

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

October 31, 2013

- 7:30 a.m. **Call to order**
 Sue Eaton
- Approval of September 26, 2013 board meeting minutes**
- 7:35 a.m. **Investment Report**
 Review of September 2013 performance
 Review of Managers
 Liquid Strategies Annual Review
 Other
 Scott Simon
- 8:50 a.m. **Break**
- 9:05 a.m. **Budget Committee report**
 Sue Eaton, Manuel Esquibel
- 2014 Budget presentation
 Dan Slack, Kim Collins, Scott Simon, Elaine Gorton
- 10:05 a.m. **Audit Committee report**
 Committee Chair
- 10:20 a.m. **Break**
- 10:35 a.m. **Staff Report**
- CEO Report
 Dan Slack
 Legal Report
 Kevin Lindahl
 3Q Strategic Plan Update
 Dan Slack
 Resolution for Member Contribution Election
 Kevin Lindahl
- Other matters
- 11:15 a.m. **Chairman's Report**
 Sue Eaton
- 2014 Board meeting schedule
 Dan Slack
 Other matters
- 11:45 a.m. **Adjourn**

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

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

Board Members Present: Chair Sue Eaton, Vice Chair Todd Bower, Cliff Stanton, Tyson Worrell, Manuel Esquibel, Jack Blumenthal, and Pam Feely (via teleconference)

Board Member Absent: Dave Bomberger

Staff Members Present: Dan Slack, Kevin Lindahl, Gina McGrail, Kim Collins, Scott Simon, Elaine Gorton, Jacqueline Tara, Austin Cooley, Jessica Hsu, Jeff Kaszubowski, Ben Bronson, Claud Cloete and Dale Martin

Others Present: John Linder, Pension Consulting Alliance

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 7:31 a.m., Chair Eaton called the meeting to order.

Chair Eaton called for a motion to approve the minutes of the September 26, 2013, board meeting. Mr. Bower moved to approve the minutes. Ms. Feely seconded the motion. The motion carried with Chair Sue Eaton abstaining.

Investment Report

Mr. Simon presented the economic recap and financial performance for September 2013. September had strong equity markets as the Fed continued its existing monetary policy. The end of the month was the beginning of the government shutdown which migrated into October. The lifting of the debt ceiling was a positive force for equity and fixed income. Total Fund performance (net of fees) was **+2.77% (+9.58% YTD)**. Net Investible Assets for the Total Fund are estimated at **\$3.82 billion** as of September 30.

Risk Exposures

Mr. Simon discussed the current asset allocation. The degree of the fixed income underweight is largely offset by the overweight to cash. The 2013 interim targets are shown which will become more relevant upon the near term restructuring of the fixed income and managed futures.

Secondary Transaction

FPPA completed the sale on the majority of the secondary assets (18 funds, \$130.5 million) on 9/30/12 with 50% of the proceeds in cash and 50% being a deferred 2-year payment. Cash transactions for 14 funds (\$13.2 million) have closed with 3 remaining funds scheduled for a year-end closing.

Investment Managers

- AQR's emerging markets fund underperformance is due to both geographic/sector exposures and security selection.
- U.S. Bancorp is buying the municipal bond trustee business of Deutsche Bank which should not have an effect on the securities lending unit which FPPA utilizes.

Alternative Investments

Alternatives cash flows remain robust for 2013. YTD distributions of \$87.3 million have exceeded capital calls of \$58.9 million.

IRC Update

The IRC meet several times during the month of September and recommended:

- MKP Opportunity Partners, with a \$45.0 million allocation as a discretionary global macro hedge fund.
- Nordic Capital VIII, with a \$10 million commitment focused on the Nordic and German regions.
- A \$15 million commitment to American Securities Opportunities Fund III that will be part of FPPA's private debt allocation.
- Redemption out of four funds in the Absolute Return Portfolio; (Astenbeck Commodities Fund II, LP. Brookside Capital Partners, Kriticos International Limited and Tiger Consumer Partners LP)
- Redemption from Babson Capital within the Opportunistic Portfolio that met expectations.

Liquid Strategies Annual Review

Mr. Cooley, Mr. Bronson and Ms. Hsu's review of the 2013 Liquid Strategies Annual Review included:

- Market Environment of
 - Equity
 - Fixed Income
 - Commodities
 - Hedge Funds

The presentation continued with a performance review, geographic and portfolio exposures, risk/return (active managers) and 2013 actions and agenda for:

- Global Equity
- Long/Short
- Fixed Income
- Absolute Return

The team discussed their investment process for sourcing opportunities, conducting diligence on managers, ongoing monitoring and portfolio and risk management.

At 8:57 a.m., Chair Eaton called for a break. Mr. Cooley, Mr. Bronson, Ms. Hsu and Mr. Kaszubowski left the meeting.

At 9:10 a.m., the meeting reconvened.

Proposed 2014 Budget

Although the final 2014 Budget will be presented at the December Board meeting for approval, both Chair Eaton and Mr. Esquibel recommended approval of the proposed budget as presented to the Budget Committee on October 16, 2013.

Ms. Collins presented details of the proposed 2014 budget, including the:

- Projected savings of \$137,321 within the 2013 budget
- Proposed 2014 Operating budget to increase by 10.5% or \$773,557 from the prior year
- Proposed Asset Based Fee budget to decrease by 9.7% from the prior year
- Additional audit services
 - GASB 67/68 SOC 1 (Type 2) implementation and readiness testing
 - SOC 1 (Type 2) audit
- IT security enhancements
- Professional contract increases
 - Publications for SWDB election
 - Temporary help
- Personnel services increase
 - Two new accounting positions
 - COLA and merit compensation pool
 - Market adjustments for investment staff
 - PERA employer contribution increase
 - PERA Care health insurance increase
- Staff education and other Operating expenses increase
 - Staff training and certifications
- Other Operating expenses increase
 - Offsite Board planning meeting
 - Educational opportunities for new board members
 - IT Security Assessment
 - Hardware Obsolescence
 - Statewide Defined Benefit Plan Member Election process

- Furniture purchases
- Capital increases
 - 2 network servers
 - Phone system
 - ASPEN enhancements
 - Building roof
- Asset Based Fees savings
 - BNY Mellon contract
 - Investment computer software
 - Investment consulting
 - Legal fees
 - Meetings and due diligence
 - Resources

With the increased need for experience with FPPA and expertise surrounding implementation of Government Accounting Standards Board (GASB) Statements 67 and 68, to the board directed Mr. Slack to pursue negotiations on an extension of the audit contract with CliftonLarsonAllen.

Audit Committee Report

Mr. Blumenthal requested a third Board member join the Audit Committee. Chair Eaton asked for a volunteer to serve on the Audit Committee. Mr. Nuanes volunteered to join the Audit Committee and was appointed to it by Chair Eaton.

The board discussed whether the increased (Accounting) costs due to GASB 67/68 should be imposed directly on the employer which requires the additional information. Staff was directed to research this matter and report back to the board.

Staff Report

CEO Report

Mr. Slack reported that he had no specific items within the CEO report to highlight and in the absence of any questions by the board turned the floor over to Mr. Lindahl for the legal report and legislative update.

Legal Report and Legislative Update

Mr. Lindahl updated the Board on FPPA's legal matters. The Dolan case is awaiting determination by the judge. The Court heard oral argument on the Defendant's motion to dismiss in the Abiomed Securities litigation and took the matter under advisement.

The legal department continues to work on getting notices out for the rules that were adopted at last month's meeting. Responses have been received from about 75% of departments affected in the Old Hire determination letter project.

3Q Strategic Plan Update

Mr. Slack walked through the quarterly Strategic Plan that was approved at the June 2012 meeting for years 2013-2015. While some of the objectives have changed, the goals have remained the same:

- Goal 1 – Sustain current benefit levels and, whenever feasible, improve benefits, communications and services.
- Goal 2 – Prudently manage fund assets for the benefit of the membership.
- Goal 3 – Maintain efficient and effective operations and technology to support staff, board and membership.
- Goal 4 – Maintain ethical standards and ensure legal and policy compliance.
- Goal 5 – Maintain and improve the leadership of FPPA

Board Resolutions

Mr. Lindahl reviewed the Member Contribution Task Force Recommendation, Resolution 2013-09, which sets the question for the member election increase.

Mr. Blumenthal moved to approve Resolution 2013-09. Ms. Feely seconded the motion. The motion passed.

Chairman's Report

Chair Eaton called for discussion of 2014 Board meeting dates. It was agreed to hold a Board meeting on April 25th in place of the suggested May 1st date.

At 11:22 a.m., Chair Eaton adjourned the Board meeting.