

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
SPECIAL Board Meeting
November 13, 2009
FINAL Agenda**

8:30 a.m. Call to Order - SPECIAL Board Meeting

1. FPPA Hearing Officer Appointment
2. MountainView Investment Recommendation
FPPA Staff

9:00 a.m. ADJOURN

**FIRE AND POLICE PENSION ASSOCIATION
MINUTES – SPECIAL BOARD OF DIRECTORS MEETING
November 13, 2009**

BOARD MEMBERS PRESENT: Chairman Leo Johnson, Kirk Miller, Lyle Hesalroad, Todd Bower, Jack Blumenthal and Monica Cortez-Sangster (by conference call).

BOARD MEMBERS ABSENT: Vice Chairman Tim Nash, Cliff Stanton and Sue Eaton.

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

OTHERS PRESENT: Neil Rue and John Linder, Pension Consulting Alliance; Nancy Williams, 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 8:30 a.m., Chairman Leo Johnson called the meeting to order and noted that there was a quorum present. Chairman Johnson welcomed new Board members Jack Blumenthal and Lyle Hesalroad, and newly reappointed Board member Todd Bower.

FPPA Hearing Officer Appointment

Kevin Lindahl reported to the Board that FPPA had received the resignation of Hearing Officer Julie Swanberg. Mr. Lindahl provided background information, stating that Hearing Officer Swanberg had recently moved to a new law firm and was not able to continue serving as an FPPA Hearing Officer. FPPA has a case pending that requires the immediate appointment of a replacement for Hearing Officer Swanberg. Mr. Lindahl and staff recommended the appointment of Stacy J. Tarler of the firm Thomas Pollart & Miller LLC as Hearing Officer for a term that would commence on November 13, 2009 and terminate on December 31, 2009. Mr. Lindahl answered questions from the Board.

Todd Bower made a motion to appoint Stacy J. Tarler as Hearing Officer for a term that would commence on November 13, 2009 and terminate on December 31, 2009. Kirk Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

MountainView Investment Recommendation

Scott Simon provided a memorandum to the board regarding an investment opportunity with MountainView Capital Holdings (MVCH) for private pools of capital to purchase residential whole loans at significantly discounted value. Mr. Simon reported that MVCH has nearly completed investing Fund I, a \$79 million fund raised in 2008. An FPPA investment in Fund II would be included in FPPA's approved Opportunistic Fixed Income allocation. Fund II will seek to generate attractive risk-adjusted returns based on investments in performing and non-performing first lien residential mortgage whole loans. Fund II is targeting a 60% allocation to performing loans and 40% to non-performing loans. The total target return for this strategy is approximately 16%. Mr. Simon reported that MVCH has a dedicated internal due diligence department that will re-underwrite 100% of the underlying loans to assess value and risks in an effort to properly price each investment. Mr. Simon and staff conducted due diligence, with a review of staff's due diligence and a concurrence opinion being provided by Neil Rue and John Linder, consultants at Pension Consulting Alliance (PCA). Mr. Simon reviewed the primary risks and the investment merits. He reviewed the fee structure for the investment and answered questions from the Board. Mr. Simon and staff recommended approval of an initial investment commitment of \$15 million to MountainView Mortgage Opportunities Fund II on the first close and an additional \$5 million commitment at a later date, if MVCH successfully raises additional third-party capital.

Mr. Miller made a motion to authorize an investment commitment up to \$20 million to MountainView Mortgage Opportunities Fund II. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 9:10 a.m., Mr. Bower made a motion to adjourn the meeting. Mr. Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
Educational Training Session: Risk Management
November 13, 2009
FINAL Agenda**

9:00 a.m. **FPPA Risk Measurement & Management**
FPPA Staff

9:30 a.m. **Fiduciary Duty**
Tony Gelderman, BLB&G

10:30 a.m. ***BREAK***

10:45 a.m. **The Investment Decision Making Process – Best Practices**
Nancy Williams, Ennis Knupp + Associates

11:45 a.m. ***ADJOURN***

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
EDUCATIONAL TRAINING SESSION: RISK MANAGEMENT
November 13, 2009**

BOARD MEMBERS PRESENT: Chairman Leo Johnson, Kirk Miller, Lyle Hesalroad, Jack Blumenthal, and Todd Bower.

BOARD MEMBERS ABSENT: Monica Cortez-Sangster, Tim Nash, Sue Eaton, and Cliff Stanton.

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

OTHERS PRESENT: Neil Rue and John Linder, Pension Consulting Alliance; Tony Gelderman, Bernstein, Litowitz, Berger & Grossman; Nancy Williams, Ennis Knupp + Associates.

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

At 9:11 a.m., Chairman Leo Johnson called the Educational Training Session to order.

Dan Slack welcomed the Trustees and presenters to the Educational Training Session, focusing on risk management, and thanked them for convening on a Friday. He acknowledged that two new Trustees were in attendance, Lyle Hesalroad and Jack Blumenthal.

FPPA RISK MEASUREMENT & MANAGMENT

Scott Simon opened the training session and defined the goals and objectives of the risk management project. He urged questions, input, communication and guidance from the Board during the presentations and discussions. After reviewing the current FPPA risk management strategy, Mr. Simon provided an investment structure chart that compared the old asset allocation strategy to the new asset allocation strategy, noting that the new structure would consider risk exposures within the portfolio more than the old structure. The new strategic framework would create objective classes whose assets might vary in order to achieve the stated objective. The goal would be to monitor these assets and determine the risk factors present in the portfolio and then choose how to manage that risk.

Mr. Simon stated that building staff knowledge would be accomplished by leveraging industry research, by staff training received from industry experts, by utilizing existing relationships with industry experts, by conference participation and

professional designations (such as FRM). Testing existing systems, mapping risk factors to assets, and using data to understand what exposures are present would also be part of the process. Mr. Simon stated that implementation measurement is crucial, and emphasis will be placed on developing policies, procedures and reports that support the risk measurement system. Risk measurement will be integrated into weekly staff meetings, and reports that educate the Board regarding the risk factors will be provided. Implementation management will include understanding manager risks, managing risk exposures and managing short term risks.

DUE DILIGENCE and RISK MANAGEMENT

Kevin Lindahl introduced Tony Gelderman, an attorney with the firm Bernstein Litowitz Berger & Grossmann LLP. Mr. Gelderman's presentation focused on what pension fund fiduciaries can learn from the Madoff fraud and other financial frauds that were exposed by the recent market environment. Numerous frauds by investment advisors have refocused attention on the need for institutions to conduct scrupulous due diligence before entrusting assets to an advisor, and the decisions made by trustees receive increased scrutiny in a down market. Mr. Gelderman noted that the media and political leaders focus on pay-to-play schemes and generalize from individual instances of wrongdoing to argue for reform in the relationship between public pension funds and their external investment professionals. He stated that trustees have the authority to delegate tasks to the appropriate qualified personnel, staff or consultant. However, the trustees also have the duty to ask the right questions to monitor any delegated tasks to ensure that all decision made are in the interest of the beneficiaries of the fund. The processes and procedures the Board has in place are the best defense to potential liability.

Mr. Gelderman answered questions from the Board, staff and consultants. Mr. Gelderman concluded his presentation and the meeting recessed for break.

INVESTMENT DECISION MAKING – Best Practices

The meeting reconvened, and Chairman Johnson welcomed Nancy Williams, Principal with Ennis Knupp + Associates. Ms. Williams reviewed the importance of Board members' commitment to preparation for board meetings, to pursuing

increased education about new investments, and to spending more time on investment matters. Ms. Williams emphasized the responsibility of fiduciaries to make prudent decisions, to ask thorough questions and to delegate authority. The degree of Board delegation is guided by the organization's governance. She noted that the toughest decisions regarding delegation are in the investment arena. She

stated that the degree of delegation is highly dependent on the sufficiency and expertise of staff, consultants and resources. The Board must also consider the time required to process and analyze the new types of investment information prior to Board action, delegation or decision.

Ms. Williams presented several delegation models and discussed the characteristics and merits of each. She presented a customized model for FPPA and stated that the best model would be determined by the Board's preferences for investment decision-making.

At 12:10 p.m., the Educational Training Session adjourned.