

**FIRE AND POLICE PENSION ASSOCIATION  
BOARD OF DIRECTORS  
April 25, 2013  
Agenda**

<u>Time</u>	<u>Agenda item</u>
7:30 a.m.	<b>Call to order</b> <i>Cliff Stanton, Chair</i>
	<b>Approval of March 21, 2013, Board meeting minutes</b>
7:35 a.m.	<b>Audit Committee report</b> <ol style="list-style-type: none"><li>1. Internal Audit</li><li>2. External Audit</li></ol>
7:50 a.m.	<b>Independent Auditor's Report</b> <i>Steve Shanks, CliftonLarsonAllen</i>
8:05 a.m.	<b>Investment report</b> <i>Scott Simon</i> <ol style="list-style-type: none"><li>1. Review of March 2013 performance</li><li>2. Review of managers</li><li>3. Other matters</li></ol>
8:20 a.m.	<b>Securities Lending Recommendation</b> <i>Tony Toscano, Guy Moritz</i>
9:05 a.m.	<b>Break</b>
9:20 a.m.	<b>Asset Liability Recommendation</b>
10:50 a.m.	<b>Break</b>

11:05 a.m. **Staff report**

1. CEO report  
*Dan Slack*
2. 1Q 2013 Strategic Plan update  
*Dan Slack*
3. Legal report and legislative update  
*Kevin Lindahl*
4. Compliance Letters to be sent following passage of Senate Bill 13-180
5. Analysis of Unclaimed Property Act  
*Kevin Lindahl*
6. Pre-Retirement Planning Seminar  
*Gina McGrail*
7. Other matters

11:20 a.m. **Chairman's report**  
*Cliff Stanton, Chair*

1. Other matters

11:25 a.m. **Adjourn**

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
April 25, 2013**

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

**Board Members Present:** Chair Cliff Stanton, Vice Chair Sue Eaton, Lyle Hesalroad, Todd Bower, Tyson Worrell and Pam Feely

**Absent:** Jack Blumenthal

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

**Others Present:** John Linder, Neil Rue, Pension Consulting Alliance; Steve Shanks, CliftonLarsonAllen; Tony Toscano and Guy Moritz, Duetsche Bank; Joe Newton (via telecom) and Dana Woolfrey, Gabriel Roeder Smith & Co.

*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 7:30 a.m., Chairman Cliff Stanton called the meeting to order.

Chair Stanton called for a motion to approve the minutes of the March 21, 2013, Board meeting minutes. Mr. Bower moved to approve the minutes. Mr. Hesalroad seconded the motion. The motion carried with Tyson Worrell abstaining.

**Audit Committee Report**

Ms. Feely reported on the committee member only discussion that was held with CliftonLarsonAllen, FPPA's external auditors, as a part of the recent Audit Committee meeting. They noted no issues or concerns and reported that staff was on top of the Government Accounting Standards Board 67/68 implementation.

**Independent Auditor's Report**

Mr. Shanks (CliftonLarsonAllen, "CLA") discussed the reports and letters associated with the December 31, 2012 Audit.

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position of the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund as of December 31, 2012.

A deficiency in internal controls was discovered in the unfunded capital amounts between the capital commitment listing prepared by the third party provider and the capital account statements issued by the funds. The recommendation is that FPPA reconcile the unfunded capital commitments provided by the third party provider on a more frequent basis. Staff has reviewed and acknowledged the findings and has implemented a quarterly reconciliation process.

CLA recommends that the Audit Committee meet privately with the internal auditor annually, at minimum.

At 7:43 a.m., Mr. Shanks left the meeting.

### **Investment Report**

Mr. Simon provided the economic recap and fund performance for March. Equities surged in March, with several indices surpassing records set in October 2007. There were continued signs of strengthening U.S. economic activity, particularly in the recovering housing sector. Interest rates remain fairly flat and equity markets remain strong. Total Fund (net of fees) was +1.63% in March, bringing the YTD to +4.31%.

FPPA currently utilizes SSgA to manage passive MSCI World equity exposure within a single account. In effort to create efficiencies in rebalancing exposures, the Investment Staff is creating two accounts to separately manage the US and Non-US exposure.

Alternative Investment cash flows remained robust for 1Q 2013, continuing the trend of slightly positive net inflows. YTD distributions of \$32.4 million have exceeded capital calls of \$27.3 million.

### **Investment Risk Committee Report**

The IRC met several times to review fund managers, commitment pacing and Securities Lending. The IRC approved the recommendations for investments in Soroban Fund, Samlyn Capital Fund and Grey Mountain Partners Fund III, L.P.

At 8:00 a.m., Jessica Hsu entered the meeting.

Mr. Simon provided an update on the process being utilized to sell private equity interests in the secondary market.

### **Securities Lending Recommendation**

Investment Staff recommends retaining Deutsche Bank for FPPA's securities lending mandate.

At 8:24 a.m., Tony Toscano and Guy Moritz (Duetsche Bank) joined the meeting and presented Deutsche Bank's securities lending capabilities.

At 8:41 a.m., Mr. Toscano and Mr. Moritz left the meeting.

Mr. Bower moved to approve Deutsche Bank for FPPA's securities lending mandate. Mr. Hesalroad seconded the motion. The motion passed.

At 8:44 a.m., Chair Stanton called for a break. Curt Huntsman left the meeting.

At 8:55 a.m., the meeting reconvened.

At 9:10 a.m., Ben Bronson left the meeting.

### **Asset Liability Analysis**

Mr. Simon and Mr. Cooley presented the Annual Asset Liability Analysis. Staff described the new asset liability process utilized. Staff described the major model assumptions along with the systems utilized to model the results. The recommended portfolio increases diversification and improves downside risk protection. The Board discussed the implications of trying to simultaneously achieve long term and short term investment goals. Specific statutory implications of the SWDB Plan were discussed. Mr. Cooley described the primary considerations with implementing the proposed changes to the fixed income, illiquid alternatives and global equity asset classes.

At 9:18 a.m., Dana Woolfrey and Joe Newton (Gabriel Roeder Smith & Company) joined the meeting (Mr. Newton via telecom).

Discussion continued around the proposed allocation.

Investment Staff recommended the following target allocation:

Risk Reducers	28%
Fixed Income	10%
Cash	2%
Trend	5%
Absolute Return	11%
Alternative Growth	26%
Comprised of Private Equity, Private Debt, Real Assets, Real Estate and Opportunistic	
Global Growth	46%
Comprised of Passive Index, Minimum Volatility Equity, Long/Only, Equity Long/Short and Growth Oriented Public Debt.	

Mr. Bower moved to approve the proposed allocation. Mr. Hesalroad seconded the

motion. The motion passed.

At 10:23 a.m., Mr. Newton disconnected from the conference call; Ms. Woolfrey, Mr. Cooley, Mr. Martin and Ms. Hsu left the meeting.

### **Staff Report**

Mr. Slack spoke about the future archiving of Diligent Boardbooks. Jacquette will notify Board members of the archive date via email.

Mr. Slack discussed the recent senior staff reduction at the Wyoming Retirement Center. Thom Williams, current Executive Director at the Center, requested the assistance of Mr. Simon to hold an assessment with their remaining investment staff. Mr. Williams and Mr. Slack also discussed the possible management of their portfolio by FPPA on an interim basis. Mr. Slack will keep Board updated should discussions pursue further.

Resumes for the Human Resources Officer position are being received and Mr. Slack expects to be interviewing in the very near future.

Ms. Romaine Pacheco has received multiple applications for the two vacancies on FPPA's Board and a recommendation is expected to be made to the Governor by May 1<sup>st</sup>.

Ms. Collins updated the Board on the progress of working with the City of Denver to return the responsibility of services surrounding their local plan insurances.

Mr. Slack discussed the 2013-2015 Strategic Plan. Approved by the Board in 2012, the goals from the prior Strategic Plan have been rolled over, the completed material has been deleted and added material is reflected in bold font.

### **Litigation Report**

Mr. Lindahl updated the Board on FPPA's legal matters. A hearing on the Countrywide case has been set.

### **Legislative Report**

Senate bill 240, changing the way election votes are counted under the SWDB, has passed the Senate and the Committee of the House and will go before the Full House next week and FPPA anticipates its approval.

Mr. Slack and Mr. Lindahl discussed the Unclaimed Property Act. In the past FPPA has participated in turning over the unclaimed assets to the State Treasurer after an exhaustive process in search of beneficiaries. A suggested compromise would be to take any payments made to our vendors that go undeposited and deemed "unclaimed property" be turned over to the State Treasurer.

Ms. Feely moved to accept the proposed policy that the unclaimed benefits remain part of the corpus of the plan. Mr. Hesalroad seconded the motion. The motion passed.

Ms. McGrail discussed the compliance project dating back to 2012 to identify departments who had not properly enrolled their full-time paid firefighters or police officers in the FPPA administered plans as required by statute. FPPA pursued legislation and Senate Bill 13-080 passed. A separate letter will now be sent to departments that are deemed out of compliance, specifically addressing questions that have been raised.

FPPA is offering a Pre-retirement Seminar on Saturday April 27<sup>th</sup>, and it's expected to be fully attended.

Ms. Collins presented options to access committee books on Diligent Boardbooks and options to quickly move through pages.

### **Chairman's Report**

Mr. Slack discussed the changes made to the 2013 Educational Events calendar.

At 11:18 a.m., Mr. Hesalroad moved to adjourn the meeting. Mr. Bower seconded the motion and the motion passed. The meeting adjourned.