

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
June 9, 2011
Agenda**

<u>Time</u>	<u>Agenda item</u>
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8:00 a.m.	Call to order <i>Tim Nash, Chairman</i>
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	Approval of subpoenas for Dolan hearing <i>Gina McGrail, CBO</i>
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8:05 a.m.	Adjourn
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**Fire and Police Pension Association
Minutes – Board of Directors Meeting
June 9, 2011**

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

Board Members Present: Chairman Tim Nash, Vice Chairman Kirk Miller, Jack Blumenthal, Leo Johnson, Lyle Hesalroad, Sue Eaton, Monica Cortez-Sangster, and Todd Bower.

Board Members Present: Cliff Stanton (excused).

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon and Janette Hester.

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 8:00 a.m., Chairman Tim Nash called the meeting to order and noted there was a quorum present. Chairman Nash stated there was one agenda item regarding approval of a request for subpoenas for consideration.

Gina McGrail provided a memo to the board with background information regarding the request for subpoenas in the hearing of William P. Dolan. Ms. McGrail reported that staff had received extensive records produced in response to the Board's February 23, 2011, subpoena, reviewed the records, and met with Mr. Dolan and obtained a recorded statement. Ms. McGrail reported that on May 19, 2011, she issued a Notice of Determination that Mr. Dolan was not eligible for disability benefits and concluded that there is evidence that supports a finding that the benefit initially awarded in 2010 was fraudulently obtained. Pursuant to FPPA Rule 712.05, Ms. McGrail's determination is being referred to an FPPA Hearing Officer to conduct an evidentiary hearing to determine eligibility for benefits, whether the benefit was fraudulently obtained, and whether Mr. Dolan should be ordered to repay the previously paid benefit.

Kevin Lindahl reported that, because certain documents which staff wishes to offer as exhibits at the upcoming hearing contain hearsay evidence which may be barred as inadmissible by the Hearing Officer without witness testimony, staff is requesting to subpoena two individuals for testimony: Annie Igel and Mike Rogers. Annie Igel is the administrator for the Elk Creek Fire Protection District who produced the previous records and Mike Rogers is a District Board Member who provided initial reports to FPPA. Ms. McGrail stated that staff anticipates both witnesses will cooperate in providing testimony and that the subpoenas will be a formality.

Ms. McGrail reported the evidentiary hearing had been scheduled for June 28, 2011, but Mr. Dolan has requested a continuance so that he may secure legal counsel. The hearing date might be re-scheduled as late as August. Ms. McGrail requested board approval of the request for subpoenas.

Leo Johnson moved to approve the request to issue subpoenas for Annie Igel and Mike Rogers in the evidentiary hearing matter of William P. Dolan. Lyle Hesalroad seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

At 8:03 a.m. Jack Blumenthal moved to adjourn the meeting. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

**FIRE AND POLICE PENSION ASSOCIATION
STRATEGIC PLANNING SESSION
June 9, 2011**

Agenda

<u>Time</u>	<u>Agenda item</u>
8:05 a.m.	Economic outlook <i>Dr. Richard Wobbekind, Leeds School of Business, University of Colorado</i>
9:05 a.m.	Break
9:15 a.m.	Immunization of liabilities for pension plans – when is it appropriate, how is it done, and who decides whether to do it? <i>Neil Rue, PCA & Kevin Lindahl</i>
10:15 a.m.	Break
10:25 a.m.	Capital markets assumptions <i>Neil Rue, PCA</i>
10:40 a.m.	Actuarial experience study <i>Joe Newton and Dana Woolfrey, Gabriel Roeder Smith & Co.</i>
12:25 p.m.	Lunch
1:25 p.m.	Supplemental studies and other actuarial issues <i>Joe Newton and Dana Woolfrey, Gabriel Roeder Smith & Co.</i>
2:05 p.m.	Governance manual review and update <i>Dan Slack</i>
3:05 p.m.	Break
3:15 p.m.	Staff strategic plan review <i>Executive Staff</i>
5:30 p.m.	Board reception & dinner at Farro Restaurant 8230 South Holly Street, Centennial

**Fire and Police Pension Association
Minutes – Board of Directors Education & Strategic Planning Session
June 9, 2011**

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

Board Members Present: Chairman Tim Nash, Vice Chairman Kirk Miller, Jack Blumenthal, Leo Johnson, Lyle Hesalroad, Sue Eaton, Monica Cortez-Sangster, and Todd Bower.

Board Members Present: Cliff Stanton (excused).

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon, Austin Cooley, Claud Cloete, Jeff Kaszubowski, Sean Ross, Elane Ables, Beth Hemenway, Diane Braaton (2:43 pm), Bob Billings, Dalan Raffaghello, and Janette Hester.

Guests Present: Dr. Richard Wobbekind – Executive Director, Business Research Division, Leeds School of Business, University of Colorado; Neil Rue and John Linder, Pension Consulting Alliance, Inc. (PCA); Joseph P. Newton and Dana Woolfrey, Gabriel Roeder Smith & Company (GRS);

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 8:03 a.m., Chairman Tim Nash called the education and strategic planning session to order.

EDUCATION SESSION

Economic Outlook

Dan Slack introduced educational session keynote speaker, Richard L. Wobbekind, Associate Dean at the University of Colorado at Boulder. Mr. Slack listed several academic titles earned and achievement awards received by Dr. Wobbekind for excellence in research, teaching and service to the University and the community. Dr. Wobbekind presented economic impact assessments and strategic analyses of the state of Colorado and the U.S. The current economic forecast shows revenue is down, the national unemployment rate is high, and there has not been significant progress in economic recovery. Following the collapse of the financial markets in 2008,

banks closed and credit became difficult to obtain. Consumers lost confidence. The depressed housing and construction market continues to slump, credit markets are still tight and personal consumption is at an all-time low. Food and gasoline prices are rising month to month and analysts are maintaining a close watch on retail sales as an indicator of increasing consumer confidence. Federal mortgage tax credit incentives offered a brief stimulus to the housing market, which now seems to be receding since the program ended. Some consumers are choosing to pay-down credit debt, as others face bankruptcy and spending down of retirement accounts. The housing starts market showed a slight increase in 1Q 2011, but the sustainability of this improvement is questioned. The Fed continues to focus on creating U.S. jobs in hopes of raising consumer confidence. The stock market continues to be volatile and traders are nervous and uncertain.

Retail sales in Colorado seriously declined, which is slowing opportunity for economic recovery within the state of Colorado. Housing starts in Colorado are not picking up as expected in the first 6 months of 2011, markets are overbuilt, and the unemployment rate within the construction industry is very high. The federal budget has not been balanced and analysts question whether the government stimulus was good or bad, as the U.S. becomes more dependent on the world economy for cash. Lowering the U.S. debt level is the number one focus, as well as fixing problems within Medicare, Medicaid and the social security system. Interest rates for treasury bills are expected to remain low for another six months to one year and the primary aim of the Fed is to avoid double digit unemployment rates. Commodity prices continue to show volatility as the value of the dollar impacts international trading. The malaise in the housing market will continue, oil and gasoline prices are expected to rise, and job losses in Colorado will continue to plague the unemployment rate. While the Colorado economy and confidence index are showing slight signs of improvement compared to national U.S. levels, the Colorado economy can expect a slow recovery. Dr. Wobbekind concluded his presentation at 9:18 a.m. and the education session recessed for break.

Immunitization of Liabilities for Pension Plans

Kevin Lindahl, Neil Rue and John Linder presented a look at FPPA's closed plans. Mr. Lindahl provided a break-out of the total 61 closed plans (52 old hire and 9 volunteer) in funded status and amortization. He provided the total number of members in the plans and reported that over 50% of the plans have fewer than 10 members. He reported there are a number of employers still affected by administrative costs of these closed plans.

Mr. Rue reviewed the definition of "immunize/defease/de-risk/inoculate" and stated that the meaning for each word is similar in the context that they will be used today. He stated that to defease means setting aside enough cash or bonds to service a liability. As the plan approaches or exceeds full-funding status, defeasing strategies can be considered. As of fiscal 2010, FPPAs closed plans are relatively fully funded and there are a variety of defeasing strategies that can be considered. Having sufficient assets is key to a successful defeasing strategy. Characteristics of defeasing include the following:

- there are costs to defease;
- balance sheet must be matched with assets and liabilities;
- consider the trade-off of no benefit increases for improved benefit security;
- the level of interest rates can be an important factor in defeasing success.

Defeasing is a reserving process that becomes counter cyclical and can be proactive and planned. Defeasing is a customized approach and peer comparisons become less relevant. A defeasing strategy seeks to reduce sponsor uncertainty and improve benefit security. Mr. Rue noted that FPPA considered defeasing ideas to fully defease/immunize old hire liabilities during PCA's 2009 asset/liability study. At that time, defeasing old hire liabilities proved disadvantageous. He stated that consideration of defeasing is warranted today because the Total Fund financial condition has continued to improve and the funding status of old hire plans is currently near 90%. He reviewed the phased-in approach of defeasing and how it could be managed, depending on portfolio performance.

Mr. Linder reviewed FPPA's current exposure to the Barclay's Aggregate fixed income benchmark. He reported a maximum of approximately \$240 million in assets with a maturity of one to five years is currently available, which could defease about 33% of old hire benefits for the next five years. He stated the amount of liabilities that could be defeased would depend on future investment results.

Mr. Lindahl reviewed the option of purchasing private annuities for achieving defeasance of liabilities for fully funded plans and provided statutory information regarding volunteer plans and old hire plans. He suggested that defeased liabilities could be structured with assets for fully funded FPPA affiliated plans within the current Total Fund structure or by creating a separate investment fund. He stated that the structure might be created for the employer to make the choice for this change. He listed the pros and

cons of the Total Fund structure compared to a separate investment fund. The decision to defease liabilities is one that would involve many parties: FPPA, the state legislature, local governing bodies and pension boards, and members and beneficiaries of the plan.

Mr. Slack reviewed the next steps involved: more education on implementation issues; FPPA-specific study; informal discussions with local boards and employers; legislation and/or rulemaking; and the study of possible alternative for some plans, such as private market annuities. The presentation concluded at 11:04 a.m. and the meeting recessed for break.

Capital Market Return Expectations

Mr. Rue and Mr. Linder provided background on the capital markets and the prospects for future investment earnings. Investors should expect volatile markets and lower-than-historical average returns over the next decade. The FPPA fixed income portfolio over the next decade can expect a 3.3% to 3.5% average return. The major trends impacting long-term investors include:

- lower interest rate environment
- higher debt levels
- growing capital flows
- demographic trends

Mr. Rue reviewed the expected future investment landscape and the increasingly high public and private debt burdens that indicate lower long-term economic growth prospects and potentially lower equity market returns. Moderate global economic growth prospects point to lower equity returns. As global financial wealth becomes evenly distributed, the potential for heightened market risk increases, and higher risk reduces returns. Mr. Rue stated that the starting point matters in determining long-term investing, and it is unlikely that a sustainable long-term bull market for equities would start from current market valuation levels. Mr. Rue and Mr. Linder provided PCA's expected compound returns and risk forecasts. There is a higher probability of FPPA's policy portfolio *not* achieving the current 8% assumed rate of return than of achieving it over the next decade. Mr. Rue and Mr. Linder responded to questions from the board.

2011 Actuarial Experience Study

Joe Newton, senior consultant and actuary with Gabriel Roeder Smith & Company (GRS), presented actuarial valuation results of an experience study conducted for the Defined Benefit System. At least every five years an experience study is completed to provide guidance for economic and demographic assumptions and to reflect occasional changes in such areas as: price inflation, the investment return rate, the salary increase assumption, the rate of payroll growth, mortality, termination and retirement.

Mr. Newton provided guidelines for the assumption setting process and the actuarial standards of practice used to measure the impact of recommended changes on the actuarial liabilities and contributions of the plan. The study was generally based on experience during the five-year period of January 1, 2006 to December 31, 2010.

The 2011 experience study found that future economic growth is likely to be suppressed, compared to historical levels and current assumptions, and that life expectancy of retirees is increasing. Mr. Newton provided the investment return assumption of other large pension systems and noted that other retirement systems have lowered return assumptions. Mr. Newton recommends lowering the inflation assumption from 3.50% to 3.00%. The proposed assumption is closer to recent levels, closer to levels expected in the bond market, and closer to expectations of investment consultants and professional forecaster estimates. The inflation assumption is the base for other economic assumptions, such as investment return, wage inflation, and payroll growth rate.

The GRS-recommended changes to the current actuarial assumptions are summarized as follows:

1. Reduce the inflation assumption from 3.5% to 3.00%.
2. Reduce the nominal investment return assumption from 8.00% to 7.50%, taking into account the lower inflation assumption and maintaining an expected net real return of 4.50%.
3. Reduce the productivity component of the salary scale assumption from 1.25% to 1.00%. Combining this with the inflation rate of 3.00% creates a wage inflation assumption of 4.00%.
4. Slightly modify the service-based promotional/longevity component of the salary scale.
5. Reduce the payroll growth rate assumption from 4.25% to 3.50%.

6. Update the post-retirement mortality tables for non-disabled retirees and add an explicit assumption for continuously increasing longevity by projecting future mortality expectations.
7. Update the occupationally disabled post-retirement mortality assumption with a 110% load.
8. Update the totally disabled post-retirement mortality assumption.
9. Update the pre-retirement non-duty mortality tables.
10. Slightly increase the age-based retirement rate (25 or more years of service) at age 55 to reflect an initial spike at first eligibility for normal retirement.
11. Slightly reduce termination rates for police and fire to reflect fewer terminations.
12. Reduce the rates of both occupational and total disability to reflect less incidence of disability for members covered by the Statewide Defined Benefit (SWDB) Plan. Reduce the rates of total disability for members covered under the MP plan.
13. Continue to use the 3-year smoothing technique to determine the actuarial value of assets.
14. Continue to use the Entry Age Actuarial Cost Method for all plans, except for Statewide Death & Disability (SWDD), which uses the Aggregate Cost Method.
15. Continue to use the current amortization periods for experience gains and losses for the plans using the Entry Age Actuarial Cost Method.

The education session recessed for lunch at 12:26 p.m. Monica Cortez-Sangster and Todd Bower left the meeting. The education session reconvened at 1:19 p.m.

2011 actuarial experience study - continued

Mr. Newton stated that GRS recommends updating changes to assumption rates of the Statewide Death & Disability (SWD&D) plan to remain conservative. The proposed occupational disability rates for members covered under the Money Purchase Component of the SWD&D plan include adjustment for potential anti-selection. Adoption of these recommendations will fund the SWD&D plan at 112%.

Mr. Newton answered questions from the board and concluded the presentation of the experience study.

Supplemental Studies and other Actuarial Issues

Mr. Newton and Dana Woolfrey presented results of 2011 supplemental studies, which included the following issues:

- the impact of an increase in member contribution rates in the Statewide Defined Benefit (SWDB) plan;
- the impact of changing a beneficiary;
- the appropriateness of a surcharge for re-entering departments;
- the impact of allowing money purchase members to enter the SWDB plan;
- the impact of allowing deferred vested benefit to be taken at age 50 (rather than a vested separation payable at age 55) with 20 years of service and with early retirement reduction in the Colorado Springs New Hire Pension Plan (CSNHPP);
- the impact to the CSNHPP of including an "acting pay" in the definition of salary if the member "acts" in a higher rank for a period of at least 6 months.

The supplemental study showed that increasing the member rate from 8% to 10% under the new actuarial assumptions would increase the breakeven COLA from 0.49% to 1.09%. Allowing a retiree to change an optional form of payment or beneficiary after the initial election can create anti-selection issues in the SWDB, SWDD and Statewide Hybrid-Defined Benefit Component plans, which would need to be considered in designing such an option. GRS recommended limitations to the pop-up option and limitations to beneficiary changes. The study showed the surcharge for re-entering departments could safely be lowered from 4% to 2%, but GRS does not recommend lowering the surcharge at this time since there are still a large number of members who could enter the system and it is unknown how many would purchase service credit. Allowing members currently in a Money Purchase plan a one-time election to transfer to the SWDB plan would have a positive actuarial impact on the plan. The study showed there would be a cost to the CSNHPP, if deferred vested members with at least 20 years of service were allowed to commence benefits at age 50 with 4.615% early retirement reduction. GRS is still collecting data on the "acting pay" issue. Mr. Newton and Ms. Woolfrey answered questions from the board and staff and concluded their presentation. The education session concluded and the meeting recessed for break.

ANNUAL STRATEGIC PLANNING SESSION

Governance Manual Review

At 2:55 p.m., Chairman Nash convened the strategic planning session. Dan Slack walked the board through a red-lined copy of the 2010 Governance Manual, which by board policy is reviewed and updated annually. Mr. Slack led a discussion of substantive changes, as suggested by executive staff. He requested that any suggested additional changes be forwarded to him and a red-lined draft copy of the manual will be provided for board review and approval at the July 14th board meeting.

Mr. Slack discussed an update of the status of strategic plan goals for 2010-2012 as of May 31, 2011. He reviewed the current status of each goal since the first quarter update presented at the April 28th board meeting. The following completed/ongoing goals were reviewed:

Goal #1

- Completed the retention of Bidart & Ross as the Defined Contribution Consultant;
- Formed a staff Self-Directed Plans Committee to oversee matters related to the self-directed plans.

Goal #2

- Developed additional risk and reporting capabilities with use of new Bloomberg subscription;
- Presented appropriate interim asset allocation to board;
- Completed absolute return implementation.

Goal #3

- Ongoing action to implement new framework and rewrite the Member Account Portal benefit calculator;
- Completed ASPEN system upgrade;
- Ongoing action to implement 2010 auditor recommendations:
 1. to develop written policies for user system access administration;
 2. to evaluate off-site backup services or cloud solutions;
 3. to implement security cameras;
 4. upgrade the voicemail system
 5. to test disaster recovery plan for critical applications;
- Ongoing action to implement new investment SharePoint site;
- Ongoing action to implement power supply for computer room;

- Completed move to Level 3 communications;
- Completed Windows 7 upgrade to all computers;
- Implemented changes with Fidelity;
- Incorporated new processes for 2010 audit;
- Completed setup of new structure to identify fees collected from each plan;
- Completed set up of new bank account at Wells Fargo to retain fees;
- Completed internal auditor recommendations.

Goal #4

- Ongoing actions to complete inventory and evaluate content management system.

Goal #5

- Action to rewrite SWDD statutes was put on hold due to other priorities;
- Completed HUB International study on alternative options to PERA as provider of healthcare benefits and concluded that FPPA cannot arrange a more cost-effective health insurance on its own.

Goal #6

- Completed retention of consulting group for compensation study;
- Ongoing actions to enhance FPPA public relations with speaking engagements.

2010-2012 Strategic Plan Review

Mr. Slack led the review of the 2010-2012 strategic plan goals. He suggested the board consider conducting the 2012 annual planning session at an off-site location and allow two days of dedicated attention and effort to create the next 3-year strategic plan.

Gina McGrail presented various possible strategic initiatives under Goal #1: *Sustain current benefits levels and, whenever feasible, improve benefits, communications and service.*

The following are possible or likely to occur:

- the implementation of changes to the actuarial assumptions/impacts;
- addressing the need for a member/employer election to decide on an increased member contribution rate;

- possible benefits-related legislation to address the beneficiary change and domestic partner issue;
- monitor the need for additional of staff to address workload requirements due to the increase in the number of members eligible for retirement/refunds;
- continue initiatives to utilize technology.

In addition, staff continues its efforts to advance employer outreach; respond to employers considering re-entry, affiliation and related issues; and increase review of the self-directed plans following the creation of a self-directed plans committee.

Ms. McGrail stated that the benefits communication and service teams had several projects and possible legislation occurring through 2012 that will impact other FPPA departments, employers and members. The benefits department is dedicated to making these projects efficient and cost-effective. Ms. McGrail stated that implementing changes to the actuarial assumptions within all calculators, communication materials, notice to members, etc., would require coordination and timing. In addition, it will require a considerable amount of staff work. Mr. Slack stated the timing issue could be directed by the board's decision in setting the effective date of implementation. Jack Blumenthal stated that because of the large number of FPPA plans, the administrative costs of the organization were very high. Mr. Blumenthal asked if there were any processes in place to simplify the administrative cost and staff responsibilities in managing so many complex plans. He suggested that each plan be charged appropriately for administrative and management costs. Chairman Nash suggested reviewing the allocation of costs to the various plans and consider any changes during a future business meeting.

Mr. Slack stated that increasing member contribution rates has been an area of board concern. He noted that employer and employee contribution rates have been fixed since the plans' inception. He reported the only way to help ensure a future COLA would be to increase contribution rates. Mr. Slack reviewed the steps in the process of increasing the contribution rate:

- Determine the timing of an election and of implementation;
- Create a task force to measure member interest;
- Determine rate of increase amount;
- Hold an election by members and employers.

He subsequently reviewed the steps in the process of conducting an election. Ms. Collins noted that the plans' design does not allow a permanent COLA structure and any COLA granted has been by board decision. Mr. Blumenthal and Kirk Miller stated that the cost of a future COLA should be clearly communicated to members, so they understand the reason for an increase in contribution rate. Chairman Nash noted that a roll-back in benefits is required by statute to be implemented before increasing the employer contribution rates in order to fully fund the plans.

Ms. McGrail reviewed possible benefits-related legislative issues discussed earlier in the actuarial education session:

1. expanding a member's ability to designate a beneficiary; and
2. administrative revisions to plan documents for non-benefit provisions to standardize operational and benefit administration issues across plans.

Ms. McGrail noted the approval of actuarial recommendations would impact administrative time and workload to implement. She reported the evaluation of additional staffing would be critical to the process and the need for additional staffing would impact the budget for 2012. Ms. McGrail reported continued work in the testing of the member account portal (MAP). She reviewed initiatives to enhance FPPA's relationship and image with employers, to communicate information to employers, and to respond to inquiries regarding affiliation or re-entry options.

Scott Simon presented Goal #2: *Prudently manage fund assets for the benefit of the membership.*

Items discussed included significant investment initiatives; management fees and staffing; and possible next steps on the immunization of liabilities for select plans.

Mr. Simon stated the additional investment responsibilities assigned to the investment staff have reduced management and consultant fees. He reviewed the status of ongoing investment projects:

- Development of risk management systems and a hedging decision-making process;
- Hedged equity allocations;
- Diversification of emerging markets private equity portfolio;
- Co-investment and direct investments;

- Increased staff oversight of the alternatives and absolute return portfolios.

Mr. Simon reported an increased need in investment accounting skills to efficiently handle monthly valuation reconciliations, the annual audit and the annual production of the CAFR. He reported that a recommendation would be forthcoming at a future board meeting to create a shared resource between the accounting department and the investment department to address this need. Subsequently, Mr. Simon provided a comparison chart depicting outsourced management fees as compared to potential investment staffing expenses that would be required to implement the model. He stated the potential investment staffing model effectively reduces costs and adds value to the plan. Mr. Simon reported the need to revisit the decision to delay hiring an Investment Officer position, a position which was approved by the board in 2010. Mr. Simon and Mr. Slack answered questions from the board. Mr. Blumenthal requested that Mr. Simon provide a proposal for board consideration at the August board meeting regarding the new investment department structure and a plan for implementation.

Mr. Slack and Ms. Collins presented Goal #3: *Maintain highly efficient and effective operations and technology to support staff, board and membership.*

Ms. Collins stated FPPA staff continues to improve work processes and technological applications to ensure accuracy of data, system integrity expanded employer/member services and increased staff efficiency. Staff continues to improve ASPEN features and the member account portal (MAP) calculator. Ms. Collins reported that the auditor focus is expanding; GASB transparency pronouncements and disclosure requirements are increasing; and IT continues to focus on security and risk mitigation. She reported that staff continues to provide transparency in reporting to the board regarding the defined contribution/defined benefit split and the asset-based fee structure. Ms. Collins reported on the planned development of records management systems and the development of written policies related to user access. She reported on strategic items that will be presented in the 2012 budget. These issues include:

1. security penetration testing;
2. an audit file access system;
3. a thin-client system as a possible alternative to replacement of desktop PCs/laptops;
4. a security program for personally-owned tablets or smartphones having access to the FPPA system;

5. reduced deposit advice mailing to retirees;
6. implementation of benefit calculation tables of any approved actuarial assumptions and of possible SWDB health care plan;
7. implementation of actuarial changes and state budget decisions impacting plans;
8. actuarial audit full replication of SWDB, SWD&D, Denver OH plans, and 2 Volunteer plans; and
9. a recommendation to delay completion of the business continuity plan until after the records management project is completed.

CEM Benchmarking Report

Mr. Slack reviewed the Cost Effectiveness Measurement benchmarking service. He reported that staff is considering recommending in the 2012 budget to hire Toronto-based CEM Benchmarking, Inc. Mr. Slack reviewed the type of information this service could provide in measuring best practices in FPPA system administration. CEM is an independent provider of objective and actionable benchmarking information regarding efficiency and cost-effectiveness of pension investment and administration operations and evaluation of costs and services, as compared to other pension systems similar in membership size. Mr. Slack noted that more than 80 pension systems currently participate in CEM's pension administration benchmarking service. He stated the third-party evaluation of such areas as work productivity, customer service levels, staff and premises expenses provides performance feedback and measurement verification that impact the costs of operation. Mr. Slack provided charts of sample systems depicting typical CEM metric reports, including customer service delivery satisfaction, volume of transactions, productivity scores, staff and premises costs, and business cost environment. He reported the all-inclusive fee for CEM's service is \$20,000.

Kevin Lindahl presented Goal #4: *Maintain ethical standards and ensure legal and policy compliance; strategic planning impact on legal resources.*

Mr. Lindahl reported the current imaging system is obsolete and inadequate in providing the legal department the necessary research tools and capacity for responding to discovery and open records requests. He supported Ms. Collins' recommendation to fund in the 2012 budget the development of a document retention policy and a corresponding electronic document and indexation program. Ms. Collins reported on the process to convert the obsolete imaging system to a Microsoft SharePoint retrieval system,

estimated to cost \$350,000 - \$450,000. Mr. Lindahl and Ms. Collins reviewed the conversion process and answered questions from the board.

Mr. Lindahl stated the model document for old hire plan is being drafted. He reported that a standardized volunteer plan domestic relations order has been developed and is being implemented. Mr. Lindahl reported there is a potential for an increased administrative burden on the legal department with its current level of staffing if any or all of the projects recommended in the strategic plan are approved. He reviewed the impact on the legal department to supervise and support approved projects or processes that might be approved for the operations, benefits and investment departments. He answered questions from the board.

Mr. Lindahl presented Goal #5: *Seek legislative and other changes that are in the best interest of FPPA.*

Mr. Lindahl presented eight legislative ideas for the 2012 legislative session. Of the ideas listed, he stated that three were of particular priority.

1. Legislation to realign and clarify open records requirement for certain investments.
2. Legislation to expand members' ability to designate beneficiaries.
3. Legislation to allow board-approved revisions to plan documents for non-benefit provisions.

Mr. Slack presented Goal #6: *Maintain and improve the leadership of FPPA.*

Mr. Slack reported the ongoing status of the approved total compensation survey. He noted any actions resulting from the survey report would be incorporated in the 2012 budget planning process. Mr. Slack stated that a suggested priority list of strategic plan recommendations would be presented to the board at the July 14th board meeting.

Chairman Nash expressed the board's appreciation for the work and efforts to coordinate and present the education and strategic planning sessions and noted there would be a lot of work going forward.

At 5:33 p.m., Mr. Blumenthal moved to adjourn the strategic planning session. Mr. Johnson seconded the motion. MOTION PASSED IN FAVOR UNANIMOUSLY.