

**FIRE AND POLICE PENSION ASSOCIATION  
BOARD OF DIRECTORS  
Education Session  
November 8, 2012  
Agenda**

<u>Time</u>	<u>Agenda Item</u>
9:00 a.m.	<b>Call to order</b> <i>Cliff Stanton, Chair</i>
9:00 a.m.	<b>Absolute Return Investment Class</b> <b>Risk Reducer Investment Class</b> <i>Scott Simon, Chief Investment Officer</i> <i>Austin Cooley, Investment Officer – Liquid Strategies</i>
9:30 a.m.	<b>Alternative Hedge Fund Beta</b> <b>AQR Capital</b> <i>Scott Metchick, Vice President</i> <i>William Latimer, CFA, Vice President</i>
10:15 a.m.	<b>Break</b>
10:30 a.m.	<b>Managed Futures</b> <b>AQR Capital</b> <i>Scott Metchick, Vice President</i> <i>William Latimer, CFA, Vice President</i>
11:15 a.m.	<b>Hedge Fund Reporting</b> <b>Pension Consulting Alliance</b> <i>John Linder, Consultant, Principal</i>
11:45 a.m.	<b>Adjourn &amp; Lunch</b>

**FIRE AND POLICE PENSION ASSOCIATION**  
**Board of Directors**  
**Educational Session**  
**November 8, 2012**

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

BOARD MEMBERS PRESENT: Vice Chair Sue Eaton, Lyle Hesalroad, Jack Blumenthal, Pam Feely, Todd Bower and Terri Velasquez

BOARD MEMBERS ABSENT: Chair Cliff Stanton, Monica Cortez-Sangster, Tyson Worrell

STAFF MEMBERS PRESENT: Dan Slack, Scott Simon, Kevin Lindahl, Kim Collins, Gina McGrail, Austin Cooley, Dale Martin, Sean Ross, Curt Huntsman, Ben Bronson, Jeff Kaszubowski, Jessica Hsu and Jacquette Tara

OTHERS PRESENT: Lincoln Smith, Albourne Partners, and John Linder, Pension Consulting Alliance (via teleconference)

Scott Metchick and Bill Latimer, AQR Capital, entered the meeting at 9:45 a.m.

*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 9:05 a.m., Vice Chair Sue Eaton called the Educational Session to order.

Dan Slack introduced new Board member Terri Velasquez, Deputy Finance Director for City of Aurora. Tyson Worrell, Denver Police, has been appointed by the Governor to replace Kirk Miller. Mr. Worrell had a prior commitment and was unable to attend this meeting. A photographer will be available on December 13<sup>th</sup> to take photos of the new Board members as well as retakes for other members for the website.

**Absolute Return Investment Class**

Mr. Simon introduced the educational topics to be covered and introduced Lincoln Smith from hedge fund advisor Albourne Partners.

Mr. Linder's presentation, Hedge Fund Portfolio Reporting & Assessment, included:

- Overview of Current Hedge Fund Portfolio structuring
- Review of Hedge Fund Portfolio Expectations
- New Performance Reporting and Assessment tools for the Hedge Fund Portfolios

Mr. Slack invited the Board to consider the information, value, etc., of the monthly investment report (not the quarterly PCA report) as provided in the Board packets

and to share feedback with Chair Stanton, Mr. Simon or him.

Mr. Cooley shared some background that led to FPPA inviting AQR Capital to present on alternative beta to the Board. Beta is the return of the market (equity, bonds, small cap equity, etc.) and alpha is what is delivered on top of that and is either positive or negative. This view was appropriate when FPPA was looking at long-only, active, managers that were running their portfolios very tight to their benchmarks and the betas were very clear. With FPPA's evolution in looking at managers that are much more nimble and non-constrained by benchmarks (can go long or short), it has become much harder to assess their betas. FPPA is seeking to better identify these alternative betas, purchase them more inexpensively where it can and only give managers credit for the alpha that they deliver on top of both their betas and their alternative betas.

At 9:45 a.m., Mr. Metchick and Mr. Latimer (AQR Capital) entered the meeting and presented AQR's views surrounding hedge funds and hedge fund beta. The AQR principals also presented on managed futures, a commonly used hedge fund strategy.

At 10:21 a.m., Vice Chair Eaton called for a break.

At 10:32 a.m., the meeting reconvened.

At 11:23 a.m., Mr. Linder disconnected from the teleconference.

At 11:45 a.m., Mr. Hesalroad left the meeting.

At 12:06 p.m., the education session concluded.