

**FIRE AND POLICE PENSION ASSOCIATION  
BOARD OF DIRECTORS  
January 31, 2013  
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 December 13, 2012, board meeting minutes</b> <b>Approval of January 14, 2013, meeting minutes</b>  <b>Consent Calendar</b> <ol style="list-style-type: none"><li>1. Resolution re notice of public meetings</li><li>2. Center Fire Protection District affiliation</li></ol>
7:40 a.m.	<b>Investment Report</b> <i>Scott Simon</i> <ol style="list-style-type: none"><li>1. Review of <i>preliminary</i> December 2012 performance</li><li>2. Review of managers</li><li>3. Investment Risk Committee report <i>Todd Bower, Chair</i></li><li>4. JP Morgan Recommendation</li><li>5. K2 Recommendation</li><li>6. Year-End Alternatives Valuation Adjustment</li><li>7. Exposure Manager Search</li><li>8. Annual Compliance Reports</li><li>9. Securities Lending</li><li>10. Asset Liability Analysis</li><li>11. Self-Directed Plan</li><li>12. Other matters</li></ol>
9:10 a.m.	<b>Break</b>
9:20 a.m.	<b>Update on SWDB Task Force on Member Contributions</b> <i>Todd Bower</i>
9:35 a.m.	<b>2013 Legislative session preview</b> <i>Tony Lombard, Bill Clayton, Kevin Lindahl</i>
10:00 a.m.	<b>Staff report</b> <ol style="list-style-type: none"><li>1. CEO report <i>Dan Slack</i></li><li>2. 4Q 2012 Strategic Plan Update <i>Dan Slack</i></li><li>3. Legal report <i>Kevin Lindahl</i></li><li>4. Humana Medicare Advantage Plan <i>Gina McGrail</i></li><li>5. Other matters</li></ol>
10:30 a.m.	<b>Break</b>

10:40 a.m. **Chairman's report**

*Cliff Stanton, Chair*

1. Conflict of Interest Form  
*Dan Slack*
2. Exculpatory Clauses/Subrogation Protection  
*Kim Collins*
3. Board self-evaluation  
*Cliff Stanton*
4. Evaluation of CEO  
*Cliff Stanton*
5. Other matters

11:40 a.m. **Lunch**

12:00 p.m. **Diligent Boardbooks overview and training session**

*Jeremiah Slade, Diligent*

1:00 p.m. **Adjourn**

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
January 31, 2013**

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

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

Via Teleconference: Jack Blumenthal

**Staff Members Present:** Dan Slack, Kevin Lindahl, Gina McGrail, Kim Collins, Scott Simon, Jacquette Tara, Austin Cooley, Dale Martin, Ben Bronson, Jeff Kaszubowski, Jessica Hsu and Molly Slofkiss

**Others Present:** Bill Clayton, Lombard and Clayton; Jeremiah Slade, Diligent Boardbooks

*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 7:34 a.m., Chairman Cliff Stanton called the meeting to order.

Chair Stanton called for a motion to approve the minutes of the December 13, 2012, Board meeting. Mr. Bower moved to approve the minutes. Ms. Eaton seconded the motion. The motion carried. Mr. Hesalroad and Ms. Feely abstained.

Chair Stanton called for a motion to approve the minutes of the January 14, 2013, special meeting. Mr. Bower moved to approve the minutes. Mr. Hesalroad seconded the motion. The motion carried.

**Consent calendar**

Chair Stanton called for a motion to approve Resolution No. 2013-1. Mr. Hesalroad moved to approve the resolution. Mr. Bower seconded the motion. The motion carried.

Mr. Slack notified the Board that trustee Monica Cortez-Sangster resigned effective January 30, 2013. She has sent notice of her resignation to the Governor's office. FPPA Board now has two vacancies, one for a municipal employer representative and another for a representative with disability insurance experience.

## **Investment Report**

Mr. Simon provided the economic recap and fund performance. Despite it being both election time and fiscal cliff time, the 4<sup>th</sup> quarter markets ended strongly. January continues with an overall sense of certainty on the government side and the Federal Reserve continues to pump liquidity into the economy. Fixed income retracted a little bit with a rise in interest rates, the 10-year bumped up close to 2%. Preliminary Total Fund performance for December was **1.07%** (net of fees) and **11.71% YTD**. Final year-end performance will be available at the February Board meeting.

In preparation for the April 2013 Audit meeting, Mr. Blumenthal requested a discussion with Mr. Simon to review discrepancies, if any, between FPPA and BNY Mellon and to verify that adequate monitoring of risks is in place.

The Carlyle Group has purchased another one of FPPA's investment manager firms, NGP Energy Capital. While short term risks are minimal, staff will continue to monitor the long term risks of the purchase.

Activist manager Pershing Square continues to make headlines with its exposure to Herbalife. FPPA continues to follow the story with interest although FPPA doesn't form an opinion as to the individual stock decision made by the manager on Herbalife.

Cogent continues to advise FPPA on potential interests to be sold with the illiquid alternatives portfolio. Review of responses to RFPs of various law firms to handle potential transactions has been finalized and FPPA has hired David Stieber. The staff has received an initial list of likely sell candidates. Discussion of economic impact will be discussed at the IRC meetings and once the list has been identified the Board will be updated.

Mr. Bower moved to approve the recommendation of a full redemption from the J.P. Morgan Global Emerging Markets Fund (JPM GEM) and the retention of a transition manager to assist with the liquidation of the JP Morgan assets and funding of a replacement manager. Ms. Eaton seconded the motion. The motion passed.

Mr. Bower moved to approve the recommendation to terminate K2 Advisors, transferring responsibility of the Absolute Return portfolio's commodity allocation to Staff. Staff will use Albourne in the oversight of this mandate. Ms. Eaton seconded the motion. The motion passed.

Mr. Bower moved to approve letting the existing contract expire with Hamilton Lane as FPPA's back office private equity provider and transition those responsibilities to BNY Mellon. Mr. Hesalroad seconded the motion. The motion passed.

The annual valuation adjustment process required by FPPA's auditor on the illiquid alternatives portfolio may result in approximately a \$4.4 million upward valuation adjustment in performance that will be put on the books as of year-end.

Mr. Bower moved to approve a manager search to explore differentiated exposure management capabilities. Mr. Hesalroad seconded the motion. The motion passed.

FPPA's proxy voting is in compliance with ISS Public Plan policy. The Board requested additional analysis on proxy voting issues, policies and practices related to other institutional investors.

Mr. Simon noted that PCA has been dismissed from the Oregon litigation that had previously been brought to the attention of FPPA.

Mr. Simon continued with a brief educational session on securities lending. While a small break in fees may apply when using the custodian bank for securities lending, there are other options. There may be value in switching if other groups can offer a more sophisticated job of loaning out securities or can manage collateral better. A recommendation from staff can be expected by the March Board meeting.

Mr. Simon updated the Board on the Asset Liability process. The purpose of the study is to determine the most appropriate asset allocation targets that will achieve FPPA's long-term goals and to manage any short-term downside that may occur in the portfolio. The previous process of outsourcing through PCA and EFI has shifted to the new process of being staff-led while still maintaining the resources of our investment consultant and actuary. Due to frequent market changes and liabilities changes, the needs have increased in frequency from every five years to an annual process, with a focus on the risk side of the equation. Benefits to this new process include addressing other risks within the portfolio and costs savings by bringing this process in-house.

This in-house circular process will include presenting to the Board multiple potential portfolios from conservative to complex and discussing how they affect the risks and liabilities of FPPA's portfolio. The process will review the current portfolio and short-term and long-term risks. Proposed portfolios will be presented on how to improve the portfolio by keeping the objective of attaining the long-term actuarial rate of return but better protecting the fund on the downside.

Staff has been working with Gabriel Roeder Smith and Company to complete the liability model. Staff anticipates a discussion at the February board meeting on various portfolios and how they affect short-term and long-term risks.

Bidart & Ross is now producing the Self-Directed Plans Investment Report for the Board packet.

At 8:50 a.m., Chair Stanton called for a break. Austin Cooley, Dale Martin, Ben Bronson, Jeff Kaszubowski, and Jessica Hsu left the meeting.

At 9:05 a.m., the meeting reconvened. Bill Clayton, Lombard & Clayton, joined the meeting.

*Task Force Update*

Mr. Bower updated the Board on the recent Task Force meeting with SE2. The biggest challenge facing FPPA is the election structure which allows a non-vote to count as a no-vote. The task force discussed the election requirements for plan amendments and agreed that it is appropriate to keep the provision that a super majority (65%) must vote in favor of a proposal in order to amend the plan. However, the task force agreed that the requirement that a "non-vote" count as a "no" vote was not aligned with generally used election processes and expressed concern that by counting a "non" vote, those who are not engaged enough to actually cast a ballot are ultimately impacting the outcome. The task force recommended that the FPPA Board seeking a bill sponsor in the 2013 legislative session to propose legislation that would change the voting requirements and process so that "non-votes" are not counted in either the employer or member elections. At staff's request, the task force clarified that they were seeking this change on plan amendments only and not for FPPA elections related to entry into the FPPA DB System or affiliations.

Continued discussions included messaging and communication to the members and employers and the opportunity to expand the Task Force to include more members in an effort to gain feedback and expand outreach. There was also discussion on the importance of speaking "with" the members as opposed to speaking "to" the members. The timeliness for the late bill and new strategy would push the member election to spring of 2014 at the earliest. The task force recommended that the election should be deferred to 2014 to allow more time for member education.

Ms. Collins offered to demonstrate the web calculator which will allow members to run different scenarios. This will be done at the February meeting.

Ms. Feely moved to adopt the recommendation of the Task Force to defer the conduction of the election no later than 2014. Mr. Hesalroad seconded the motion. The motion passed.

### Legislative Update

Bill Clayton provided an update on the status of FPPA's legislation and an outlook of expectations for the session.

Ms. Feely moved to adopt the recommendation of the Task Force and proceed with sponsoring the legislation as long as it's communicated that the initiative for the legislation is coming from the Task Force. Mr. Worrell seconded the motion. The motion passed.

At 9:42 a.m., Mr. Clayton left the meeting

### **Staff Report**

Mr. Slack opened discussion with a request to change the June 13<sup>th</sup> Board meeting to June 20<sup>th</sup>. The Board agreed to the date change. Mr. Blumenthal suggested shortening the typical business meeting prior to the strategic planning

meeting in June.

FPPA has instituted a moratorium on re-entry meetings pending the outcome of the election on the member contribution rate to the SWDB Plan. An exception was made for Englewood Police and Grand Junction Fire and Police since they were already well into the educational process. In light of the recent recommendation of the Task Force to prolong the election, staff will look into possibly lifting the moratorium for a period of time and come back to the Board with a recommendation in the near future.

Mr. Slack discussed the 4<sup>th</sup> Quarter 2010-2012 Strategic Plan Update.

Mr. Lindahl discussed the development of a model Old Hire plan document. FPPA will ask each of the Old Hire Plan Boards to adopt the model document, and then once adopted the documents will be submitted to the IRS for a plan determination letter.

The Board agreed that Mr. Slack had the authority to comment on issues of the day provided that his remarks contain a disclaimer that his remarks are not necessarily the views of FPPA.

Mr. Slack asked for approval to travel to and speak at the 2013 Hedge Fund Brazil Forum. Although he would be attending in official capacity, the conference organizers will cover the cost of air fare and lodging. The Board agreed to Mr. Slack's attendance at this forum.

### Litigation Report

Mr. Lindahl apprised the Board that although the court ruled in the Guyman case in favor of the way FPPA proposed splitting the DRO with regard to the disability, they also ruled that FPPA owed Mr. Guyman interest. The case is currently in the court of appeals and will be remanded to trial court for calculations of the amount due. However, there is a possibility that Mr. Guyman may appeal this to the supreme court.

The briefings schedule on the Dolan case has been implemented.

The U.S. Ninth Circuit Court of Appeals issued a favorable order in the Countrywide derivative litigation, granting the request to certify the issue of 'fraud exception'. A meeting or conference call is being set up with the other shareholders that are co-lead plaintiffs in this case to discuss the status.

Lead plaintiff motions have been filed in the Abiomed case. The court will determine who will be appointed lead plaintiff.

A formal written findings and decision sheet on the Jeff Davis matter was presented. Mr. Bower moved to direct the Chairman to execute the Board Decision Sheet on the Jeff Davis matter. Ms. Eaton seconded the motion. The motion passed.

FPPA has experienced some resistance from the Town of Granby in enrolling their police officers within the Statewide Defined Benefit Plan and the Statewide Death & Disability Plans. The Board approved Mr. Lindahl's written objections to Mr. Scott Krob's letter. Mr. Bower suggested paralleling the response with an approach to the Attorney General's office for further interpretation.

The Joint Budget Committee is looking at various scenarios for accelerating the final state payments for the Old Hire funding.

Ms. McGrail introduced a second medical benefits option for Medicare-eligible retirees – Humana Medicare Advantage Plan. This plan would offer medical benefits at lower premiums to eligible retirees, spouses and survivors

Ms. Eaton moved that FPPA offer the Humana Medicare Advantage Plan for Medicare-eligible retirees, spouses and survivors, and permit the premiums to be deducted from the monthly pension check for those who enroll. Mr. Worrell seconded the motion. The motion passed.

At 10:50 a.m., Chair Stanton called for a break.

At 11:05 a.m., the meeting reconvened.

Mr. Slack highlighted items that may be of particular interest in the 2013 Educational Events memorandum.

At 11:07 a.m., Chair Stanton called for a private session for CEO and Board evaluations. Dan Slack, Kim Collins, Scott Simon, Gina McGrail, Kevin Lindahl and Jacquette Tara left the meeting.

At 12:11 p.m., the meeting reconvened. Molly Slofkiss and Jeremiah Slade, Diligent Boardbooks, entered the meeting.

Mr. Slade gave an introduction to Boardbooks on both the iPad and PC versions. Aside from easy assembling and compiling of information, benefits include having access to the "books" anywhere there is internet access, as well as offline. Data storage is encrypted, secured and highly protected over the web. The software has the capability for users to create private notes to utilize while reading or conducting meetings. Diligent Boardbooks offers 24/7 support.

Jacquette Tara and Molly Slofkiss are the administrators for the books and will have the ability to create and archive the books.

The Board members practiced logging in and getting familiar with Diligent Boardbooks and having questions addressed by Mr. Slade.

At 12:53 p.m., Mr. Bower moved to adjourn the meeting. Mr. Hesalroad seconded the motion and the motion passed. The meeting adjourned.