

**FIRE AND POLICE PENSION ASSOCIATION**  
**Board of Directors' Meeting and Strategic Planning Meeting**  
**Vail Mountain Marriott**  
**715 West Lionshead Circle**  
**Vail, CO**  
**July 23-24, 2009**  
**Final AGENDA**

**THURSDAY, July 23, 2009**

8:00 am ***CONTINENTAL BUFFET BREAKFAST***

9:00 am **Call to Order**

Approval of May 28, 2009 Board Meeting Minutes

Approval of June 12, 2009 Board Educational Training Session Minutes

9:05 am **Investment Report**

1. Review of May and June Performance
2. Review of Managers
3. Review of Quarterly Reports
4. Update on Rebalancing Activity
5. Other Matters

9:20 am **Legal Report**

1. Litigation Update
2. Legislative Update
3. Discussion of Memo Re: Proposals for 2010 Legislation
4. Approval of Publication of DRAFT Notice of Proposed Rulemaking

9:40 am **Approval of Colorado Springs Contribution Rates**

9:45 am **Decision on Accounting Firm for Annual Audit**

9:50 am **Presentation on Asset Smoothing and Corridors**

Joe Newton, *Gabriel Roeder Smith & Company*

10:20 am ***BREAK***

10:30 am **Presentation - Asset Liability Study**

Neil Rue, *Pension Consulting Alliance, Inc.*

Bob McCrory, *EFI Actuaries*

12:00 pm **Chairman's Report**

1. Educational Evaluation Form (Kirk Miller –2009 Market Makers)
2. Election of Vice-Chair
3. Other Matters

12:05 pm ***LUNCH***

1:30 pm **STRATEGIC PLANNING SESSION**

Nancy Williams and Laurel Nicholson, *Ennis Knupp + Associates*

3:20 pm ***BREAK***

3:30 pm **STRATEGIC PLANNING SESSION resumes**

5:00 pm ***ADJOURN***

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**FRIDAY, July 24, 2009**

- 7:30 am      *CONTINENTAL BUFFET BREAKFAST*
- 8:30 am      **STRATEGIC PLANNING SESSION resumes**
- 10:30 am     *BREAK*
- 10:45 am     **STRATEGIC PLANNING SESSION resumes**
- 12:00 pm     *ADJOURN*
- 12:05 pm     *LUNCH*
- DEPARTURE*

**FIRE AND POLICE PENSION ASSOCIATION  
MINUTES - BOARD OF DIRECTORS MEETING  
July 23-24, 2009**

**Vail Marriott  
715 West Lionshead Circle  
Vail, CO 81657**

**Thursday, July 23, 2009**

**BOARD MEMBERS PRESENT:** Chairman Kirk Miller, Leo Johnson, Stan Sponsel, Todd Bower, Tim Nash, Monica Cortez-Sangster (by tele-conference call), Cliff Stanton and Sue Eaton.

**BOARD MEMBERS ABSENT:** Vice Chairman Mark Sunderhuse.

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

**OTHERS PRESENT:** Joseph P. Newton, Senior Consultant – Gabriel Roeder Smith & Co; Neil Rue, Consultant – Pension Consulting Alliance; Bob McCrory – EFI Actuaries; Nancy Williams and Laurel Nicholson – Ennis Knupp + Associates.

*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 9:00 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 moved to approve the minutes of the May 28, 2009, Board meeting. Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson moved to approve the minutes of the June 12, 2009, Board Educational Training Session. Tim Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

**INVESTMENT REPORT**

Scott Simon reported on the FPPA Total Fund performance for May and June 2009 and reviewed current economic and market conditions. In his review of FPPA's investment managers, Mr. Simon reported that Fiduciary Asset Management, an equity portfolio manager, failed to meet threshold performance criteria per FPPA's watch list guidelines. Staff recommended extending the firm on watch for another year.

Mr. Johnson moved to extend the watch list status for one year for Fiduciary Asset Management. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon noted that small cap equities are performing well, as is fixed income. International equities are performing acceptably; however, Artio continues to struggle. LSV is performing well. Mr. Johnson inquired whether FPPA should be concerned about manager risk, having GAM and Artio as investment managers for FPPA. Mr. Simon and Neil Rue acknowledged that this is a valid concern and one that will be monitored, but noted that there is no immediate concern.

Mr. Simon noted that real estate is the most troubled asset class – facing continued downward pressure. Cliff Stanton commented that FPPA should remain aware of potential concerns about commingling defined contribution funds into the J.P. Morgan real estate product.

Mr. Simon provided an update on FPPA's investment with Metropolitan West Asset Management (MetWest), focused on opportunities within the TALF program. He explained how MetWest would be taking minimal exposure to CMBS within their Fund.

Mr. Simon provided an update on FPPA's securities lending program, reporting that FPPA suffered an approximately \$690,000 realized loss on exposure to CIT Group, a bank holding company. BNY Mellon will take on 20% of the loss, pursuant to our securities lending income split.

Mr. Simon disclosed that FPPA received a \$27 million distribution from Gottex Fund Management as part of FPPA's participation in their liquidation investment vehicle. Staff is comfortable with the liquidation process to date.

Mr. Simon gave an update on FPPA's investment in Venture Investment Managers and their potential investment in an affiliated growth capital fund-of-funds. This is allowed pursuant to the limited partnership agreement, but staff's general position is that this not an optimal investment structure.

Mr. Simon reviewed the Q2 2009 summary investment report for FPPA and reported on the rebalancing activities during May. Mr. Simon answered questions from the Board.

Dan Slack reported that the Pension Reform Commission (PRC) had requested that the 2009 report to the legislature be split into two meetings. The first meeting will occur on the morning of August 7<sup>th</sup> and the topic of discussion will be investments and the actuarial status of FPPA. This meeting will include an educational session with FPPA's actuary, Joseph Newton, in attendance to present and to answer questions regarding the actuarial process. The second

meeting will occur later in September and will focus on legislative changes and benefits. Mr. Slack and Kevin Lindahl answered questions from the Board, which suggested that staff make sure the report is easily readable in electronic format.

### **LEGAL REPORT**

Mr. Lindahl updated the Board on the status of pending litigation in which FPPA is currently involved.

Mr. Lindahl reviewed the staff memorandum with proposed 2010 legislative agenda ideas and suggestions and answered questions from the Board. Todd Bower requested that staff draft possible legislation that would allow members to vote to increase the member contribution to the Statewide Defined Benefit Plan, while leaving the employer contribution unchanged. Mr. Sponsel proposed another legislative option that would increase the Board appointment term for the retired police officer and firefighter representative from four years to six years. With regard to proposed death and disability legislation, Monica Cortez-Sangster suggested that staff consider moving administrative processes, where feasible, from statute to rule. All of the draft legislation will be considered by the Board at its August meeting.

Mr. Lindahl will present a draft of proposed rules changes for discussion at the August meeting and a vote on the final amendments to the Rules and Regulations will take place at the September Rules Hearing. He reviewed a memo regarding the Publication of Notice of Proposed Rule Making and requested authorization to publish the notice.

Mr. Johnson moved that the Board direct staff to finalize and publish the Notice of Proposed Rule Making in substantially the form presented to and reviewed by the Board. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Gina McGrail reported that the City of Denver moved to a lagged payroll. Staff will research and determine if there is any impact to members' pensions due to this shift. Ms. McGrail will schedule a meeting with the City of Denver staff to discuss this further.

### **OTHER MATTERS**

Kim Collins reported on the results of the January 1, 2009, actuarial valuations for the Colorado Springs New Hire Pension Plans and the requested Board approval for contribution rates that would become effective January 1, 2010.

Mr. Johnson made a motion to increase the Colorado Springs New Hire Pension Plan for Police Component contribution rate to 29.284% effective January 1, 2010, which will be split as follows: an 8% member contribution rate and a 21.284% employer contribution rate. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to set the Stabilization Reserve Account (SRA) contribution rate for the members of the Colorado Springs New Hire Pension Plan for Police Component at 0% effective January 1, 2010, through December 31, 2010. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to increase the Colorado Springs New Hire Pension Plan for Fire Component contribution rate to 25.133% effective January 1, 2010, which will be split as follows: a 10% member contribution rate and a 15.133% employer contribution rate. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to set the Stabilization Reserve Account (SRA) contribution rate for the members of the Colorado Springs New Hire Pension Plan for Fire Component at 0% effective January 1, 2010, through December 31, 2010. Tim Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Ms. Collins noted that the cost of living adjustment for the Colorado Springs New Hire Pension Plan for Police Component was set at 3%, pursuant to the plan document – no action was required by the FPPA Board. Similarly, the cost of living adjustment for the Colorado Springs New Hire Pension Plan for Fire Component was set at 3%, pursuant to the plan document – no action was required by the FPPA Board.

Mr. Slack and Ms. Collins reported on the results of the Request for Proposal process to obtain a contract to provide services related to an independent audit of financial statements. Upon consideration of the proposals, the interviews, and additional information, the FPPA Audit Evaluation Committee, made up of four staff members and three Board members, recommended selecting Clifton Gunderson LLP for a 5-year contract to audit FPPA beginning with audit year ending December 31, 2009.

Mr. Sponsel moved to select Clifton Gunderson LLP for a 5-year contract to audit FPPA. Mr. Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Joe Newton, Senior Consultant with Gabriel Roeder Smith & Company, gave an educational presentation on asset smoothing. He compared asset smoothing periods versus corridors and provided graphs that illustrated the impact on

individual FPPA plans. FPPA's current method is very conservative in comparison to its peers – 3-year smoothing with a 20% corridor. He answered questions from the Board and staff.

Mr. Newton reviewed a 2009 actuarial cost analysis study on the Statewide Death and Disability Plan. This study focused on the prospective reinstatement of benefits for survivors of active death benefits who have lost their benefits due to remarriage. Mr. Newton stated that the valuation results indicated it would increase the Unfunded Actuarial Accrued Liability (UAAL) of the Plan approximately \$5.8 million to reinstate the benefits for approximately 30 survivors. The Board determined that the Plan could not afford to enhance benefits at this time.

Mr. Rue and Bob McCrory presented the Asset/Liability Study: Investment Assumptions and Decision Factors. Mr. Rue led a discussion regarding specific FPPA plan issues and whether these issues are warranted as plan risk factors in determining investment policy. Mr. Rue and Mr. McCrory examined simulated projections of financial variables associated with FPPA plans and discussed decision factors that reflect the Board's investment risk philosophy. At the September meeting, each Board member will vote to prioritize a set of plan risk factors. Mr. Rue and Mr. McCrory answered questions from the Board and staff.

At 12:45 p.m., the Board of Directors' meeting adjourned for the day and attendees recessed for lunch. Mr. Rue, Mr. McCrory, Mr. Newton and Mr. Cooley did not return to the meeting following the lunch break.

### **Friday, July 24, 2009**

#### **The Board Meeting continued:**

#### **CHAIRMAN'S REPORT**

At 8:00 a.m., Chairman Kirk Miller called the meeting to order and noted that all Board members in attendance the previous day were present. Ms. Cortez-Sangster continued her participation through a tele-conference call until 8:30 a.m. Chairman Miller brought to the attention of the Board his conversations with Vice Chairman Mark Sunderhuse. Citing personal family obligations, Mr. Sunderhuse has expressed concern about his ability to continue active involvement on the Board for the immediate future. The Board Governance Manual calls for elections of officers to take place at the August Board meeting. By consensus of the Board members that it was in the best interest of FPPA to do so, the Board will delay the election of new officers to the August 27, 2009, Board meeting.

Chairman Miller reported on the sessions he attended at the Institute for Fiduciary Education 2009 Market Makers 2009 Conference in Carlsbad, CA. He stated that the educational sessions offered insight and explanation for the current market and economic conditions.

Dan Slack reported on an email notification from the National Association of State Retirement Administrators (NASRA) regarding a request from the Governmental Accounting Standards Board (GASB) to comment on the financial calculation and reporting of public pension liabilities. The draft response letter, which was developed by NASRA and the National Council on Teacher Retirement (NCTR), was intended to reflect a consensus view of the collective membership of both organizations. The draft letter states that the GASB Statements 25 and 27 in their present form adequately inform users about the financial condition of public pension plans and meet the GASB goals related to accountability and decision usefulness. The letter further states that significant changes to the current reporting model could result in confusion on the part of the user community and could disrupt the consistency of public pension reports. Mr. Slack and Mr. Lindahl discussed the pros and cons of signing the letter and answered questions from the Board. Mr. Slack recommended authorizing the Board Chairman to sign the letter.

Mr. Johnson moved to authorize the Board Chairman to sign the draft letter to GASB. Mr. Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Kim Collins reported on the ASPEN Project and gave an update on the status of the complaint filed by FPPA with respect to a terminated employee. She answered questions from the Board.

At 8:21 a.m., the Board meeting concluded and moved into the Strategic Planning Session.