

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

**May 28, 2009
Final Agenda**

- 7:30 a.m. Call to Order**
Approval of April 23, 2009 Board Meeting Minutes
Consent Calendar
Approval of Resolution 2009-2 (executive authority)
- 7:35 a.m. Morgan Stanley Asset Management – Portfolio Review**
Ann Thivierge, Managing Director & Portfolio Manager
- 8:20 a.m. Investment Report**
1. Review of April 2009 Performance
2. Review of Managers
3. Update on Rebalancing Activity
4. Update on Gottex
5. TALF Analysis and Recommendation
6. Placement Agents – “Pay to Play”
7. Other Matters
- 9:15 a.m. BREAK**
- 9:30 a.m. Gabriel Roeder Smith & Co. Presentation –
Results from 01/01/2009 Actuarial Studies**
Joseph P. Newton, Senior Consultant - GRS
- 10:10 a.m. Discussion/Decisions RE: Contribution Rates, SRA, and COLAs under
Statewide Plans**
- 10:20 a.m. Review and Approval of Certification to Joint Budget Committee
RE: Old Hire Employers Receiving State Assistance**
- 10:30 a.m. BREAK**
- 10:40 a.m. PCA Presentation – Asset Liability Study**
Neil Rue, PCA Consultant
- 11:20 a.m. Legal Report**
1. Litigation Update
2. Legislative Update
3. Other Matters
- 11:35 a.m. Review of Hearing Officer’s Findings –
On-duty Disability Awarded to Jennifer M. Browne**
- 11:50 a.m. Staff Report**
1. Annual Evaluation of Outside Auditors
2. Update on Audit RFP Process
3. ASPEN Project Update
4. Other Matters
- 12:20 p.m. Chairman’s Report**
12:30 p.m. ADJOURN and LUNCH

**FIRE AND POLICE PENSION ASSOCIATION
MINUTES - BOARD OF DIRECTORS MEETING
May 28, 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, Monica Cortez-Sangster, 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, Claud Cloete, Jeff Kaszubowski, Austin Cooley and Janette Hester.

OTHERS PRESENT: Ann Thivierge, Managing Director and Portfolio Manager – Morgan Stanley Investment Management; Joseph P. Newton, Senior Consultant – Gabriel Roeder Smith & Co; Neil Rue, Consultant – Pension Consulting Alliance.

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 April 23, 2009, Board meeting. Todd Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to approve FPPA Resolution 2009-2 on the Consent Calendar. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

PORTFOLIO REVIEW

Morgan Stanley Investment Management

Scott Simon introduced Ann Thivierge, who presented a review of the active international equity portfolio that Morgan Stanley manages on behalf of FPPA. Ms. Thivierge responded to questions from Board members and staff and left the meeting at 8:29 a.m.

INVESTMENT REPORT

Mr. Simon provided a review of portfolio managers and answered questions from Board members. Stan Sponsel made a motion to extend the watch list status for one year for Morgan Stanley Investment Management. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon reported on the total fund performance for April 2009 and reviewed the current economic and market conditions. He reviewed the rebalancing activities. Mr. Simon reported on two private equity investments that were made by Hamilton Lane on behalf of FPPA: Oak Hill Advisors Strategic Credit Fund and TA XI, L.P..

Mr. Simon also reviewed the Gottex Market Neutral Fund, the health of the organization, and the current status of the redemption request letter submitted by FPPA. Mr. Simon updated the Board on the recently completed due diligence process. He reported on the redemption phase-out and the timeframe to liquidate the portfolio. Mr. Simon answered questions from the Board.

Mr. Simon then reported on a proposed opportunistic fixed income investment strategy in the Term Asset-backed securities Loan Facility (TALF) program that is being established by the federal government. Staff recommends pursuing this opportunity through a product offered by Metropolitan West Asset Management (MetWest). He reviewed the on-site due diligence of MetWest conducted by the investment staff and Pension Consulting Alliance (PCA). This manager was selected by staff and PCA due to its credit expertise and its competitive flat fee structure. He reported on the recommendations of staff and PCA and answered questions from the Board.

Mr. Johnson made a motion to approve \$20 million to MetWest Enhanced TALF Strategy Fund, Ltd. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon and Neil Rue then reported on a recent article in the Los Angeles Times regarding the misuse of some pension firms' funds by placement agents in an alleged "pay to play" matter. They noted that the resulting political allegations have created problems for other public pension funds. Mr. Simon and Mr. Rue answered questions from the Board. The Board directed staff to devise a policy on the use of placement agents.

At 9:44 a.m., the meeting recessed for Break.

The meeting reconvened at 9:59 a.m.

PRESENTATION OF 2009 ACTUARIAL VALUATION RESULTS

Joe Newton, an actuarial consultant with Gabriel Roeder Smith & Company (GRS), presented the January 1, 2009, Actuarial Valuation Studies of plans within the Statewide Defined Benefit System (Statewide Defined Benefit Plan, Statewide Hybrid Plan – Defined Benefit component, and the Colorado Springs New Hire Pension Plans) and the Statewide Death & Disability Plan. Mr. Newton reviewed highlights of the valuations, including the impact of recently adopted assumption changes resulting from the completed actuarial experience studies. He completed his presentation with the GRS recommendations for the Stabilization Reserve Account (SRA), the Cost-of-Living-Adjustments (COLA), and the contribution rate changes for the Colorado Springs exempt plans. He answered questions from the Board and staff.

Mr. Johnson made a motion to set the Stabilization Reserve Account (SRA) contribution rate for members of the Statewide Defined Benefit Plan at 0.00%, effective July 1, 2009, through June 30, 2010. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to set the SRA contribution rate for members who are subject to the 20% continuing rate of contribution with the Statewide Defined Benefit Plan at 3.82% plus 0.00%, effective July 1, 2009, through June 30, 2010. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to set the SRA contribution rate for the members of the Supplemental Social Security program within the Statewide Defined Benefit Plan at 0.00%, effective July 1, 2009, through June 30, 2010. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to set the ad hoc COLA for retirees and beneficiaries of the Statewide Defined Benefit Plan at 1.35%, effective October 1, 2009, through September 30, 2010. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to increase the Statewide Hybrid Plan – Defined Benefit Component contribution rate to 11.4%, effective July 1, 2009, through June 30, 2010. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Johnson made a motion to set the ad hoc COLA for retirees and beneficiaries of the Statewide Hybrid Plan – Defined Benefit Component at 3.0%, effective October 1, 2009, through September 30, 2010. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

The Board will vote on the Colorado Springs contribution rates at the July 23, 2009, Board meeting, after the City has had an opportunity to review the results of the actuarial studies. These benefit items will take effect on January 1, 2010, per the plan documents.

Mr. Johnson made a motion to set the ad hoc COLA for the Statewide Death & Disability Plan for occupational disability retirees and their beneficiaries and to survivors of active members at 0.4%, effective October 1, 2009, through September 30, 2010. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Kim Collins and Mr. Newton reported on the liability and funding position of the Old Hire pension plans receiving State assistance, as detailed in Mr. Newton's May 28, 2009, letter to the Board. Ms. Collins reviewed the report being sent to members of the Joint Budget Committee, which staff prepared based on Mr. Newton's letter.

Mr. Johnson made a motion to send the letter and report to the Joint Budget Committee chairman and committee members. Monica Cortez-Sangster seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 11:06 a.m., the meeting recessed briefly for Break.

PCA PRESENTATION - ASSET LIABILITY STUDY

At 11:10 a.m., Mr. Rue presented the next portion of the asset/liability study – investment assumptions and decision factors. He reviewed the investment framework, the selection of appropriate decision factors, and the different models that will be presented at the annual strategic planning session in July.

Mr. Rue gave a summary of the assumptions and inputs for strategic class allocation and outlined the voting procedure that Board members would use to determine risk tolerance. He answered questions from the Board and staff and concluded his presentation at 12:13 p.m.

LEGAL REPORT

Kevin Lindahl gave an update on the litigation report and answered questions from the Board. He gave the legislative update and reported that the Benefits Department was making recommendations on rule changes. Mr. Lindahl will present the draft of rules for review at the July 23rd Board meeting and the rules changes will be presented for adoption at the August 27th Board meeting.

REVIEW of HEARING OFFICER'S FINDINGS

At 12:18 p.m., Chairman Miller called to order the Hearing for the review of the Hearing Officer's findings for the On-Duty Disability Status of Jennifer M. Browne, who was awarded Temporary Occupational Disability benefits. The FPPA Death and Disability Review Committee (DDRC) reviewed the Hearing Officer's findings, conclusions, and recommendation and disagreed with parts of the legal analysis made by the Hearing Officer. The DDRC concluded that the disability was not a result of a job related injury and noted that no related claim for worker's compensation was made by Ms. Browne. The DDRC found that Ms. Browne's medical condition, which was caused by non-work-related injury, resulted in her being disabled. The DDRC referred the application to the Board for further review of the findings and recommendation. The Board discussed the issues presented by staff and reviewed the legal memorandum containing staff's position.

At 12:30 p.m., Mr. Johnson made a motion to correct or modify the Hearing Officer's recommendation and deny the on-duty determination on the grounds that the recommendation is not supported by applicable law. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

The hearing concluded at 12:51 p.m.

STAFF REPORT

Mr. Slack and Ms. Collins reported on the annual evaluation of FPPA's independent audit services which are provided by Bondi & Company. FPPA staff had completed its section of the evaluation and Mr. Slack audibly polled the Board members' responses and comments to the evaluation form. Mr. Slack noted that he has a meeting scheduled with Bert Bondi in June to review the results of the evaluation.

Ms. Collins reported on FPPA's Independent Annual Audit of Financial Statements Request For Proposals (RFP) process and updated the Board on the responses and the follow-up calls. The deadline for responding to the RFP is June 8th. The ad hoc audit review committee, which includes board members Todd Bower, Leo Johnson and Tim Nash, in addition to staff, will interview finalists and bring a finalist recommendation to the full Board at the July 23rd Board meeting.

Ms. Collins then reported on the ASPEN project and answered questions from the Board.

Mr. Slack reported on the current status of the complaint filed by FPPA with respect to a terminated employee, which is under continued investigation by the Greenwood Village Police Department. Mr. Slack and Ms. Collins will keep the Board informed of the progress and resolution of this matter.

Mr. Slack reported on the annual Strategic Planning Session and the on-going negotiations with possible locations. He reviewed the CEO Report and format changes that have been made within the board packet regarding conference and seminar listings. Gina McGrail and Mr. Lindahl reported briefly on two benefits issues that are under consideration. Findings in each case will be available in an up-coming Board packet.

CHAIRMAN'S REPORT

Chairman Miller had no report to make at this meeting.

At 1:08 p.m., Mr. Johnson made a motion to adjourn the meeting. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.