

**FIRE AND POLICE PENSION ASSOCIATION  
MEETING OF BOARD OF DIRECTORS**

**October 25, 2012  
Agenda**

<b><u>Time</u></b>	<b><u>Agenda item</u></b>
7:30 a.m.	<b>Call to order</b> <i>Cliff Stanton, Chair</i>
	<b>Approval of September 27, 2012 Board meeting minutes</b>
7:40 a.m.	<b>Consent Calendar</b> <ol style="list-style-type: none"><li>1. Approval to Amend the Montrose FPD Old Hire Fire Pension Plan</li><li>2. Approval to Amend the Town of Cedaredge Old Hire Police Pension Plan</li><li>3. Resolution for Partial Entry into the FPPA Defined Benefit System – City of Englewood Police Department</li><li>4. Resolution to cover part-time firefighters in the SWMP Plan – Genesee Fire Protection District</li><li>5. Disaffiliation Resolution regarding volunteer pension plan – Pleasant View Fire Protection District</li><li>6. Approval to disburse idle funds for the Walsenburg Old Hire Police Pension Plan</li></ol>
8:00 a.m.	<b>Investment Risk Committee report</b> <i>Todd Bower, Chair</i>
8:10 a.m.	<b>Investment report</b> <i>Scott Simon</i> <ol style="list-style-type: none"><li>1. Review of August 2012 performance</li><li>2. Other matters</li></ol>
8:55 a.m.	<b>Break</b>
9:05 a.m.	<b>2013 Budget Discussion</b> <i>Dan Slack, Scott Simon and Kim Collins</i>
10:35 a.m.	<b>Break</b>
10:45 a.m.	<b>Staff report</b> <ol style="list-style-type: none"><li>1. CEO report <i>Dan Slack</i></li><li>2. Legal report &amp; litigation update <i>Kevin Lindahl</i></li><li>3. Other matters</li></ol>
11:00 a.m.	<b>Chairman's report</b> <i>Cliff Stanton, Chair</i> <ol style="list-style-type: none"><li>1. 2013 Board meeting schedule <i>Dan Slack</i></li><li>2. Conference Evaluations <i>Jack Blumenthal, Pam Feely</i></li><li>3. Other matters</li></ol>
11:15 a.m.	<b>Adjourn</b>

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
October 25, 2012**

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

**Board Members Present:** Chair Cliff Stanton, Vice Chair Sue Eaton, Kirk Miller, Todd Bower, Jack Blumenthal, Lyle Hesalroad and Pam Feely

Board Members Absent: Monica Cortez-Sangster

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

**Others Present:** 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 7:32 a.m., Chairman Cliff Stanton called the meeting to order.

Chair Stanton called for a motion to approve the minutes of the September 27, 2012, Board meeting. Mr. Bower moved to approve the minutes. Mr. Miller seconded the motion. The motion carried.

Mr. Miller made a motion to approve the Consent Calendar. Mr. Hesalroad seconded the motion. The motion carried.

**Investment Risk Committee Report**

The Investment Risk Committee has not had a meeting since the last Board meeting.

**Investment Report**

Mr. Simon introduced a new member of the Investment staff, Jessica Hsu.

*Review of September 2012 performance*

Mr. Simon provided the September economic recap and fund performance. Month of September saw a continued up-market due mostly to continued central bank movements despite the ongoing problems in Europe, the "Fiscal Cliff" in the U.S., and China's slowing growth.

Total Fund performance was **+1.57%** in September (net of fees) (**+9.38% YTD**). Total Fund Benchmark is at 10.35% for YTD. The MSCI All Country World IMI equity index rose just above 3% for the month of September placing it at +13.5%

YTD. Markets started well in October but have pulled back with some poor corporate earnings being reported. Fixed income performance is exceeding its benchmark YTD led primarily by PIMCO's contribution. Global equity slightly lags its benchmark YTD with negative contribution from Driehaus (SC Non-US) and the expected drag from the low beta long/short portfolio. FPPA's asset allocations remain fairly well on track.

*K2 (Hedge Fund of Funds)* – Franklin Templeton announced it will acquire a majority stake in K2 Advisors. Proceeds from the purchase will pay off existing equity holder, TA Associates, and other debt. While not a near-term negative, FPPA will continue to closely watch the development of the transaction.

*Vermillion (Hedge Fund – Commodities)* – The Carlyle Group announced purchasing 55% of Vermillion Asset Management. While the transaction should not have any near-term effect on the firm and its strategy, FPPA will also continue to closely watch the development of the transaction.

*BNY Mellon (Cash Management)* – BNY Mellon announced the transition of oversight of its cash investment strategies to its affiliate, Mellon Capital. FPPA was aware of the transition and overall is comfortable with the change.

Custodial search continues and the process has narrowed down from three to two candidates. The existing FPPA contract with BNY Mellon will be up in February 2013.

FPPA participates in two primary surveys (CEM and R.V. Kuhns) to assist in assessing FPPA's investment program relative to its peers. Survey comparisons included:

- Implementation style
  - Internal
  - External
  - Passive
  - Active
- Summary of 2011 Operating Costs
- Plan's benchmark cost and cost equation
- Market Performance for:
  - Domestic Equity
  - International Equity
  - Fixed Income
  - Real Estate
  - Hedge Fund

In order to be more responsive to market volatility and the sensitivity of our liabilities, Mr. Slack suggested seeking a better alternative to FPPA's current Asset Liability Study process. Under the current Master Investment Policy Statement, the Board will conduct a formal asset liability study a minimum of every five years. The purpose of the study is to develop appropriate Investment Allocation Policy Targets which will achieve the long-term performance objectives relative to the liability and liquidity needs of the Fund and the overall risk tolerance of FPPA. FPPA utilized PCA/EFI for the last study in 2009 for a cost of \$150,000. The Investment Staff and PCA are exploring alternative processes which will be presented to the

Board and include:

1. *Increase the frequency of discussion pertaining to asset allocation and liabilities.*
2. *Focus the process on the risk tolerances of FPPA*
3. *Reduce Costs*

At 8:25 a.m., Chair Stanton called for a break. Austin Cooley, Jeff Kaszubowski, Jessica Hsu, Ben Bronson and Curt Huntsman left the meeting.

At 8:42 a.m., the meeting reconvened.

### **Legal Report**

Mr. Lindahl updated the Board on the status of Mr. Dolan's case. A complaint for appellate review has been filed in the Arapahoe District Court by Mr. Dolan and FPPA's attorneys are working on a response brief. Mr. Sutherland is working closely with outside counsel and will be keeping the Executive Team apprised of the case.

The legislation presented to the Pension Reform Commission has been approved by legislative counsel and will be presented to the legislature in January.

The Board directed staff to approach the governor's office with a request to reconsider for FPPA the term limitations currently set in the governor's appointment policy. The current turnover in participation of the Board as it stands will affect the Board's impact on longer term decisions.

### **2013 Budget Discussion**

Chair Stanton opened the floor to discussion on establishing a two-person Budget Committee. Mr. Slack asked for clarification as to whether the responsibility for putting forth an annual budget would remain with the CEO or would be transferred to this proposed committee. The responsibility for preparing the budget would remain with staff. The purpose of the proposed committee would be to review the proposed budget in more detail than is feasible in a regular board meeting. After discussion, a motion to implement a two-person Budget Committee in 2013 for the 2014 Budget was made by Mr. Hesalroad. Mr. Bower seconded the motion. The motion passed.

Mr. Slack began the discussion of the proposed 2013 budget with a review of his memorandum regarding salaries and benefits and discussed the extremely valuable resource of FPPA staff. Mr. Slack also stated that the executive staff will apply board guidance and comments received today, refine the budget numbers, and present a final budget at the December Board meeting.

Ms. Collins presented the 2013 proposed budget as it pertains to Operating Expenses and Capital Expenditures. She reviewed the budget categories and discussed planned expenses and projects within each category. Mr. Bower suggested that staff conduct research on any potential liability surrounding employees' personal devices having connectivity to the company network.

At 10:25 a.m., Chair Stanton called for a break. Mr. Lindahl left the meeting. At 10:35 a.m., the meeting reconvened.

Mr. Simon reviewed the status of the Investment Department Resources and presented a spreadsheet analysis of the original 2011 Board-approved implementation plan along with current projections. FPPA is currently going through an RFP process to evaluate its custodial bank services; results of this search process may change the level of fees currently paid for core custodial services as well as the fees for ancillary services. Mr. Bower and Ms. Collins discussed the advantages of adding a footnote on the Comprehensive Annual Financial Report (CAFR) which would highlight the success and savings FPPA has seen.

Ms. Collins continued the discussion on the 2013 proposed budget as it pertains to Asset Based Fees. The Self-Directed Plans Committee recommends maintaining its consulting relationship with Bidart & Ross for defined contribution investment consulting services. Mr. Blumenthal questioned the continued necessity of retaining Bidart & Ross's services on a retainer basis. Mr. Slack, Ms. McGrail, and Mr. Simon provided examples over the past year of the value and time savings FPPA has experienced through the services of Bidart & Ross. Chair Stanton requested that staff present a compilation of the work and support provided by Bidart & Ross for the December board meeting.

Ms. Collins gave a demonstration on Diligent Boardbooks, a board portal system offering Board members stronger security of Board materials in an electronic format, increased efficiency on researching historical items, and flexibility on annotating documents.

### **Staff Report**

Mr. Slack reported on his recent attendance at the semi-annual meeting of Council of Institutional Investors (CII). Among topics of note was presentation "Engaging for the Future" by Zillow CEO Spencer Rascoff. Mr. Slack will be speaking on a panel presentation on auditor independence and audit firm rotation at a hearing to be held by the Public Company Accounting Oversight Board (PCAOB).

Ms. McGrail added that her team is moving forward with the educational campaign for the upcoming election. Mr. Bower offered to meet and discuss some updated ideas to aid in the team's efforts. Positive comments were received following presentations by Mr. Slack; Ms. McGrail; Mr. Sutherland; Gabriel, Roeder, Smith and Company; and CliftonLarsonAllen at the October Employer Seminar; approximately 50 employers attended.

Ms. Collins advised the Board that FPPA had received a group rebate of approximately \$800 for the first half of 2012 on the State credit card for usage and timeliness of billing.

The 2012 audit will begin in November.

FPPA recently filed a notice with Hiscox, FPPA's insurer, for postal delivery where sixteen letters containing confidential retiree information were returned to FPPA

having been opened and resealed.

### **Chairman's Report**

Chair Stanton asked Mr. Slack to review the proposed 2013 Board schedule. After Mr. Slack's review, he asked the Board members to bring any requested changes to the December meeting.

At 11:20 a.m., Mr. Miller moved to adjourn the meeting. Mr. Hesalroad seconded the motion and the motion passed. The meeting adjourned.