

**FIRE AND POLICE PENSION ASSOCIATION  
BOARD OF DIRECTORS  
September 24, 2009  
FINAL Agenda**

- 7:30 a.m. Call to Order**  
Approval of August 27, 2009 Board Meeting Minutes
- 7:35 a.m. Legal Report**
1. Litigation Update
    - Ratify decision to seek lead plaintiff status in Tronox securities litigation
  2. Legislative Update
  3. Other Matters
- 8:00 a.m. Rules Hearing**  
*Holly Faddis – Court Reporter*
- 8:45 a.m. BREAK**
- 9:00 a.m. GAM USA, Inc. – Portfolio Review**  
*Kathryn Cicoletti – Director, Institutional Sales*  
*Arvin Soh – Investment Manager*
- 9:45 a.m. The Townsend Group – Portfolio Review**  
*Richard W. Brown – Principal*  
*Heather Fernstrom – Associate Consultant*
- 10:30 a.m. BREAK**
- 10:40 a.m. Investment Report**
1. Review of August 2009 Performance
  2. Review of Investment Managers
  3. Review of Rebalancing Activity
  4. Update on Real Estate Investment Activity – Pauls Recommendation
  5. Update on Global Equity Index Search
  6. Other Matters
- 11:00 a.m. PCA Presentation – Asset Liability Study**  
*Neil Rue, PCA Consultant*  
*Robert McCrory, EFI*
- 12:30 p.m. LUNCH**
- 1:00 p.m. Consideration of Request for a New Hearing by Jennifer M. Browne  
Regarding the Denial of On-Duty Status Related to her  
Award of Disability Benefits**
- 1:45 p.m. 2010-2012 Strategic Planning Discussion**
- 2:15 p.m. Staff Report**
- 2:25 p.m. Chairman’s Report**
- 2:30 p.m. ADJOURN**

**FIRE AND POLICE PENSION ASSOCIATION  
MINUTES - BOARD OF DIRECTORS MEETING  
September 24, 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, Cliff Stanton and Sue Eaton.

BOARD MEMBERS ABSENT: Monica Cortez-Sangster.

STAFF MEMBERS PRESENT: Dan Slack, Kevin Lindahl, Scott Simon, Gina McGrail, Kim Collins, Austin Cooley, Claud Cloete (10:51), Jeff Kaszubowski (8:52), Janette Hester and Karen Moore.

OTHERS PRESENT: Kathryn Cicoletti and Arvin Soh, GAM USA, Inc.; Richard Brown and Heather Fernstrom, The Townsend Group; Neil Rue, Pension Consulting Alliance; Robert McCrory, EFI Actuaries; Joe Newton and other staff member, Gabriel Roeder Smith & Co. (10:50)

*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 August 27, 2009, Board meeting, as amended to reflect the effective dates of the new officers as of October 1. Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

**LEGAL REPORT**

Kevin Lindahl gave the litigation report. He reported on the Tronox and Kerr-McGee securities litigation case in which FPPA applied for co-lead plaintiff status with the San Antonio Fire and Police Pension Fund. Given the lead plaintiff applications, it appears that FPPA may have a role as representative plaintiff, representing the interests of bond holders in the litigation. Mr. Lindahl explained that as representative plaintiff FPPA would play a lesser role in order to protect the bond losses and recapture those investments in the fraud case. He explained the negotiated fee structure, the potential settlement awards, and the time constraints to staff if FPPA proceeds with the case.

At 7:41a.m., Todd Bower moved to ratify seeking co-lead plaintiff status in the Tronox and Kerr-McGee securities litigation case. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Lindahl reported on the legislative update, stating that the second meeting of the Pension Reform Commission had taken place on September 14<sup>th</sup>. He reported that the Commission will introduce four proposed bills to the legislature in January 2010. The Commission is not expected to schedule interim committee meetings in 2010 and will likely meet during the regular session in an effort to save money.

Mr. Lindahl reported that the Request For Proposals for state lobbyist services for the 2010 legislative session will be completed the week of September 28. He asked the Board for direction on the how to conduct the RFP interview process. The board appointed as RFP Committee members Mr. Miller, Mr. Bower and Cliff Stanton. The committee members, along with staff, will review the responses and select two or three who will make a presentation to the Board.

At 7:53 a.m., the Board recessed briefly.

At 8:52 a.m., the Board meeting resumed following the Rule-Making Hearing.

### **PORTFOLIO REVIEW**

#### GAM USA, Inc.

Scott Simon reported that GAM is presenting to the board on their one-year anniversary of being hired by FPPA as a hedge fund-of-funds manager. He introduced Kathryn Cicoletti and Arvin Soh, who gave an organizational update and provided a review of FPPA's account. Ms. Cicoletti and Mr. Soh explained that the portfolio is allocated between arbitrage, equity hedge and trading investment strategies. They reported that market volatility continues to be high; and, while they see opportunities in such uncertain markets, there is no guarantee that forecasts will be achieved. They answered questions from the Board and staff, concluding their presentation at 9:35 a.m.

### **PORTFOLIO REVIEW**

#### The Townsend Group

Mr. Simon welcomed Richard Brown and Heather Fernstrom from The Townsend Group, FPPA's real estate consultant. Mr. Brown reviewed the investment commitment and redemption history of real estate positions, noting that the timber investments produced positive performance over the last year. Real estate managers are generally holding unfunded commitments and being cautious until better buying opportunities emerge. The real estate portfolio was down 9.41% for the second quarter. They answered question from the Board and staff regarding acquiring exposure in global markets. The credit crisis, high unemployment and economic growth continue to influence long-term investments. Mr. Brown and Ms. Fernstrom reported that weakening economies will continue to affect real estate losses, and they anticipate a continued down performance in the portfolio for another two to four quarters. The Townsend Group concluded their presentation at 10:43 a.m.

At 10:44 a.m., the meeting recessed for Break.

At 10:53 a.m., the meeting reconvened. Joseph P. Newton, consultant with Gabriel Roeder Smith & Co., and another GRS employee joined the meeting.

### **INVESTMENT REPORT**

Mr. Simon provided a review of the FPPA Total Fund performance for August 2009, which had an increase of 12.73% year-to-date. He reviewed the performance of FPPA's investment managers and made a recommendation to place Artio Global on watch status.

Mr. Johnson moved to place Artio Global on watch status. Mr. Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon reviewed the cash flow activities within the private equity portfolio and highlighted anticipated rebalancing strategies in light of terminating the portable alpha program. He stated that the goal of staff is to maintain liquidity until the Asset Liability Study is completed. Mr. Simon reported on a potential real estate fund investment with a local real estate firm, Pauls Corp. Ultimately the Staff could not get comfortable with the legal agreements and therefore did not make a recommendation for an investment. He reported that staff continues to evaluate global index equity managers, their fee structure and other services they could provide FPPA. There are three managers on the final list: State Street, Barclays Global Investors (GBI), and BNY Mellon. Mr. Simon provided an update on the proposed SEC rule to ban the use of placement agents by public funds. Staff will be evaluating the issues and assessing whether to formally comment on the rule via the SEC website. Mr. Simon answered questions from the Board and concluded the investment report at 11:09 a.m.

### **ASSET LIABILITY STUDY**

#### **Pension Consulting Group/EFI Actuaries**

At 11:10 a.m., Neil Rue and Bob McCrory presented the Selection of a risk philosophy and a policy portfolio, the final step in the asset liability study to determine the risk tolerance and the appropriate strategic asset allocation for the FPPA portfolio. Mr. Rue gave a recap of the Board-approved set of five decision factors that reflects the Board's philosophy toward overall FPPA Plan risk. The five factors are: (1) achieve lowest actuarial costs; (2) minimize cost volatility; (3) achieve funding level; (4) maintain funding level; (5) minimize cash flow stress. Mr. Rue noted that over 90% of FPPA's risk exposure is in equity-type investments and is closely aligned with the current policy. The FPPA strategic allocation was compared with several public plan sponsors who have developed new strategic frameworks. Determining risk philosophy allows staff to plan and manage risk

tolerance, cash flow, rebalancing activities and liquidity flexibility. Mr. Rue answered questions from the Board and staff. Using modeling software, Mr. McCrory explained the merits of each decision factor in accomplishing the portfolio goal, and how these factors can compete against each other. The PCA/EFI approach introduced projected cash flow stress into the model and Mr. McCrory gave examples of risk/reward philosophies using the five decision factors in selecting a portfolio policy. The impact of four different policy scenarios of changing COLA and smoothing policies was also applied to the risk philosophy model. Key findings with respect to the Old Hire Plans were disclosed and discussed. Each trustee selected their own set of weightings of decision factors and voted to see how their individual choices impacted the policy portfolio.

At 12:45 p.m., the meeting recessed for Lunch. Mr. Bower left the meeting.

At 1:20 p.m., the meeting reconvened. Ann O'Connell, associate with the law firm of Pendleton Friedberg Wilson and Hennessey, P.C. joined the meeting.

### **ASSET LIABILITY STUDY continued**

Following the lunch break, Mr. Rue and Mr. McCrory tallied the votes and presented the results. The different model possibilities were discussed and questions from the Board were answered. Another round of votes followed. Mr. Rue displayed on the screen staff's recommendation of the decision factor preference for the collective FPPA Board risk philosophy.

At 1:33 p.m., Mr. Johnson made a motion to accept the following asset allocation.

Global Equity	45%
Fixed Income	20%
Absolute Return	10%
Real Estate	7%
Private Equity	12%
Opportunistic	5%
Cash	1%

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

At 1:35 p.m., Chairman Miller called the Jennifer M. Browne Hearing to order.

At 2:02 p.m., Chairman Miller declared the Hearing closed.

### **2010-2012 STRATEGIC PLANNING DISCUSSION**

At 2:03 p.m. Dan Slack reported that the Strategic Planning Meeting Summary prepared by Ennis Knupp + Associates had been received and that the executive staff had completed an initial review of the goals and objectives. He provided a

concisely organized document that listed six goals and the draft objectives of each. Some objectives that were already in progress were carryovers from the previous strategic plan, and others were new suggestions made by the Board at the July meeting. Mr. Slack reviewed and explained each goal and its objectives and noted the changes, deletions and new objectives that the Board made to the document. He answered questions from the Board. The final version of the 2010-2012 Strategic Plan will be presented at the October 22<sup>nd</sup> Board meeting. Mr. Slack stated that feedback from today's discussion of the new strategic and organizational objectives would be incorporated into the 2010 draft budget, which will be presented at the October 22<sup>nd</sup> Board meeting. The final 2010 budget will be approved by the Board at the December 3<sup>rd</sup> Board meeting.

### **STAFF REPORT**

Mr. Slack reported on a white paper entitled "*U.S. Financial Regulatory Reform: The Investors' Perspective*". He summarized the white paper explaining that a study was commissioned to review the regulation of U.S. financial markets. The focus of the study was to make U.S. markets more globally competitive by reducing costs for public companies and financial institutions. The white paper by the Investors' Working Group, an independent taskforce sponsored by CFA Institute Center for Financial Market Integrity and the Council of Institutional Investors (CII), offered practical reforms committed to restoring confidence in the market by ensuring that regulation serves the needs of investors. Mr. Slack cast a vote with CII on behalf of FPPA in July 2009, endorsing the principles and recommendations of the Investors' Working Group.

Mr. Slack then reported on his attendance and presentation at the Colorado Professional Fire Fighters annual meeting in Grand Junction, CO, on September 10<sup>th</sup>. He also made a presentation on September 14<sup>th</sup> to the City Council of Colorado Springs regarding pension issues. He answered questions from the Board.

### **CHAIRMAN'S REPORT**

At 2:31 p.m., Chairman Miller and Mr. Lindahl responded to a question from Mr. Stanton regarding the fiduciary responsibility of board members in the hearing process. Mr. Lindahl explained that FPPA staff offers information and parameters to assist board members in understanding the documentation presented. Board members review the documents and exhibits and make final decisions. Mr. Slack noted that the Board has the option of changing the hearing and decision process. Mr. Lindahl answered questions from the Board.

At 2:41 p.m. Leo Johnson made a motion to go into executive session to discuss personnel matters, as allowed under Section 24-6-402 (f) of the Colorado Revised Statutes. Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

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At 2:52 p.m., Leo Johnson made a motion to come out of executive session. Stan Sponsel seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 2:52 p.m., the meeting adjourned.