

**FIRE AND POLICE PENSION ASSOCIATION  
BOARD OF DIRECTORS**

**December 3, 2009**

**FINAL Agenda**

- 7:30 a.m. Call to Order**  
Approval of October 22, 2009 Board Meeting Minutes  
Approval of November 13, 2009 Special Board Meeting Minutes  
Approval of November 13, 2009 Educational Training Session Minutes  
Approval of October 29, 2009 Lobbyist Review Committee Minutes  
Approval of November 13, 2009 Lobbyist Review Committee Minutes  
Approval of September 24, 2009 Executive Session Minutes  
**Consent Calendar**  
Approval of Resolution No. 2009-3 (CEO Authority)
- 7:35 a.m. Investment Report**  
1. Review of October 2009 Performance  
2. Review of Investment Managers  
3. Review of Rebalancing Activity  
4. Review of Alternative Investments Activity  
5. Global Equity Index Recommendation  
6. Asset/Liability Study – Summary Report  
7. Other Matters
- 8:20 a.m. Investment Decision-Making Process Discussion**
- 9:20 a.m. BREAK**
- 9:30 a.m. Lobbyist Review Committee - Recommendation and Discussion**
- 9:45 a.m. Internal Audit Report**  
*Tim O'Brien, FPPA Internal Auditor*
- 10:00 a.m. Legal Report**  
1. Litigation Update  
2. Legislative Update  
3. Approval and Renewal of Annual Contracts  
  - Inman Flynn Biesterfeld, et.al. (Michael Sutherland) – Hearing Officer
  - Thomas Pollart & Miller, LLC (Stacy J. Tarler) – Hearing Officer
  - Lobbyists
4. Other Matters
- 10:30 a.m. Final Approval of 2010 Budget**
- 11:00 a.m. BREAK**
- 11:15 a.m. Staff Report**  
1. ASPEN Project Update  
2. FPPA Staff Healthcare Subsidy Required Contribution  
3. Memo RE *Request for an increase to the Employer contribution Rate – Town of Mountain Village (Statewide Money Purchase Plan)*  
4. Renewal of Annual Contracts  
  - Dr. Roderic Gottula – Medical Advisor
  - Tim O'Brien – Internal Auditor
5. Request to Change March Board Meeting Date to March 18<sup>th</sup>  
6. Other Matters
- 11:45 a.m. Chairman's Report**  
1. Board 2009 Self-Evaluation  
2. CEO's 2009 Annual Review  
3. Other Matters
- 12:45 p.m. ADJOURN and LUNCH**
- 4:00 p.m. HOLIDAY RECEPTION for Board, Staff and Guests**

**FIRE AND POLICE PENSION ASSOCIATION  
MINUTES - BOARD OF DIRECTORS MEETING  
December 3, 2009**

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

**BOARD MEMBERS PRESENT:** Chairman Leo Johnson, Tim Nash, Kirk Miller, Jack Blumenthal, Lyle Hesalroad, Todd Bower, Cliff Stanton, Monica Cortez-Sangster, and Sue Eaton.

**BOARD MEMBERS ABSENT:** None.

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

**OTHERS PRESENT:** John Linder, Pension Consulting Alliance (PCA); Tim O'Brien, FPPA Internal Auditor.

*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 7:32 a.m., Chairman Leo Johnson called the meeting to order and noted that there was a quorum present. Chairman Johnson called for motions to approve the minutes and the consent calendar.

Kirk Miller made a motion to approve the minutes of the October 22, 2009, Board meeting. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Miller made a motion to approve the minutes of the November 13, 2009, Special Board Meeting. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Miller made a motion to approve the minutes of the November 13, 2009, Educational Training Session. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Miller made a motion to approve the minutes of the October 29, 2009 Lobbyist Review Committee Meeting. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Miller made a motion to approve the minutes of the November 13, 2009 Lobbyist Review Committee Meeting. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Miller made a motion to approve the minutes of the September 24, 2009 Executive Session Meeting. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Bower made a motion to approve Resolution No. 2009-3 (executive authority) as written. Mr. Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

### **INVESTMENT REPORT**

Mr. Simon provided a review of the FPPA Total Fund performance for October 2009, which had an increase of 14.48% year-to-date and an estimated increase of 18.0% year-to-date at the end of November. In October, equity markets ended their run of seven months of positive performance. U.S. markets lagged the Non-U.S. markets influenced by small cap declines (-6%) and a declining dollar. The bond market showed slightly positive performance as credit conditions continued to improve.

Mr. Simon reported that WAMCO outperformed their benchmark for the month, while Artio Global and Fiduciary Asset Management performed poorly year-to-date. He reported that staff will be visiting all public equity managers in December in their continuing analysis of a new Global Equity framework. Mr. Simon, Dan Slack and John Linder addressed an article in the *Wall Street Journal* regarding a lawsuit alleging overcharging in foreign currency trades by State Street Corp. While this investigation does not directly affect FPPA, it does relate to BNY Mellon, who has been reluctant to provide similar information requested for review by staff. Mr. Simon and Mr. Linder answered questions from the Board.

Mr. Simon reported the portfolio rebalancing activity of \$35 million redemption from WAMCO to maintain adequate cash reserves in the State Street equity exposure manager. He reported on three alternative investment funds recommended by Hamilton Lane. Mr. Simon answered questions from the Board. Claud Cloete reported on the search for a Global Equity Index manager. Mr. Cloete explained the Staff's due diligence process. After reviewing the top providers of such a service, staff recommended State Street Global Advisors. Mr. Simon and Mr. Cloete answered questions from the Board.

Mr. Bower made a motion to approve using State Street Global Advisors as FPPA's Global Equity Index provider, subject to final legal review and an onsite visit. Lyle Hesalroad seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon referred the Board to a letter from EFI Actuaries, Inc., and reviewed the results of the PCA/EFI asset/liability study. The PCA/EFI Model was used to project the future behavior of FPPA plans; to verify that current actuarial valuation is appropriate and adequate; and to make recommendations regarding the strategic allocation policy of FPPA. The PCA/EFI Model was also used to help the Board determine how it should adjust FPPA's asset allocation policy. Mr. Slack stated that an actual audit to verify the soundness of actuarial practices will be completed in 2011 or 2012. Mr. Simon and Mr. Slack answered questions from the Board and addressed the Board's concern that consultant fees be compared prior to the initiation of another asset/liability study. By general consensus, the Board agreed that the RFP process would be appropriate in making the final selection of a consulting firm hired to conduct the next asset/liability study.

### **INVESTMENT DECISION-MAKING PROCESS**

Mr. Simon reviewed discussions that occurred at the November 13, 2009, Board Educational Training Session on risk management which included a discussion on the investment decision-making process.. Mr. Simon reported that under the existing policies and procedures, the Board maintains the primary role of implementing investment policy. He stated that the new asset allocation adopted by the Board in September 2009 will require increased resources, time and expertise to implement. Staff requested Board direction and guidance in drafting new Investment Policies and Procedures Guidelines that will detail the appropriate investment decision-making process to be followed by FPPA. The new guidelines manual will be presented to the Board for approval. Mr. Simon reviewed three possible models of Accountability Matrices: (1) Full Approval Model (current structure); (2) Investment Committee Model; and (3) FPPA Staff Model. He and Mr. Slack suggested variances that could be applied to each model and answered questions from the Board. The consensus of the Board was that staff and Pension Consulting Alliance (PCA) should summarize the current FPPA investment process and provide materials from other similar pension organizations for Board review.

At 9:35 a.m., the meeting recessed for Break. Austin Cooley, Mr. Cloete, Jeff Kaszubowski and Sean Ross left the meeting. At 9:50 a.m., the meeting reconvened. Tim O'Brien joined the meeting.

### **LOBBYIST REVIEW COMMITTEE DISCUSSION**

Mr. Miller and Kevin Lindahl reported on the Lobbyist Review Committee meetings and the applications and proposals received. They reported that three firms were selected for interviews. Mr. Miller and Mr. Lindahl reviewed with the Board how the three finalists were selected; what qualities were used to determine the three finalists; and the service fee requested by each firm. References of the final candidates were checked by committee members prior to the scheduled interviews. Mr. Lindahl reported that the committee's recommendation to the Board was to extend the contract of Lombard and Clayton at a reduced annual fee of \$40,000,

retroactive to September 1, 2009. The committee also recommended that should a conflict arise, FPPA be permitted to hire outside lobbyists as representatives and to reduce the contractual fees appropriately and that the lobbyist firm selected report to the Board at least two times per year, with one presentation being a forecast of the upcoming legislative session and one presentation being a wrap-up of the concluded legislative session.

Mr. Miller made a motion that the Board extend the contract of Lombard and Clayton at the reduced fee of \$40,000.00 per year, retroactive to September 1, 2009. Mr. Hesalroad seconded the motion. THE MOTION CARRIED IN FAVOR UNANIMOUSLY.

### **INTERNAL AUDIT REPORT**

Chairman Johnson welcomed Tim O'Brien, FPPA Internal Auditor, who provided an Internal Audit Report of Data Converted to ASPEN. Mr. O'Brien reviewed the audit objectives and the time period covered in the audit. His audit conclusions were that FPPA accurately recorded certain historical and demographic information and that employer and employee contributions were accurately reflected in the ASPEN System. He reported two recommendations: (1) FPPA staff should periodically reaffirm with its participating employers the individuals who are authorized contacts for FPPA business; and (2) FPPA staff should work with employers to correct the source of these errors so that edits are highlighting higher risk transactions. Kim Collins responded that FPPA staff concurs with both recommendations and had taken steps to implement process and procedural changes within the ASPEN System, as recommended. Mr. O'Brien answered questions from the Board. He concluded his report and left the meeting.

### **LEGAL REPORT**

Mr. Lindahl reported that the fraudulent conveyance action against FPPA and others as Noteholders in the G-1 Holdings case has been stayed indefinitely, pending the outcome of related matters in Bankruptcy Court. The Bankruptcy Court has rejected the IRS objections to the reorganization plan, and the IRS has appealed. In the Tronox and Kerr-McGee case, Mr. Lindahl reported that FPPA continues to represent bondholders as co-lead plaintiff. A new consolidated complaint is required to be filed in this matter by November 24, 2009.

Mr. Lindahl reported that the legislation proposed by FPPA and submitted as bills to the Pension Reform Commission have passed through interim committee. The bills will be presented to the House or Senate in the legislative session beginning in January 2010. He provided background for these bills.

Mr. Lindahl provided copies of the hearing officer agreements for Michael Sutherland, Inman Flynn Biesterfeld & Brentlinger, P.C., and Stacy J. Tarler,

Thomas Pollart & Miller LLC. Both agreements are to commence on January 1, 2010 and terminate on December 31, 2010.

Mr. Bower made a motion to approve the Hearing Officer Agreement for Michael Sutherland, as written. Tim Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Bower made a motion to approve the Hearing Officer Agreement for Stacy J. Tarler, as written. Mr. Hesalroad seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Lindahl provided information regarding a requested date change for the Jennifer M. Browne hearing. Richard D. Radabaugh, attorney for Ms. Browne, has requested that the hearing be re-scheduled for February 25, 2010, due to a scheduling conflict on his calendar. It was the consensus of the Board to put the hearing on the February agenda.

### **FINAL APPROVAL OF 2010 BUDGET**

Kim Collins provided a copy of the final Proposed 2010 FPPA Budget. Ms. Collins stated that FPPA staff had reduced the budget slightly from the budget presented at the October meeting, and she gave an overview of planned expenses within each budget category. Mr. Slack and Ms. Collins answered questions from the Board. Ms. Collins requested Board approval of the 2010 Budget.

Mr. Bower made a motion to approve the 2010 budget, as submitted. Mr. Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

### **STAFF REPORT**

Mr. Slack gave the CEO Report. He reported on the receipt of letters and emails from members in response to his PensionCheck article. He reported on a new Employee of the Year award program (EOY), which honors one FPPA employee nominated by fellow employees for exceptional performance and service to members. This annual award will be presented at the FPPA Board and Staff holiday party.

Ms. Collins reported on the ASPEN Project, stating that the project is nearing completion. She reported that Sagitec continues to work with FPPA staff to identify and correct problems within the system, and staff continues to test the member portal, with roll-out to the membership scheduled for approximately March 2010. Ms. Collins reported that a managed security system is in place to safeguard the ASPEN system, and that FPPA staff and Sagitec are developing a 3-month transitional training program. She answered questions from the Board.

Ms. Collins provided a memo to the Board regarding the FPPA Staff Healthcare Subsidy- Required 2009 Contribution. At policy inception in 1993, the Board chose to fully fund this plan annually on an unsmoothed market value of assets basis. However, due to the volatile markets in 2008, the Board decided to fund the plan by two times the known subsidy payments to be made in 2009. Upon the recommendation of the FPPA internal auditor, staff asked Gabriel, Roeder, Smith (GRS), FPPA's actuaries, to review the program. GRS determined that the best way to fund for this plan was to calculate the annual cost using an Actuarial Required Contribution analysis. Ms. Collins reported that staff has completed its analysis of the healthcare subsidy account for 2009 and the projected liability in this program is \$211,935. The program currently has a balance of \$113,146. Per the recommendation of GRS, and based on this calculation, staff is recommending a reallocation of \$13,632 from Staff Benefit Expenses to fund this program in 2009.

Monica Cortez-Sangster made a motion to reallocate \$13,632 from Staff Benefit Expenses to fund the FPPA Staff Healthcare Subsidy Program.

Mr. Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Gina McGrail provided a memo regarding the Request for an increase to the Employer Contribution Rate – Town of Mountain Village (Statewide Money Purchase Plan). She reviewed the applicable statutory language. Ms. McGrail also provided a resolution submitted by the employer which certified that an employee election was conducted and at least 65 percent of the active members in the plan approved the higher mandatory employer contribution rate. Ms. McGrail answered questions from the Board. She requested Board approval.

Mr. Miller made a motion to approve the request for an increase to the employer contribution rate for the Town of Mountain Village Statewide Money Purchase Plan. Ms. Cortez-Sangster seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Ms. McGrail provided a copy of the annual agreement for Roderic Gottula, M.D., the FPPA Medical Advisor who provides advisory services to the Death and Disability Retirement Committee (DDRC) and reviews applications for disability retirement. Ms. McGrail reviewed the responsibilities of the medical advisor and reported that the contract fee reflects an increase of 2%. She answered questions from the Board. Ms. McGrail and staff requested Board approval for the renewal of the agreement as written.

Mr. Nash made a motion to approve the renewal of the annual contract for FPPA Medical Advisor, Roderic Gottula, M.D., as presented. Mr. Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Slack provided a copy of the agreement for the FPPA Internal Auditor, Timothy O'Brien. Mr. Slack reviewed the transition issues that staff will undertake with the newly-hired independent audit firm of Clifton Gunderson and suggested that the

retention of the internal auditor would be beneficial. Mr. Slack and staff requested approval to renew the agreement of the FPPA Internal Auditor.

Mr. Miller made a motion to approve the renewal of the annual contract for FPPA Internal Auditor, Tim O'Brien, as presented. Jack Blumenthal seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Slack requested permission from the Board to change the March 2010 Board meeting date so that he might accept an invitation to moderate a panel at the Fiduciary College at Stanford University. By consensus the Board approved changing the date from March 25<sup>th</sup> to March 18<sup>th</sup>. Mr. Slack then requested Board approval to change the date of the December 2010 Board meeting. By consensus the Board approved changing the date from December 2<sup>nd</sup> to December 9<sup>th</sup>.

Mr. Slack and Mr. Simon provided an evaluation form for the November 13<sup>th</sup> Board Educational Training Session for Board members to complete and return. Mr. Slack provided a copy of a letter dated November 16, 2009, and an attachment dated February 28, 2006, from Carl Smith, Deputy Chief of Carbondale & Rural Fire Protection District. Ms. McGrail provided background details for new Board members regarding the issue of offsets made to the Death and Disability benefit by the "old hire" and "early retirement" benefit of the Statewide Defined Benefit pension plan. Mr. Lindahl reviewed the comments and complaints stated in the letter from Mr. Smith and noted that appropriate correspondence will be initiated with Mr. Smith. Ms. McGrail and Mr. Lindahl answered questions from the Board. Mr. Nash provided correspondence dated November 2009 from Ross Bachofer, a retired firefighter who wrote requesting that FPPA promote legislation to accommodate layering of a disability benefit on top of a retirement benefit. Mr. Slack provided a copy of his response letter of explanation to Mr. Bachofer. Mr. Slack answered questions from the Board.

### **CHAIRMAN'S REPORT**

At 11:16 a.m., FPPA staff left the meeting and Chairman Johnson led a discussion on the Board's 2009 Self-Evaluation and the CEO's 2009 Annual Review.

The meeting adjourned at 12:47 p.m.