

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

November 21, 2013

- 9:00 a.m. **Call to order**
 Sue Eaton
- 9:00 a.m. **Why corporate governance and what can FPPA do?**
 Ann Yerger, Executive Director,
 Council of Institutional Investors
- 10:00 a.m. **Break**
- 10:15 a.m. **ISS Governance Research**
 Institutional Shareholder Services
 Yovanka Bylander, Executive Director
 Sean Quinn, Vice President
 Corina Florea, Client Service Consultant
- 11:15 a.m. **Break**
- 11:30 a.m. **Fiduciary training for trustees**
 Tom Pellar, Fidelity
- 12:30 p.m. **Adjourn and lunch**

FIRE AND POLICE PENSION ASSOCIATION
Board of Directors

Educational Session
November 21, 2013

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

BOARD MEMBERS PRESENT: Chair Sue Eaton, Vice Chair Todd Bower, Jack Blumenthal, Dave Bomberger, Manuel Esquibel, Pam Feely, Nick Nuanes and Tyson Worrell

BOARD MEMBERS ABSENT: Cliff Stanton

STAFF MEMBERS PRESENT: Dan Slack, Scott Simon, Kevin Lindahl, Kim Collins, Gina McGrail, Elaine Gorton, and Jacqueline Tara

OTHERS PRESENT: John Linder, Pension Consulting Alliance; Tom Peller and Suzanne Rogers, Fidelity; Ann Yerger, Council of Institutional Investors; Yovanka Bylander, Sean Quinn and Corina Florea, Institutional Shareholder Services

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 9:55 a.m., Chair Sue Eaton called the Educational Session to order.

Mr. Slack highlighted the meeting's theme of corporate governance and institutional investors' fiduciary duty to vote their proxies.

Mr. Simon reviewed FPPA's historic involvement in corporate governance activities, and also highlighted areas where FPPA has not been active.

Council of Institutional Investors and Corporate Governance

Ms. Yerger, Council of Institutional Investors (CII), walked through the history of CII and their focus on "big tent issues" - issues that their members largely agree on. Emphasis was placed on why corporate investors should care about corporate governance:

- Well governed corporations can be better performers
- High risk in poor corporate governance

Ms. Yerger addressed the new trend of companies putting arbitration provisions in governing documents that may limit FPPA's ability to go to court if it was felt necessary in order to protect their rights. Adoption of arbitration clauses could also shut down remedies available through class action cases.

Ms. Yerger closed with options of getting involved in corporate governance:

- Stay informed
- Be comfortable on how your proxies are being voted, and be familiar with your proxy guidelines
- Be aware of issues coming up in Dodd-Frank that may impact FPPA directly and speak up
- Lastly, communicate with asset managers

ISS Governance Research

Governance research was presented by Ms. Bylander, Mr. Quinn and Ms. Florea of Institutional Shareholder Services (ISS). A key trend is that more and more, governance is not just a proxy voting activity. FPPA's peers are using governance as a way to complete an extra financial analysis of their holdings and obtain a full picture of the risk, both financial and governance.

Other areas of research included:

- 2013 global governance headlines
- 2013 trends for the US market
 - Most directors faced little or no opposition
 - strong markets provided tailwinds – shareholders more forgiving
 - continued migration towards certain governance best practices
 - more companies adopt majority voting
 - and put their directors up for election each year
 - Highly-concentrated opposition at a handful of companies
 - due to behavioral issues
 - more about directors failing their obligations as directors
 -
- Looking ahead to 2014
 - Expect to see more Board-focused activism
 - Continue to see small companies coming online
 - Continued engagement focused around compensation
 - High levels of support for board diversity proposals
 - More negotiated proxy withdrawals on environmental and social topics
- ISS policy formulation process
 - Global policy survey results
 - expanded to include more directors' views
 - expanded survey process

Mr. Simon reviewed FPPA's proxy policy, voting history and options.

Fiduciary training for trustees

Mr. Peller, of Fidelity, discussed what it means to be a fiduciary.

- Primary responsibilities for ERISA and non-ERISA companies
 - Comply with all laws

- Act solely in the interests of participants and beneficiaries
 - Act prudently
- Delegation of fiduciary responsibilities under ERISA:
 - The "trustee" has "exclusive authority and discretion to manage and control the assets of the plan, except to the extent that...authority to manage, acquire, or dispose of assets of the plan is delegated to one or more investment managers..." § 403
 - The "named fiduciary" has "authority to control and manage the operation and administration of the plan." § 402 The plan document may provide procedures "for named fiduciaries to designate persons other than named fiduciaries to carry out fiduciary responsibilities..." § 405
 - "Delegation" does not apply to hiring consultants and advisors (those from which advice is obtained)
- Monitoring service providers
 - Department of Labor (DOL) created a methodical approach to selecting and monitoring service providers

At 12:45 p.m., the education session concluded.