

**FIRE AND POLICE PENSION ASSOCIATION  
BOARD OF DIRECTORS  
February 25, 2010  
FINAL Agenda**

- 7:30 a.m. Call to Order**  
Approval of January 21, 2010 Board Meeting Minutes
- 7:35 a.m. Investment Report**
1. Review of December and January Performance
  2. Review of Managers
  3. Global Equity Recommendation
  4. Investment Market Risk Metrics Report - PCA
  5. Other Matters
- 8:25 a.m. Legal Report**
1. Litigation Update
  2. Legislative Update
  3. Other Matters
- 8:35 a.m. Audit Report – Disability Benefits Calculations**  
*Tim O'Brien, FPPA Internal Auditor*
- 8:45 a.m. BREAK (15 minutes)**
- 9:00 a.m. Hearing Officer Recommendation  
for Survivor of Richard Mark (Karen Mark)**
- 9:15 a.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 for Jennifer M. Browne**  
*Richard D. Radabaugh, Attorney for Jennifer M. Browne  
Jennifer M. Browne*
- 10:15 a.m. BREAK (15 minutes)**
- 10:30 a.m. Staff Report**
1. Memo re Recommendations for 2010 Supplemental Actuarial Studies
  2. Other Matters
- 10:45 a.m. Chairman's Report**
1. Monthly Discussion
  2. IREI Vision, Insights & Perspectives Conference Evaluation (Leo)
  3. Other Matters
- 11:00 a.m. ADJOURN and LUNCH**

**FIRE AND POLICE PENSION ASSOCIATION  
MINUTES - BOARD OF DIRECTORS MEETING  
February 25, 2010**

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

**BOARD MEMBERS PRESENT:** Chairman Leo Johnson, Vice Chairman Tim Nash, Kirk Miller, Jack Blumenthal, Lyle Hesalroad, Cliff Stanton, and Sue Eaton.

**BOARD MEMBERS ABSENT:** Todd Bower and Monica Cortez-Sangster.

**STAFF MEMBERS PRESENT:** Dan Slack, Kevin Lindahl, Scott Simon, Gina McGrail, Kim Collins, Austin Cooley, Jeff Kaszubowski, Sean Ross, Janette Hester, Elane Ables, Tracy Reed and Dana Kennedy.

**OTHERS PRESENT:** John Linder, Pension Consulting Alliance (PCA); Tim O'Brien, FPPA Internal Auditor (8:21); Timothy J. Parsons, Attorney and FPPA Outside Counsel (8:45); Richard D. Radabaugh, Attorney for Jennifer M. Browne; Jennifer M. Browne; Denise Truex, Court Reporter.

*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 7:33 a.m., Chairman Leo Johnson called the meeting to order and noted that there was a quorum present. Chairman Johnson called for a motion to approve the minutes.

Vice Chair Tim Nash made a motion to approve the minutes of the January 21, 2010 Board Meeting. Lyle Hesalroad seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

**INVESTMENT REPORT**

Scott Simon provided a review of the FPPA Total Fund net performance for January 2010, reporting the month's negative 1.92% performance. Mr. Simon reported that the Fund closed the month of January with \$2.77 billion in assets and stated that the asset allocation funding strategies of the Total Fund still closely track the targets of the previous asset allocation policy. New targets and ranges reflecting the recent asset liability study will be incorporated, as the investment staff continues to draft a new Master Statement of Investment Policies and Objectives. Mr. Simon reported that negative relative performance came from international equity and emerging markets, while FPPA's core fixed income managers outperformed their benchmarks. FPPA's exposure to hedge funds, private equity and real estate showed flat performance for January.

Mr. Simon reported that Trust Company of the West (TCW) continues to manage issues regarding the departure of senior managers and TCW's recent acquisition of MetWest. The leveraged finance group, including FPPA's exposure to high yield fixed income, remains fairly isolated from the organizational changes. The group communicated their desire to stay with TCW and continue leveraging the marketing, legal, compliance and back office functions of the larger TCW organization. In response to a question from Dan Slack, John Linder opined that TCW's portfolio strategy is well diversified and should continue to provide expected returns and service to the FPPA portfolio.

Mr. Simon reported that the FPPA portfolio at PIMCO is now 38% cash. PIMCO anticipates that the larger U.S. debt burdens will put pressure on Treasuries and PIMCO has accordingly cut Treasury exposure within the FPPA account. Mr. Simon reported that WAMCO continues to maintain higher risk exposure to non-agency Mortgage Backed Securities, as demand remained strong and housing fundamentals continued to recover.

WAMCO continues to favor credit within the financial sector, and staff will cautiously monitor these levels of exposure.

Mr. Simon reported that Artio Global's relative performance continued to struggle.

Mr. Simon reported on a private equity investment opportunity with J.H. Whitney Capital Partners, LLC (Whitney), an \$800 million U.S. middle market buyout fund focusing on business services, consumer/retail, healthcare and specialty manufacturing. Private equity consultant Hamilton Lane recommended an investment of \$10 million in the Whitney Fund.

Mr. Simon presented a recommendation to initiate a search for an active global equity manager with the potential to hire multiple managers depending on the ultimate global equity portfolio construction. A 45% allocation to global equity was approved through the completion of FPPA's asset liability study in September 2009. He provided a staff memo outlining a preliminary timeline and primary factors to consider in constructing the global equity portfolio: choice of benchmark; active vs. passive allocations; global managers vs. regional specialists; style biases, strategy constraints, and manager concentration; and timing of implementation. Jack Blumenthal asked if a peer group had been identified for the purpose of comparing FPPA's asset class and managers to the risk and returns of pension fund peers. Mr. Simon and Dan Slack listed pension organizations and annual conferences of peers in which FPPA routinely participated, having discussions with their counterparts. They answered questions from the board. Mr. Simon requested board approval to initiate a modified RFP process search for appropriate global equity managers.

At 8:25 a.m., Mr. Miller made a motion to allow staff to initiate a search for an active global equity manager, with the potential to hire multiple managers, depending on the ultimate global equity portfolio construction. Cliff Stanton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Mr. Simon reported that staff has completed on-site visits with existing consultants Townsend (real estate) and Hamilton Lane (private equity). The purpose of the visits was to evaluate whether they can accommodate FPPA's new investment decision making process, as well as to get an update on FPPA's respective portfolios.

Mr. Simon provided investment packets for December 2009 and January 2010, as well as a new, consolidated format for the month of January in the board packet. He asked the board to review the new format and provide feedback regarding the future use of the summarized reporting method. Mr. Simon stated that detailed reports would still be available or could be downloaded to the secure board section of the website. It was the consensus of the board to continue providing the monthly investment booklets for a couple of months, as well as provide the new, concise reporting summary in the board packet. Mr. Blumenthal suggested that detailed reports of managers on watch list continue to be provided on a regular basis.

Mr. Simon provided an annual report of proceeds received from class action litigation for the year ending December 31, 2009. He also provided articles of interest that had impact on the portfolio. Mr. Simon stated that an update on drafting a revised Master Statement of Investment Policies and Objectives and other governance materials will be provided at the March meeting. Final documents will be presented at the April meeting.

Mr. Linder presented an Investment Market Risk Metrics Report, developed by PCA to assist their clients in evaluating broad market risks. In addition, the staff presented an internal "Risk Dashboard" report, which details specific risks within the FPPA portfolio. PCA and staff will present these reports at upcoming board meetings to provide continuity in discussions of market risks. Mr. Linder and Mr. Simon answered questions from the board. It was the consensus of the board to review the reports quarterly.

### **INTERNAL AUDIT REPORT – Disability Benefits Calculations**

Tim O'Brien, FPPA's internal auditor, provided an Internal Audit of Disability Benefit Calculations for the Statewide Death and Disability Plan (SWD&D Plan). Mr. O'Brien reviewed the audit objectives and the time period covered in the audit. The audit assessed applicable internal controls and compliance with requirements of laws and regulations. The audit concluded that FPPA accurately calculates disability benefits for the SWD&D Plan. The process used by FPPA to evaluate disability applications is thorough and can be relied upon when determining benefits. He had no

recommendations for staff. Mr. O'Brien answered questions from the Board and staff. He concluded his report and left the meeting.

At 9:08 a.m., the meeting recessed for a break and John Linder, Austin Cooley, Jeff Kaszubowski and Sean Ross left the meeting. Elane Ables, Tracy Reed, and Dana Kennedy joined the meeting. Court Reporter Denise Truex prepared recording equipment for the hearing. The meeting reconvened at 9:18 a.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**

FPPA General Counsel Kevin Lindahl introduced Timothy J. Parsons, FPPA outside legal counsel and partner with the law firm of Pendleton Friedberg Wilson & Hennessey. Mr. Parsons was present to advise the Board with regard to the Browne matter.

At 9:20 a.m., Mr. Miller made a motion to adjourn into Executive Session to receive legal advice from Tim Parson, regarding 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. Vice Chairman Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

All FPPA staff left the meeting.

At 9:36 a.m., Mr. Miller made a motion to come out of Executive Session. Mr. Blumenthal seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY. No actions were taken while in executive session.

FPPA staff returned to the meeting. Chairman Johnson declared the hearing open and welcomed Richard D. Radabaugh, attorney for Jennifer Browne, and Jennifer M. Browne to the hearing.

Vice Chairman Nash made a motion that a new hearing before the Board be granted to Jennifer M. Browne regarding the denial of on-duty status related to her award of disability benefits and that the hearing proceed immediately. Mr. Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Chairman Johnson asked Mr. Radabaugh to present his argument and any new evidence that had not previously been considered by the board. Ms. Browne was sworn in and gave testimony regarding the vest, belt and additional equipment that she was required to wear while on duty as a police officer for the City of Colorado Springs. She demonstrated the fit of a similar style vest and belt for the board to see. Mr. Radabaugh represented that Ms. Browne had settled a worker's

compensation case with the City of Colorado Springs, and agreed to provide a copy of the settlement document at a future date as evidence for the board to review. Mr. Radabaugh was sworn in, and he and Ms. Browne answered questions from the board, Mr. Parsons, and Mr. Lindahl. The board asked that Mr. Radabaugh summarize his argument in a memo to the board within 30 days from today's hearing. Any additional evidence, including the workers compensation letter and an affidavit from the workers' compensation attorney, must also be submitted within in 30 days from today's hearing. The board will review the memo and new evidence at the April board meeting. Mr. Lindahl and the staff may file a responsive memo after Ms. Browne's memo has been filed. At 10:11 a.m., Chairman Johnson declared the hearing closed. Mr. Parsons, Mr. Radabaugh, Ms. Browne, and Ms. Truex left the meeting. The meeting recessed for break and reconvened at 10:22 a.m.

### **Hearing Officer Recommendation for Survivor of Richard L. Mark (Karen S. Mark)**

Chairman Johnson called the hearing to order. Mr. Lindahl reported that Karen S. Mark, who was not present at the hearing, was granted survivor benefits as the surviving spouse of the late member Richard L. Mark. She has applied for "on duty" status. The matter was referred to hearing Officer Michael W. Sutherland for a recommendation. An evidentiary hearing was held November 16, 2009, at which Ms. Mark was present and testified. Based upon the evidence presented, Hearing Officer Sutherland recommended that the board find and determine that the death of Richard L. Mark did not occur while he was on duty at the City of Pueblo Fire Department. Mr. Lindahl and Gina McGrail answered questions from the board.

At 10:26 a.m., Lyle Hesalroad made a motion to affirm the written Findings, Conclusions, and Recommendation of Hearing Officer Sutherland dated December 14, 2009, with respect to the on-duty status of Richard L. Mark and that the board enter an order finding that Richard L. Mark's disability was not due to a work-related injury as recommended by the hearing officer. Sue Eaton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Chairman Johnson declared the hearing closed. Ms. McGrail acknowledged three members of her benefits staff who process the disability and survivor benefit applications and who were present for the hearings. On behalf of the board, Chairman Johnson thanked the benefits staff for their hard work and diligent efforts on behalf of FPPA members. Ms. Ables, Ms. Reed and Ms. Kennedy left the meeting.

### **STAFF REPORT**

Mr. Slack reported on meetings with City of Aurora staff regarding the possible re-affiliation of the Aurora Fire Department. Mr. Slack made a presentation to the Management & Finance Committee of the City of Aurora on the FPPA plans, and Ms.

McGrail and Mr. Lindahl fielded subsequent questions. Leading up to this meeting, they had discussions with City of Aurora staff and with fire fighters and the union's legal counsel regarding the stability of FPPA administered plans, the FPPA Defined Benefit System benefits, and the affiliation process. Mr. Slack said they continue to work with the City and other interested parties.

Mr. Slack reported on his attendance at the National Association of State Retirement Administrators' winter meeting and the inaugural policy conference for the National Institute on Retirement Security, both of which were held in Washington, D.C. Mr. Slack and Mr. Lindahl reviewed for the benefit of new trustees some of the IRS requirements regarding the compliance and qualification of governmental plans, which was one of the topics discussed at these conferences.

Ms. McGrail provided a memo to the board regarding 2010 supplemental actuarial studies. She reported that staff is recommending studies for supplemental items in the Statewide Defined Benefit and Statewide Hybrid plans. In addition, the City of Colorado Springs has requested four supplemental studies for the Colorado Springs New Hire Pension Plan – Police and Fire Components. Ms. McGrail said that the annual fee paid to Gabriel Roeder Smith & Co. for the annual actuarial study also covers the cost for all supplemental studies. The executive staff answered questions from the board. Ms. McGrail requested board approval of the supplemental actuarial studies as presented.

At 10:56 a.m., Mr. Miller made a motion to approve all supplemental actuarial studies as presented. Vice Chairman Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

### **LEGAL REPORT**

Mr. Lindahl reported that there have been no new developments in the G-1 Holdings and the Countrywide Derivative litigation cases involving FPPA. In the Tronox and Kerr-McGee case, defendants have filed four motions to dismiss, and responses to these motions are due on February 26<sup>th</sup> and March 15<sup>th</sup>.

Mr. Lindahl gave a legislative update regarding the passage of FPPA bills in the legislature. SB10-22 (Member Contributions), SB10-23 (Return to Work), and SB10-24 (Elimination of Affiliated Local Plans) have passed the House on third reading and will soon go to the Governor's desk for signing. HB10-1016 (Term of the Board Member) has passed the House and the scheduled Senate committee hearing is pending. Mr. Lindahl reported that the PERA bill has been signed. He reported that the Pension Reform Commission probably will not meet until the beginning of the 2011 legislative session, and new bills will be introduced at that time.

Mr. Lindahl reviewed projects he is currently working on:

- (1) developing Old Hire Plan model for IRS cycle E filing in February 2011;
- (2) developing rules regarding members return to work from retirement;
- (3) developing hearing officer process;
- (4) restructuring the Statewide Death & Disability benefits application process.

Mr. Lindahl answered questions from the board.

### **CHAIRMAN'S REPORT**

Chairman Johnson congratulated three board members, Todd Bower, Lyle Hesalroad, and Jack Blumenthal, on their recent confirmation hearing.

Chairman Johnson reported on his attendance at the Institutional Real Estate annual conference - *Visions, Insights and Perspectives*, held in Palos Verdes, California, during early February. He recommended the Stars & Stripes Conference to be held in June 2010 for board members who might be considering conference or seminar attendance.

At 11:15 a.m., Kirk Miller made a motion to adjourn the board meeting. Vice Chairman Nash seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.