

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS
December 13, 2012
Agenda**

<u>Time</u>	<u>Agenda item</u>
10:00 a.m.	Call to order <i>Cliff Stanton, Chair</i>
	Approval of October 25, 2012, board meeting minutes Approval of November 8, 2012, education session minutes
10:05 a.m.	Investment Risk Committee report <i>Todd Bower, Chair</i>
10:10 a.m.	Investment report <i>Scott Simon</i> <ol style="list-style-type: none">1. Review of October 2012 performance2. Review of managers3. Other matters
10:55 a.m.	Portfolio & Capital Market Review – Third Quarter 2012 <i>John Linder, Pension Consulting Alliance</i>
11:25 a.m.	Break (buffet lunch)
12:00 p.m.	Audit Committee report <i>Jack Blumenthal, Chair</i>
12: 15 p.m.	Review of Hearing Officer Recommendation in the matter of Jeff Davis <i>Kevin Lindahl</i>
12:45 p.m.	Approval of "Board hire" contracts <ol style="list-style-type: none">1. Internal Auditor2. Medical Advisor3. Hearing Officers4. Medical Secretary
1:15 p.m.	Recommendation to retain BNY Mellon as the custodian bank for FPPA <i>Samir Pandiri and Carlos Pacheco, BNY Mellon</i>
1:45 p.m.	Break
1:55 p.m.	Recommendation to retain Gabriel Roeder Smith & Co. as the actuary for FPPA <i>Joe Newton and Dana Woolfrey, GRS</i>
2:25 p.m.	2013 Budget approval <i>Dan Slack and Kim Collins</i>
2:55 p.m.	Break

- 3:05 p.m. **Staff report**
1. CEO report
Dan Slack
 2. Legal report and legislative update
Kevin Lindahl
 3. Other matters
- 3:20 p.m. **Chair's report**
Cliff Stanton, Chair
1. 2013 Board meeting schedule
 2. Other matters
- 3:30 p.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
December 13, 2012**

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

Board Members Present: Chair Cliff Stanton, Vice Chair Sue Eaton, Todd Bower, Jack Blumenthal, Tyson Worrell and Terri Velasquez

Board Members Absent: Monica Cortez- Sangster, Lyle Hesalroad and Pam Feely

Staff Members Present: Dan Slack, Kevin Lindahl, Gina McGrail, Kim Collins, Scott Simon, Jacqueline Tara, Austin Cooley, Dale Martin, Ben Bronson, Curt Huntsman, Jeff Kaszubowski, and Jessica Hsu

Others Present: Neil Rue and John Linder, Pension Consulting Alliance (PCA),

Notice of this meeting and a copy of the agenda were posted outside the meeting room and on the FPPA website at least twenty-four hours prior to the meeting.

At 10:07 a.m., Chairman Cliff Stanton called the meeting to order.

Chair Stanton called for a motion to approve the minutes of the October 25, 2012, Board meeting. Ms. Eaton moved to approve the minutes. Mr. Bower seconded the motion. The motion carried.

Chair Stanton called for a motion to approve the minutes of the November 8, 2012, Educational Session. Mr. Bower moved to approve the minutes. Ms. Velasquez seconded the motion. The motion carried.

Investment Report

Review of October and November 2012 performance

Mr. Simon provided the October, November and December economic recap and fund performance. Despite the market interruption brought on by hurricane Sandy, the market remained relatively flat.

Total Fund performance for October was **-0.27%**, but still strong at **+9.09% YTD**. A lot of activity and a huge inflow of distributions coming back saw November with a total fund of **+1.3%**.

Staff is continuing to follow Cortina (US Small Cap) due to concern over

underperformance of their benchmark by over 500 basis points in November. YTD they are trailing their benchmark by 8.8% (est.). Staff has requested additional attribution, specifically November and YTD attribution for realized losses, to help us understand how much of the loss has been crystalized and how much could potentially be recouped per their thesis regarding the long-term prospects for the portfolio.

Upon recommendation through the IRC, three investments were added into the FPPA portfolio:

- Raven Capital Management - Asset-Based Loan Opportunity Fund
- Scout Capital Partners II, LP - Onshore Long/Short Equity Hedge Fund
- The Energy & Minerals Group Fund II, L.P. - Natural Resources manager (additional commitment)

The outline of the 5-year Asset Liability Study process has been agreed upon and the Investment team will be finalizing the structure and details with Pension Consulting Alliance and FPPA's actuarial firm, Gabriel Roeder Smith & Company. The agreed concept will have a greater focus and discussion on risk and risk tolerance, a more robust process, and cost savings. The goal for final annual look with the Investment Risk Committee is the January/February time frame and then a presentation to the Board.

Mr. Simon communicated the restructuring of the Investment department. The group currently dedicated towards public equity and fixed income will be now be classified as liquid strategies, narrowing teams down from three to two. Along with the increase of workload and responsibility there will also be title changes.

Investment Risk Committee Report

Mr. Bower educated the new Board members on the functions and responsibilities of the Investment Risk Committee (IRC), as well as the critical communication of adequate information between the investment staff and the IRC.

3Q Portfolio and Capital Markets Review

Mr. Slack introduced Mr. Rue who explained the background, business model and relationship of Pension Consulting Alliance (PCA).

Mr. Linder presented the Investment Market Risk metrics and PCA's Market Sentiment Indicator. PCA's Total Fund Review of FPPA's portfolio in the most recent 18 months revealed a 15% reduction of volatility as compared to the previous 18 months, due largely in part to FPPA's change in investing.

While inflation rates may jump around it is unlikely interest rates will rise any time soon. U.S. Equity markets are up 30% year over year. Globally they are up 15%, due to discount rates and fixed income markets coming down in yield. The biggest change in FPPA's portfolio over the past year was moving from a global equity portfolio that lacked equity long/short to a portfolio that is now 6% equity long/short, which offers lower risk, lower volatility, and less exposure to the full ups

and downs of the equity markets.

At 11:45 a.m., Chair Stanton called for a lunch break. Neil Rue, John Linder, Austin Cooley, Dale Martin, Ben Bronson, Curt Huntsman, Jeff Kaszubowski, and Jessica Hsu left the meeting.

At 12:15 p.m., the meeting reconvened.

Review of Hearing Officer Recommendation for Mr. Jeff Davis

Mr. Lindahl discussed the hearing procedure and updated the Board members on the proceedings, the conclusions of the Hearing Officer and the findings of FPPA CEO Dan Slack.

At 12:27 p.m., Chair Stanton called the Hearing to order. Mr. Cole, Mrs. Heather Davis, Justin Davis and Amy-Grace Davis entered the meeting.

Mr. Cole reviewed the materials surrounding the Jeff Davis case.

Mr. Bower moved to set aside the recommendation of the Hearing Officer and, pursuant to the recommendation of CEO Dan Slack, grant the determination of on-duty status in the matter of Mr. Jeff Davis. Mr. Blumenthal seconded the motion. The motion passed.

At 12:58 p.m., the hearing concluded. Mr. Cole, Mrs. Davis, Justin Davis and Amy-Grace Davis left the meeting.

Contract Review

Custodial Services

Mr. Simon updated the Board with the analysis supporting the recommendation of retaining BNY Mellon for Custodial Services.

At 1:30 p.m., Samir Pandiri and Carlos Pacheco with BNY Mellon entered the meeting.

Mr. Pandiri and Mr. Pacheco presented BNY Mellon's Investment Management style and Investment Services.

At 2:03 p.m., Samir Pandiri and Carlos Pacheco left the meeting.

At 2:15 p.m., Jeff Kaszubowski left the meeting.

Ms. Velasquez moved to authorize staff to negotiate a contract for the Board's further consideration. Mr. Blumenthal seconded the motion. The motion passed.

Actuarial Services

Ms. Collins updated the Board with the analysis supporting the recommendation of retaining Gabriel Roeder, Smith and Company (GRS) for actuarial services.

At 2:35 p.m., Joe Newton (GRS) joined the meeting via telecom, Dana Woolfrey (GRS) and Brad Kramer (Boots to Suits mentee) entered the meeting.

Mr. Newton and Ms. Woolfrey reviewed the strength and value of GRS's relationship with FPPA.

At 2:48 p.m., Mr. Newton disengaged from the call and Ms. Woolfrey left the meeting.

Ms. Velasquez moved to approve the actuarial service contract with Gabriel Roeder Smith and Company. Mr. Bower seconded the motion. The motion passed.

Audit Committee Report

Mr. Blumenthal updated the Board on the activities of the Audit Committee. Mr. Blumenthal and Ms. Feely met with the outside auditors to review 2013 audit. The Audit Committee recommended to the Board that the internal auditor contract for Timothy O'Brien be approved for renewal.

Contract Review (continued)

Internal Auditor

Mr. Slack reviewed the background and working relationship of Internal Auditor Timothy O'Brien.

Mr. Bower moved to retain the contract for the Internal Auditor, Mr. O'Brien. Ms. Eaton seconded the motion. The motion passed.

Medical Advisor

Mr. Slack reviewed the working relationship of the Medical Advisor, Dr. Clarence Henke.

Mr. Bower move to renew the contract of Medical Advisor Clarence Henke. Ms. Eaton seconded the motion. The motion passed.

At 3:00 p.m., Chair Stanton called for a break.

At 3:13 p.m., the meeting reconvened.

2013 Budget Approval

Ms. Collins presented the revised 2013 Operating Budget. Mr. Slack provided a background on the working relationship with Bidart & Ross and the expertise and

valuable assistance they provide to FPPA staff and the Board. It is the staff's recommendation to continue the contractual relationship with Bidart & Ross.

Mr. Bower moved to approve the proposed 2013 Budget. Ms. Eaton seconded the motion. The motion passed.

Staff Report

Mr. Slack discussed an on-line *Investor Education in the Work Program* currently being utilized by staff. Mr. Slack has applied to sit on the Arapahoe County Retirement Board in Centennial and will keep the Board apprised of the outcome of his application.

At 3:40 p.m., Ms. Woolfrey of Gabriel Roeder Smith & Company (GRS), entered the room.

Mr. Slack explained that the Mayor of Colorado Springs has convened a group to look into various aspects of the City's pension plans, including the Public Safety Plans. These plans include the four closed plans administered by FPPA: the Colorado Springs Old Hire Plans for both Fire and Police and the Colorado Springs New Hire Plans for both Fire and Police. As a fiduciary of these plans, FPPA is responsible for actions taken on the plans and may be asked to rule or act on any initiatives for the plan, therefore FPPA is entitled to the information as discovered by GRS.

Ms. Woolfrey described the modeling tool requested by Colorado Springs. Some of the directives included being able to look at the four plans and contribution requirements and to have the ability to vary inflation, investment return, amortization period and override contribution with a fixed dollar amount. They also have an interest in reducing benefits in the model.

Ms. Woolfrey shared that the this group was strongly focused on finding a solution that involved transferring their remaining active participants in the Colorado Springs New Hire Plan over to Statewide Defined Benefit Plan. They discussed options of making it mandatory and possible tying it in with compensation control.

Mr. Slack assured the Board that GRS will keep FPPA informed and communicate how this process unfolds.

At 3:57 p.m., Ms. Woolfrey left the meeting.

Mr. Bower discussed the recent meeting that he and Mr. Slack had with consulting firm SE2 regarding the upcoming SWDB member election. It was recognized that the biggest challenge will be educating the members on the history and aspects of how and why the members of the Task Force have decided on the recommendation of a member contribution increase. One suggestion was to put forth a bill to change the election process to be more like other elections so that a non-vote would no longer be counted as a no-vote.

Litigation Report

Mr. Lindahl updated the Board on FPPA's legal issues. The Court has awarded FPPA a reimbursement of almost \$15,000 for litigation costs in participating in the Tronox case.

Resolution amendment 2012-9 to the Statewide Money Purchase Pension Plan and Statewide Hybrid Plan was presented. Mr. Bower moved to approve Resolution 2012-9. Mr. Blumenthal seconded the motion. The motion passed.

Chairman's Report

Chair Stanton reminded the Board that both the CEO and Board evaluations are due by January 10, 2013.

The proposed 2013 Board meeting dates were reviewed and November's date was changed to November 21, 2013.

At 4:15 p.m., Mr. Bower moved to adjourn the meeting. Mr. Blumenthal seconded the motion and the motion passed. The meeting adjourned.