

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

September 27, 2012

Agenda

<u>Time</u>	<u>Agenda item</u>
7:30 a.m.	Call to order <i>Cliff Stanton, Chair</i>
	Approval of August 30, 2012 Board meeting minutes
7:40 a.m.	Hearing on Proposed Amendments to the Rules and Regulations for the: <ul style="list-style-type: none">• Statewide Defined Benefit Plan and Statewide Death and Disability Plan• Statewide Hybrid Plan• Colorado Springs New Hire Pension Plan Hearing on Proposed Amendments to the Plan Documents for the: <ul style="list-style-type: none">• Statewide Hybrid Plan• Statewide Money Purchase Plan• Colorado Springs New Hire Pension Plan – Fire Component• Colorado Springs New Hire Pension Plan – Police Component <i>Kevin Lindahl</i>
8:00 a.m.	Investment Risk Committee report <i>Todd Bower, Chair</i>
8:10 a.m.	Break
8:20 a.m.	Investment report <i>Scott Simon</i> <ol style="list-style-type: none">1. Review of August 2012 performance2. Review of Managers3. Alternative Growth Investment Class Review <i>Dale Martin and Sean Ross</i>4. Macro Overview <i>Ben Bronson</i>5. Other matters
9:35 a.m.	Break
9:45 a.m.	Staff report <ol style="list-style-type: none">1. CEO report <i>Dan Slack</i>2. Legal report & litigation update <i>Kevin Lindahl</i>3. Other matters
10:20 a.m.	Chairman's report <i>Cliff Stanton, Chair</i> <ol style="list-style-type: none">1. Other matters2. Committee appointments (Audit)
10:45 a.m.	Adjourn

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
September 27, 2012**

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

Board Members Present: Chair Cliff Stanton, Kirk Miller, Todd Bower, Jack Blumenthal, Lyle Hesalroad, Tim Nash, Pam Feely and Monica Cortez-Sangster

Board Members Absent: Vice Chair Sue Eaton (excused)

Staff Members Present: Dan Slack, Kevin Lindahl, Gina McGrail, Kim Collins and Jacquette Tara

Claude Cloete, Dale Martin, Austin Cooley, Ben Bronson, Sean Ross and Curt Huntsman (all joined at 7:36 a.m.)

Scott Simon (joined at 7:40 a.m.)

Others Present: Holly Faddis, Avery Woods

Ken Brooks, T. Rowe Price (joined at 8:04 a.m.)

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 August 30, 2012, Board meeting. Mr. Blumenthal noted that the minutes reflected an incorrect time of arrival for John Linder. He suggested that the minutes be amended to strike the phrase "(joined at 12:45 p.m.)" immediately following John Linder's name and firm name in the Others Present portion of the minutes.

Mr. Bower moved to approve the minutes with the suggested amendment. Ms. Feely seconded the motion. The motion carried. The minutes were approved as amended.

Staff Report

Mr. Slack reported that FPPA has received three proposals in response to RFPs for bank custodial services. FPPA staff will begin the process of reviewing those responses. FPPA also has an RFP out for actuarial services; while the deadline is October 1, 2012, six (6) proposals have already been received.

Mr. Slack recently spoke on FPPA's upcoming member election to the Colorado Professional Fire Fighters and to the Special District Association. Mr. Slack received questions on FPPA's past and projected investment return and the relative contributions of members and employers, among other questions.

Mr. Slack also presented an annual update to the Police Officers' and Firefighters' Pension Reform Commission. The annual update was well-received and the Pension Reform Commission complimented the work of FPPA. At this hearing, Mr. Lindahl presented FPPA's proposed legislation limiting liability in the event an employer fails to properly enroll individuals into one of FPPA's plans. Although noting his support of the proposed legislation, Sen. King raised concern about the possibility of public safety personnel being left without a remedy should an employer fail to properly enroll one of its employees. The legislation passed the Commission unanimously and was adopted as one of its bills, with Senator Tochtrop as the lead sponsor in the Senate and Representative Ramirez and the lead sponsor in the House.

Mr. Slack and Ms. McGrail are researching communication resources for possible retention and aid in educating members about the upcoming election. This would help ensure that our members are getting sufficient education to make informed decisions.

CEO Report

Mr. Slack requested authorization from the Board to be a signatory on a draft letter to Moody's Investor Services from the National Association of State Retirement Administrators and the National Council on Teacher Retirement. The potential impact of the Moody's proposal on municipalities was discussed.

Mr. Bower moved to authorize Mr. Slack to sign the letter to Moody's. Mr. Nash seconded the motion. The motion passed.

At 8:17 a.m., Mr. Cloete, Mr. Martin, Mr. Cooley, Mr. Bronson, Mr. Ross, Mr. Huntsman, Mr. Linder and Mr. Brooks left the room.

Hearing on Proposed Amendments to the Rules and Regulations

Chairman Stanton called the Public Hearing for Plan Amendments and Proposed Rules to order. Mr. Lindahl presented the proposed rules and proposed plan amendments.

Ms. Feely moved that the Board adopt Resolution 2012-3, which sets forth amendments to the FPPA Rules and Regulations and the Statewide Hybrid Plan Rules and Regulations and which states the basis and purpose for each of the amendments. Mr. Hesalroad seconded the motion. The motion passed.

Ms. Feely moved that the Board adopt Resolution 2012-4, which sets forth amendments to the Statewide Hybrid Plan Document and which states the basis

and purpose for each of the amendments. Mr. Hesalroad seconded the motion. The motion passed.

Ms. Feely moved that the Board adopt Resolution 2012-5, which sets forth amendments to the Statewide Money Purchase Plan Document and which states the basis and purpose for each of the amendments. Mr. Blumenthal seconded the motion. The motion passed.

Ms. Feely moved that the Board adopt Resolution 2012-6, which sets forth amendments to the Colorado Springs New Hire Pension Plan Document – Fire Component and which states the basis and purpose for each of the amendments. Mr. Miller seconded the motion. The motion passed.

Ms. Feely moved that the Board adopt Resolution 2012-7, which sets forth amendments to the Colorado Springs New Hire Pension Plan Document – Police Component and Regulations which states the basis and purpose for each of the amendments. Mr. Blumenthal seconded the motion. The motion passed.

Ms. Feely moved that the Board adopt Resolution 2012-8, which sets forth amendments to the Colorado Springs New Hire Pension Plan Rules and Regulations and which states the basis and purpose for each of the amendments. Mr. Miller seconded the motion. The motion passed.

At 9:02 a.m., the Hearing concluded and closed. Chair Miller called for a break. Ms. Cortez-Sangster and court reporter Holly Faddis left the meeting.

At 9:20 a.m., the meeting reconvened. Mr. Cloete, Mr. Martin, Mr. Cooley, Mr. Bronson, Mr. Ross, Mr. Huntsman and Mr. Linder joined the meeting.

Investment Risk Committee Report

As the IRC has not had a meeting since the last Board meeting, there wasn't an update.

Investment Report

Review of August 2012 performance

Mr. Simon provided the August economic recap and fund performance. September continued with signs of slowing global growth. Central banks gave reassurance they will support their struggling economies. Equity markets in particular helped drive another strong month of performance. Fixed income markets were flat as yields rose. Equity markets were +2.35%, just shy of 10% YTD. The Barclays Capital Aggregate fixed income index was +7 basis points, just under 4% YTD.

Total Fund performance was +1.88% in August, resulting in a positive 7.7% performance YTD. Fixed Income is ahead of its benchmark, mainly due to PIMCO's contribution.

Month-to-date for September has seen a strong market for the first few weeks with a bit of turmoil in the last few days due to the rioting in Spain. The month remains positive, bringing total fund performance to just under 10% YTD.

Staff is continuing to follow the EIG Global Energy Partners lawsuit against the buyout of TCW by The Carlyle Group. EIG has brought this litigation out of concern that proprietary information of EIG could be exposed to Carlyle, with whom it competes in some markets.

Three RFPs have been received for the custodial search. Staff anticipates that a fourth proposal may be submitted.

Mr. Simon reported to the board regarding the Sudan divestment legislation. FPPA maintains compliance with this legislation.

Mr. Linder addressed Mr. Blumenthal's request from the last Board meeting to research custodial searches and to determine whether there is a trend towards custodian RFPs that split duties for control purposes. A survey of nine large clients revealed that bundling of services remains the norm and there is not a trend for disaggregating services for control purposes. However, many funds are disaggregating services for bidding purposes, as FPPA is doing. Several PCA clients have eliminated or are considering eliminating their securities lending programs.

Alternative Growth Investments

Mr. Martin presented an update on FPPA's Alternative Growth Investments portfolio.

Although there has been a transition from the Hamilton Lane discretionary mandate as of March 31st, 2012, they continue to be our back office provider. This has reduced the contract fee to \$100,000 with an annual savings of \$500,000, and we continue to test their capabilities.

As of June 30, 2012, FPPA's Private Equity Portfolio has 112 active partnerships across 69 general partners, with just over \$1 billion of committed capital. Performance reflects a 9.7% IRR since inception.

FPPA's Real Assets Portfolio has nine active partnerships and eight general partners with \$173 million committed to the class. To date, the net investment is \$111 million with an IRR outperforming the assigned index. Staff is currently building a plan to address diversification and adjust the classification within the reporting system.

The Opportunistic Portfolio has six partnerships and six relationships. In order to find opportunities and open advantages this portfolio doesn't have any specified target exposure or geographic ranges.

Investment team work in process includes:

- Continue assimilation of portfolio to in-house
- Constant review of existing and new fund opportunities

- Continue to develop relationships with and evaluate existing managers
- Implement first iteration of active portfolio reporting
- Ongoing project to find ways to refocus deal-flow generation, looking at deepening the diligence screening process
- Formalize the process and procedures used to help administer and manage the portfolio

Macroeconomic Outlook

Mr. Bronson presented a Macroeconomic Outlook: a snapshot of where we are at from a global economy perspective. The risk-on/risk-off markets for absolute return continued to be choppy through the first half of 2012. Asset Classes YTD have performed well, which includes Real Estate and U.S. Equities. Volatility has come down a fair amount, largely due to central bank action. Equity markets on the whole are positive, commodities are positive with the exception of oil (WTI).

The central bank policy of low rates continues as the norm with most developed nations, with the exception of Russia, increasing their rates. Current Fed action is geared to encourage investment into riskier assets.

Although there has been some decrease, the overall debt burden remains quite high. Options of recovering from this debt are minimal:

- Grow out of it
- Inflate out
- Write downs
- Default

At 11:00 a.m., Mr. Bronson, Mr. Huntsman, Mr. Ross, Mr. Martin, Mr. Cloete and Mr. Cooley left the meeting.

Legal Report and Legislative Update

Mr. Lindahl reemphasized attending the Pension Reform Commission hearing with Mr. Slack and the approval of FPPA's proposed legislation, noting that FPPA received a positive response to both the proposed legislation and the performance of FPPA's management.

Chairman's Report

Chair Stanton recognized and expressed thanks on behalf of the Board to Mr. Nash for his years of dedication and service to FPPA's Board.

Committee Appointments

Chair Stanton appointed Mr. Hesalroad to the Audit Committee.

Staff Report (cont)

Mr. Slack discussed changing the start time of the December 13, 2012, holiday open house to better accommodate Board member attendance for both the Board meeting and the open house. The board concurred.

Baillie Gifford, now an investment manager of emerging market equities for FPPA for ten years, has invited the Board to a dinner and update on those markets. Jacquette Tara will communicate the date and time to the Board members.

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