the Review of the Hearing Officer's Recommendation for Michael Hunter. Chairman Miller welcomed member Michael Hunter. Ann O'Connell, an associate with Pendleton Friedberg Wilson & Hennessey, P.C., representing the board, was present to give the Board independent legal advice. Prior to the hearing, Mr. Lindahl provided a memo of background information and a copy of the transcript from the April 28, 2009, Evidentiary Hearing for Board review. On August 26th, 2009, Mr. Hunter submitted an email memo to the Board in response to staff's memo. A copy of Mr. Hunter's email was distributed to each Board member prior to the Board meeting. Mr. Lindahl stated that at today's Board meeting the Board would conduct an administrative appellate review of the Hearing Officer's Written Findings, Conclusions and Recommendation.

Mr. Hunter requested an evidentiary hearing on staff's determination that he did not submit a Fidelity BrokerageLink Participant Acknowledgment Form in order to transfer his Schwab PCRA account to the FPPA Defined Benefit System in August and September of 2007. The transition of the account was completed in October 2007. The matter was referred to Hearing Officer Michael W. Sutherland, who conducted an evidentiary hearing on April 28, 2009. H.O. Sutherland subsequently issued written Findings, Conclusions and Recommendation on May 26, 2009, recommending that the Board affirm the determination of staff that Michael R. Hunter did not timely submit a Fidelity BrokerageLink Participant Acknowledgment Form in order to transfer his Schwab PCRA account to the FPPA Defined Benefit System (Fidelity BrokerageLink Account). On June 14, 2009, Mr. Hunter submitted written objections to the Hearing Officer's findings, claiming that the hearing was held in a haphazard manner, giving an unfair advantage to the staff. Mr. Lindahl answered questions from the Board. Mr. Hunter was present at this meeting and was given the opportunity to comment on his objections. When questioned by Mr. Lindahl, Mr. Hunter stated that there was no evidence he wished to present to the Board that he had not been given the opportunity to fully present in the evidentiary hearing.

Mr. Johnson made a motion to affirm the written Findings, Conclusions, and Recommendation of Hearing Officer Sutherland, dated May 26, 2009, with respect of the timeliness of the submission of the Fidelity BrokerageLink Participant Acknowledgment Form ("Form") of Michael R. Hunter and that the Board enter an

order finding that the Form was not timely submitted as recommended by the Hearing Officer. Tim Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

The hearing concluded at 1:01 p.m.

**REVIEW of HEARING OFFICER'S FINDINGS and RECOMMENDATION
for RAWLIN W. SOWELL**

At 1:05 p.m., Chairman Miller called to order the Hearing for the Review of the Hearing Officer's Findings and Recommendation for Rawlin W. Sowell. On January 13, 2009, Hearing officer Michael Sutherland initially denied Mr. Sowell a total disability because he had a pre-existing medical condition. Mr. Sowell requested and was granted an evidentiary hearing. The evidentiary hearing was conducted by Hearing Officer Michael Sutherland at the FPPA office on May 26, 2009. H.O. Sutherland affirmed his previous recommendation and recommended the denial of total disability benefits because the condition was pre-existing.

A copy of Mr. Sowell's hearing packet was distributed to each Board member prior to the Board meeting. Mr. Lindahl provided a memo of background information and reviewed this with the Board. Mr. Sowell did not file written objections to the Hearing Officer's findings and recommendation and Mr. Sowell was not present at the hearing. Mr. Lindahl stated that at today's Board meeting the Board would conduct an administrative appellate review of the Hearing Officer's Written Findings, Conclusions and Recommendation. Mr. Lindahl answered questions from the Board.

At 1:11 p.m., Mr. Johnson made a motion to affirm the written Findings, Conclusions and Recommendation of Hearing Officer Sutherland, dated May 26, 2009, with respect to the pre-existing nature of the disabling condition of Rawlin W. Sowell and that the Board affirm the recommendation that the condition is pre-existing and no disability benefit is payable. Cliff Stanton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 1:13 p.m., Mr. Johnson made a motion to adjourn the meeting. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.