

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
February 26, 2009
Final Agenda**

- 7:30 a.m. Call to Order**
Approval of January 15, 2009 Board Meeting Minutes
Approval of January 15, 2009 Executive Session Minutes (litigation)
Approval of January 15, 2009 Executive Session Minutes (personnel matter)
- 7:35 a.m. Baillie Gifford - Portfolio Review**
Peter Hadden, Client Service Director
Susan Shuttleworth, Client Service Manager
- 8:25 a.m. Rexiter – Portfolio Review**
Neil Tremblay, Vice President & Senior Relationship Manager - State Street Global Advisor
Murray Davey, Director & Portfolio Manager - Rexiter Capital Management
- 9:10 a.m. BREAK**
- 9:25 a.m. Investment Report**
1. Review of December 2008 and January 2009 Performance
2. Review of Managers
3. Update on Rebalancing Activity
4. Review of Emerging Markets Exposure
5. Update on Gottex Issues
6. Update on Portable Alpha – Swap Exposure
7. Approval of Target Date Fund 2045
8. Other Matters
- 10:05 a.m. PCA – Outline of Asset / Liability Study**
Scott Simon will review briefly in Neil Rue's absence.
- 10:15 a.m. BREAK**
- 10:30 a.m. Legal Report**
1. Litigation Update
2. Discussion re Countrywide Litigation
Blair Nicholas, Bernstein Litowitz Berger and Grossman
3. Legislative Update
4. Memo re Priorities for Implementation of Benefit Rollbacks
5. Other Matters
- 11:10 a.m. Review of Hearing Officer Findings**
Claim for Survivor (Elaine Quintana) Benefits RE:
James P. Quintana, deceased, Denver Fire
- 11:20 a.m. Staff Report**
1. ASPEN Project Update
2. Staff Recommendations for 2009 Supplemental Actuarial Studies
3. Discussion re Actuarial Factors Used in the Disability Benefit Calculations
4. Other Matters
- 11:45 a.m. Gabriel Roeder Smith & Co. – Discussion re Roll Forward Results on Old Hire Plans**
Joseph P. Newton, Senior Consultant - GRS
- 12:15 p.m. Internal Audit Report**
Tim O'Brien, FPPA Internal Auditor
- 12:30 p.m. Chairman's Report**
1. Monthly Discussion – Board and CEO
2. Other Matters
- 12:45 p.m. LUNCH**

**FIRE AND POLICE PENSION ASSOCIATION
MINUTES - BOARD OF DIRECTORS MEETING
February 26, 2009**

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

BOARD MEMBERS PRESENT: Chairman Kirk Miller, Leo Johnson, Stan Sponsel, Tim Nash, Monica Cortez-Sangster (7:34) and Todd Bower.

BOARD MEMBERS ABSENT: Vice Chairman Mark Sunderhuse, Kris Gardner.

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

OTHERS PRESENT: *Peter Hadden and Susan Shuttleworth, Baillie Gifford Overseas Ltd.; Murray Davey, Rexiter; Blair Nicholas, Bernstein Litowitz Berger and Grossman; Joseph Newton, Gabriel Roeder Smith & Co. (10:50); and Tim O'Brien (11:52).*

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 7:31 a.m., Chairman Kirk Miller called the meeting to order and noted that there was a quorum present. He asked for a motion to approve the minutes of the January 15, 2009 Board meeting. Leo Johnson made a motion to approve the minutes. Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Leo Johnson made a motion to approve the executive session minutes of January 15, 2009 (litigation). Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Leo Johnson made a motion to approve the executive session minutes of January 15, 2009 (personnel matter). Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

PORTFOLIO REVIEWS

Baillie Gifford Overseas Ltd.

At 7:36 a.m., Scott Simon introduced Peter Hadden and Susan Shuttleworth, who presented a review of the international equity portfolio that Baillie Gifford manages for FPPA. They responded to questions from Board members and staff and left the meeting at 8:31 a.m.

Rexiter Capital Management, Ltd.

At 8:34 a.m., Scott Simon introduced Murray Davey, who presented a review of the international equity portfolio that Rexiter manages for FPPA. He responded to questions from Board members and staff and left the meeting at 9:12 a.m.

The meeting recessed briefly.

INVESTMENT REPORT

At 9:27 a.m., Scott Simon reviewed Total Fund performance for December 2008 and January 2009. He gave an overview of the stock market conditions, the uncertainty of the economic recovery situation and current government intervention actions that include stimulus and bailout plans. Scott stated that current credit markets have improved slightly but still lack clarity for sustained signs of stability. Equity markets were down approximately 8% for the month of January. Scott provided an overview of FPPA's investment managers and gave an update on rebalancing activities. FPPA redeemed \$30 million and \$25 million from its fixed income managers in January and February, respectively, to fund liquidity needs. FPPA's hedge funds had positive performance for January leading to a positive contribution from the portable alpha program. FPPA's fixed income managers had strong relative performance to the index. The ODCE real estate index was down 11% for 4Q2008. FPPA should expect similar declines in its real estate portfolio. Private equity returns are estimated to be down approximately 15% for 4Q2008. Scott provided an update on FPPA's emerging market exposure. He referred board members to analysis and due diligence memos from staff and provided recommendations and options to consider. Scott answered questions from the Board.

At 9:49 a.m., Leo Johnson made a motion to extend watch list status of Rexiter for an additional year and to place Baillie Gifford on watch list status for one year. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 9:50 a.m., Todd Bower made a motion to approve Artio Global's request to increase their limit of emerging markets exposure to 20% of their portfolio and to approve their request to have a limited use of stock index futures in managing exposure within their portfolio. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 9:51 a.m., Todd Bower made a motion to approve Morgan Stanley's request to allow them the flexibility to have an allocation to emerging markets up to 10% of their portfolio and to approve their request to have a limited use of currency forward contracts to manage currency risk within the portfolio. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 9:52 a.m., Todd Bower made a motion to approve staff's suggested changes to the International Equity section of the Master Statement of Investment Policies and Objectives to clarify the use of certain derivatives contracts. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Scott provided an update on FPPA's investment in the Gottex Market Neutral Fund. Scott reported that Gottex anticipates opening up the fund again for redemptions on May 1. The staff will need to conduct additional diligence on proposed new investment vehicles being offered by Gottex. Scott answered questions from the Board.

At 10:02 a.m., Leo Johnson made a motion to increase the budget for the investment department to cover the \$20,000 costs to engage Castle Hall to assist in operational due diligence on Gottex. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 10:04 a.m., Leo Johnson made a motion to continue watch list status of Gottex for an additional year. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Scott provided an update on the Portable Alpha Program. Given the reduced need for beta exposure and desire for more flexibility in managing the program, the staff will remove the swap agreements supporting the program at February month end. Subsequent beta exposure will be managed solely with futures.

Scott referred the Board to a recommendation from staff to approve the Fidelity Freedom 2045 target date fund as an investment option for FPPA's self directed plans.

At 10:10 a.m., Leo Johnson made a motion to approve the addition of Fidelity Freedom 2045 to the investment options within all FPPA self-directed plans and grant the staff flexibility in the future to add and remove appropriate target date funds as appropriate based on the current roll-down practice to match the retirement ages of FPPA's workforce. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

PCA PRESENTATION – Introduction to an Integrated Asset/Liability Study

Scott reported that staff will work with PCA and EFI Actuaries, Inc., to develop and incorporate new investment classes into the asset/liability study by August or September 2009. Neil will present the asset/liability study in more detail at the March Board meeting.

The meeting recessed for break.

LEGAL REPORT

At 10:30 a.m., Kevin Lindahl introduced Blair Nicholas, an attorney with Bernstein Litowitz Berger & Grossman (BLB&G), to review issues related to the Countrywide derivative case.

At 10:31 a.m., a motion was made by Stan Sponsel to adjourn into executive session to receive legal advice from FPPA General Counsel and Blair Nicholas, an attorney with Bernstein Litowitz Berger & Grossman, regarding potential litigation, pursuant to Section 24-6-402 (4)(b) C.R.S. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 10:48 a.m., Stan Sponsel made a motion to come out of executive session. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY. Chairman Miller stated that no final action, votes or motions were made or taken during executive session. Blair Nicholas left the meeting. Joe Newton joined the meeting.

At 10:50 a.m., Kevin Lindahl provided a written litigation report and answered questions from Board members. Kevin reported on pending legislation: (1) HB 1030 went to committee hearing in the Senate and will go to the Governor in approximately two weeks; (2) SB 227 delays funding for old hire plans for three (3) years, extending the state contribution through 2015; (3) SB 17 is a disability clean-up bill. This bill has received Senate approval and will go to the House next week, then to the Governor. Kevin and Kirk Miller reported on email correspondence received by Kirk from a survivor of an active member under the Statewide D&D plan. Kevin gave historical background information and explained how the proposed changes in SB 17 would affect the SWD&D plan. The proposed changes do not affect survivors of active members. Gina suggested that the Board might consider reinstatement of benefits for death and disability benefits recipients that have remarried and had benefits terminated in a supplemental actuarial study to determine the impact of any increased cost to the Statewide Death & Disability plan. Kevin and Gina McGrail answered questions from Board members. Kevin will advise Board members weekly by email of the progression of the bills.

At 11:13 a.m., Kevin referred Board members to a memo regarding Priorities for Implementation of Benefit Rollbacks for the Statewide Defined Benefit plan. Kevin explained each tool available for addressing funding requirements. Joe Newton, FPPA actuary for GRS, addressed the Board and provided preliminary information that updated the old hire plans and anticipated contribution rates. Joe said that the Statewide Defined Benefit plan was 120% funded on January 1, 2008 and that funding had dropped significantly by January 1, 2009. Joe responded to questions from the Board regarding plan funding in the current market downturn. Kevin, Kim Collins and Joe answered questions from Board members.

At 11:20 a.m., Monica Cortez-Sangster left the meeting.
At 11:50 a.m., the legal report concluded.

STAFF REPORT

At 11:50 a.m., Kim Collins provided an update on the ASPEN Project. Sagitec has committed to post-implementation assistance with production related issues. She answered questions from Board members.

At 11:52 a.m., Gina McGrail referred Board members to a memo regarding staff recommendations for 2009 supplemental actuarial studies. She explained the recommended supplemental items for study in the Statewide Hybrid Plan and Statewide Death & Disability Plan. She and Kevin Lindahl answered questions from Board members. It was the general consensus of the Board to proceed with four (4) actuarial studies, one (1) under the SWH plan and three (3) under the SWD&D plan.

At 11:57 a.m., Monica Cortez-Sangster returned.
At 12:04 p.m., the meeting recessed for break.
At 12:10 p.m., the meeting reconvened.

At 12:11 p.m., Gina provided a memo regarding blended mortality tables for the Statewide D&D plan, as well as a letter from GRS with additional details and a recommendation. Gina and Joe Newton explained how the blended table used for total and occupational disability benefits calculations and recalculations (including upgrade and downgrade calculations) affects the long-term liabilities of the plan. GRS and staff concluded that the use of the blended mortality tables follows the intent of the statute, offers administrative consistency and a more equitable benefit calculation for members. Gina and Joe answered questions from Board members.

At 12:15 p.m., Leo Johnson made a motion to approve the use of the blended mortality tables for determining disability benefits and offsets for the Statewide Death & Disability plan effective March 1, 2009. Monica Cortez-Sangster seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

GABRIEL ROEDER SMITH & CO. (GRS) PRESENTATION

Joe Newton reported on the roll forward study for the old hire plans. He also discussed the funded status of the Statewide Defined Benefit and Statewide Death & Disability plans. Joe answered questions from Board members and staff. At 12:27 p.m., Joe Newton left the meeting.

JAMES P. QUINTANA REVIEW HEARING

Chairman Miller called the Hearing to order. Kevin Lindahl provided a memo for the Board members and reviewed background information on the Claim of Survivor Benefits in the case of James P. Quintana. Kevin stated that the evidentiary Hearing had been conducted by Hearing Officer Sutherland who subsequently issued his Recommendations. He explained the actions that the Board could take and answered questions from Board members.

At 12:29 p.m., Stan Sponsel made a motion to affirm the written Recommendation of Hearing Officer Sutherland, dated January 5, 2009, with respect to the common-law marital status of Elaine Quintana and that the Board deny such status. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 12:30 p.m., Stan Sponsel made a motion to affirm the written Recommendation of Hearing Officer Sutherland, dated January 5, 2009, with respect to the adult incapacitated dependent child status of Terence Payseno and that the Board deny such status. Leo Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY. Chairman Miller declared the hearing closed.

INTERNAL AUDIT REPORT

At 12:31 p.m., Tim O'Brien reported the completion of FPPA's 2008 internal audit of policies and procedures concerning the existence and valuation of alternative investments. Tim's internal audit concluded that the alternative investment processes and guidelines are adequate to support the existence and valuation assertions with respect to FPPA's publication of FPPA's Comprehensive Annual Financial Report. Tim recommended that FPPA should continue to review and update its policies and procedures concerning alternative investments to assure its understanding of investment strategies and the manner in which they are employed and the underlying investment portfolios and the reasonableness and reliability of the inputs and methodologies used for their valuation. The FPPA Investment Staff reviewed the written analysis and agreed with the findings as presented by Tim O'Brien. Tim answered questions from the Board and then left the meeting.

CHAIRMAN'S REPORT

At 12:40 p.m., Kirk Miller updated Board members and staff on a real estate and private equity conference that he and Leo Johnson attended in early February. Dan Slack updated the Board on correspondence from the Governor's office regarding the appointment of two new trustees and the reappointment of Kirk Miller. He stated that the nominations and the date for confirmation Hearings had not been finalized and that he would keep the Board members informed of anticipated executive orders. Dan reported on the status of an employee personnel matter, and he and Kim Collins answered questions from Board members regarding this issue. Kim further stated that staff will continue to review security policies to ensure compliance. Finally, Dan updated the Board on the status of his permanent relocation plans.

At 12:55 p.m., the meeting adjourned.