

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

April 25, 2014

- 7:30 a.m. **Call to order**
 Sue Eaton, Chair
- Approval of March 21 minutes
- 7:35 a.m. **Investment Report**
- Investment Committee report
 Cliff Stanton, Chair
 Review of March performance and Managers
 Scott Simon
 Incentive compensation program
 Elaine Gorton
- 8:35 a.m. **Report and recommendation from SWDB Task Force
 on Member Contributions**
 Todd Bower
- Revised Election Procedure
 Gina McGrail
- 8:50 a.m. **Break**
- 9:05 a.m. **Staff Report**
- Staff Report
 Executive Staff
 Legal Report
 Kevin Lindahl
- 9:25 a.m. **Chair's Report**
 Sue Eaton, Chair
- 9:35 a.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
April 25, 2014**

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

Board Members Present: Chair Sue Eaton, Jack Blumenthal, Dave Bomberger, Manuel Esquibel, Pam Feely, Cliff Stanton, and Tyson Worrell

Board Members Not Present: Vice Chair Todd Bower and Nick Nuanes

Staff Members Present: Kevin Lindahl, Kim Collins, Gina McGrail, Scott Simon, Elaine Gorton, Jacquette Tara, Austin Cooley, Ben Bronson, and Jessica Hsu

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 7:30 a.m., Chair Eaton called the meeting to order.

Chair Eaton called for a motion to approve the minutes of the March 21, 2014, board meeting. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion carried.

Investment Report

Investment Committee Update

Mr. Stanton reviewed the actions taken at the Investment Committee meetings held since the last board meeting.

- Approved an absolute return investment in the Pharo Macro Fund, a discretionary global macro fund
- Approved a private equity commitment to Palladium Equity Partners IV
- Approved an absolute return investment in Fortress Macro Fund, a discretionary global macro fund
- Approved a managed futures investment in Fulcrum's Multi Asset Trend Fund
- Approved a hedge fund rebalancing recommendation
- Reviewed recommendation for termination of existing fixed income manager, PIMCO

Monthly Investment Report

Mr. Simon presented the economic recap and financial performance for March 2014. Global stocks in March (and April) continue to seesaw as focus remains on foreign affairs; primarily the crisis in the Ukraine, and the Federal Reserve actions.

Total Fund performance (net of fees) for the month was **+.17% (+.94% YTD)** and Net Investible Assets for the Total Fund are estimated at **\$4.02 billion** as of March 31.

PIMCO

PIMCO currently manages \$252 million on behalf of FPPA in a Total Return Full Authority separate account. This mandate, while technically a benchmark-oriented strategy, gives PIMCO latitude to invest in many sectors and geographies which are outside the benchmark. These include sub-investment grade debt, emerging markets debt, and directional currency trades. This mandate is not a fit for FPPA's fixed income portfolio structure as it grants much of the same authority we would give a UFI manager. Staff does not believe an allocation to PIMCO is appropriate for either an unconstrained or benchmark oriented strategy.

Mr. Blumenthal moved to approve the termination of PIMCO in its entirety with proceeds to be transferred to SSgA, FPPA's existing index manager, to be managed as a passive Barclays Capital US Aggregate Bond Index exposure. Ms. Feely seconded the motion. The motion passed with Mr. Bomberger abstaining.

Mr. Bomberger abstained due a conflict disclosure: Mr. Bomberger's employer, Pinnacol Assurance, based on GASB 67 & 68 reporting, will be issuing debt as surplus notes and PIMCO is the lender.

Hedge Fund Fees

Mr. Simon and Ms. Collins discussed the revision of FPPA's 2013 year-end financial reports due to reclassification of hedge fund fees. FPPA has revised its processes to create greater transparency on hedge fund management fees. Transparency and reporting issues remain on carried interest, transaction fees and fund expenses. FPPA will be evaluating additional internal processes and required resources to verify these various fees and profit-sharing expenses on an ongoing basis.

The Board expressed appreciation for the efforts taken on by Scott Simon, Kim Collins, and staff in discovering and amending this issue.

Educational Training

Mr. Simon highlighted a training program offered by CFA Institute: *Claritas Investment Certificate*. Benefitting employees and Board members alike, this comprehensive global education program is designed to give a clear understanding of the investment industry essentials.

At 8:25 a.m., Mr. Cooley, Mr. Bronson, and Ms. Hsu left the meeting.

Investment Staff Incentive Program

Ms. Gorton reviewed the proposed Investment Incentive Program, covering the mechanics of the plan, examples of the plan payout, and changes to the plan as discussed at the March Board meeting.

Each employee as defined under the plan, who ranks as a Solid Performer or higher, as designed by performance measures, will be eligible for incentive compensation.

These incentives will be calculated prospectively and are subject to approval by the Board annually. Any staff who voluntarily separates from service or is terminated for cause will not receive any deferred incentive.

Mr. Blumenthal moved to approve the incentive pay program for the Investment Staff professionals as described in the Board packet, deferring any decision to include support or operations staff in this plan pending further study. Mr. Bomberger seconded the motion. The motion passed.

Task Force Update

Ms. McGrail updated the Board on the upcoming member election and the revised election procedure. Election will be open the entire month of June 2014. Members may vote by phone, internet or paper ballot. Only one vote will be counted per member. The third party vendor may be requested to send a reminder notice to those who have not voted prior to the conclusion of the election.

Mr. Bomberger moved to approve the revised election procedure as presented in the Board packet today on April 25, 2014. Mr. Stanton seconded the motion. The motion passed.

Staff Report

CEO Report

The Executive Team (Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon) updated the Board on matters included under the CEO/Staff report in the Board packet.

Legal Report and Legislative Update

Mr. Lindahl updated the Board on FPPA's legal matters. The depositions of Mr. Slack, Ms. McGrail, Mr. Lindahl, and Mr. Gremmert in the Dolan case are scheduled for June 4, 2014.

FPPA has been subpoenaed in a case that the Attorney General of Colorado has filed against Standard & Poor's (S&P) and staff is producing documents relating to S&P's ratings for investments. Although FPPA is not a party to it, this is an enforcement action under the Consumer Protection Act that the Attorney General has filed against S&P.

The court has granted the defendants' motion to dismiss in the *Abiomed* securities litigation case in which FPPA is one of the lead plaintiffs. FPPA's outside counsel is evaluating opportunities for appealing that dismissal.

A bill currently at the legislature provides for a new insurance program for firefighters that have certain lung diseases. Bypassing the workers' compensation system, the bill would allow for insurance coverage without regard to whether the lung disease was caused by a work injury, thus negating costly administrative, litigating, and procedural fees.

Chairman's Report

The Board agreed to hold the Board self-evaluation discussion at the June meeting.

At 9:41 a.m., Chair Eaton called for a motion to adjourn the Board meeting. Ms. Feely moved to adjourn the meeting. Mr. Worrell seconded the motion. The meeting adjourned.