

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

January 30, 2014

- 7:30 a.m. **Call to order**
Sue Eaton, Chair
- Approval of December 12, 2013 Board Meeting minutes
Approval of December 12, 2013 Executive Session minutes
- 7:40 a.m. **Investment Report**
Review of November & December 2013 performance
Scott Simon
Review of Managers
Scott Simon
Review of Investment Policies Statement
Dan Slack, Scott Simon, John Linder
- 8:40 a.m. **Russell Investments**
Charles Anselm, Karl Sahlin
- 9:30 a.m. **Break**
- 9:45 a.m. **2014 Legislative session preview**
Kevin Lindahl
Tony Lombard and Bill Clayton, Lombard & Clayton
- 10:15 a.m. **Report and recommendation from SWDB Task Force
on Member Contributions**
Todd Bower
- 10:45 a.m. **Break**
- 11:00 a.m. **Staff Report**
CEO Report
Dan Slack
Legal Report
Kevin Lindahl
CII amicus curiae brief in *Halliburton*
Dan Slack, Kevin Lindahl
Social Security death match information
Kevin Lindahl
Annual meetings resolution
Kevin Lindahl
Affiliation Resolution - Fort Lupton Fire
Gina McGrail
Other matters
- 11:30 a.m. **Lunch**

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

January 30, 2014

12:00 p.m.

Chairman's Report

Sue Eaton, Chair

Conference Evaluation (NCPERS, NACD)

Pam Feely, Dave Bomberger, Jack Blumenthal

Conflict of Interest form

Dan Slack

Board self-evaluation

Sue Eaton

Evaluation of CEO

Sue Eaton

Other matters

1:15 p.m.

Adjourn

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
January 30, 2014**

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

Board Members Present: Chair Sue Eaton, Vice Chair Todd Bower, Dave Bomberger, Manuel Esquibel, Cliff Stanton, Tyson Worrell, and, via telephone, Jack Blumenthal

Board Members Absent: Pam Feely, Nick Nuanes

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

Others Present: John Linder, Pension Consulting Alliance; Travis Speakman, Denver Fire; Bill Clayton and Tony Lombard, Lombard & Clayton; Charles Anselm and Karl Sahlin, Russell Investments

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 December 12, 2013, board meeting. Mr. Bower moved to approve the minutes. Mr. Bomberger seconded the motion. The motion carried with Cliff Stanton abstaining.

Chair Eaton called for a motion to approve the minutes of the December 12, 2013, educational session. Mr. Bower moved to approve the minutes. Mr. Bomberger seconded the motion. The motion carried with Cliff Stanton abstaining.

Investment Report

Mr. Simon presented the economic recap and financial performance for December 2013. A strong 4Q completed the year, led by the equity markets. Performance in the U.S. market saw a surge in large cap stocks exceeding 32% and small cap stocks exceeding 30% this year. Total Fund performance (net of fees) for the month was **+1.66% (+15.42% YTD)** and Net Investible Assets for the Total Fund are estimated at **\$3.99 billion** as of December 31.

January 2014 has started with difficulty due to poor corporate earnings and struggles with the effects of emerging markets and their currency issues.

Asset Allocation

Investment staff has established Overlay Targets and an Overlay Portfolio with Russell Investments. Use of this added tool will help Staff rebalance the portfolio with use of derivatives and easily change the portfolio without having to use physical securities and keep the portfolio on track with FPPA's Asset Allocations.

PIMCO

Mr. Simon updated the Board with details on the recent departure of PIMCO's CEO and lead portfolio manager. The Staff will continue to evaluate these circumstances in light of FPPA's existing fixed income portfolio and the potential of PIMCO receiving an allocation to FPPA's unconstrained mandate.

Securities Litigation Activity

BNY Mellon is FPPA's custodian and is responsible for filing class action claims against companies for fund reimbursement. Staff is looking into the costs and benefits of an audit of claims filing to assure all the claims are being caught and the filing of claims is handled in a timely manner.

Investment Risk Committee (IRC) Update

The IRC approved Investment Staff's recommendation to invest \$40 million each in Winton and BlueTrend for Managed Futures portfolio.

Self-Directed Plans Committee

The February Board meeting will include an annual review of the Self-Directed Plans.

Investment Policy Statement (IPS)

Mr. Slack and Mr. Simon reviewed proposed substantive changes to the Investment Policy Statement and noted that this is a discussion only and request for approval will be at the February Board meeting.

- Added language that the CEO is the primary individual to execute investment contracts and that others area to sign only if the CEO is unavailable in a timely manner.
- Added language assuring that matters going to the Board for an investment manager selection recommendation are first brought before the IRC.
- Language further defining the roles and responsibilities of the IRC.
- Redefined language surrounding investment objectives to more accurately reflect FPPA's current practice.
- Added language surrounding FPPA's General Counsel's responsibility for handling and delegating legal work relating to the Fund's investments.

Mr. Stanton reviewed the proposed change to the composition of the Investment Risk Committee (IRC). The board members serving on the IRC recommend that the CEO and the General Counsel remain as members of the IRC, as their counsel is valued, but serve in a non-voting capacity.

Benchmarks

Mr. Simon spoke to the proposal of a three-benchmark structure for FPPA's portfolio. Investment staff will readdress the structure in detail with Pension Consulting Alliance (PCA), and again with the Investment Risk Committee, and then be ready to present a recommendation of the benchmark framework at the February Board meeting.

Russell Investments

Charles Anselm and Karl Sahlin of Russell Investments presented an educational session on the use of Over-the-Counter (OTC) Trading and Risk Management instruments as potential tools to aid in managing and creating exposure within FPPA's portfolio.

At 10:07 a.m., Chair Eaton called for a break. Ms. Hsu and Misters Cooley, Bronson, Anselm and Sahlin left the meeting.

At 10:17 a.m., the meeting reconvened. Mr. Lombard and Mr. Clayton, Lombard & Clayton, joined the meeting.

2014 Legislative Session Preview

Mr. Lombard and Mr. Clayton, Lombard & Clayton, updated the Board on the beginning of the 2014 legislative session, including changes in the Senate and the impact of this election year.

The FPPA 2014 legislative bills have passed out of committee and will soon be considered by the full Senate.

The Governor has requested three studies for PERA be implemented: 1) a total compensation study including pension benefits for State employees; 2) change Defined Benefit Plans to Defined Contribution Plans for State employees; and 3) a trigger study to assess at what point do the unfunded liabilities threaten sustainability in defined benefit plans for PERA.

This study is specifically directed at PERA. Lombard & Clayton will monitor whether this could affect FPPA plans in any way and keep the Board advised.

At 11:00 a.m., Mr. Lombard left the meeting.

Task Force Recommendation

Vice Chair Bower reported concerns from the SWDB Plan Member Contribution Task Force and put forth the task force's new recommendation to the board. Mr. Bower explained that the task force believes: 1) additional time past the anticipated April election is needed for further education before voting on the member contribution increase; and 2) the membership may be more agreeable to a 2% increase over 4 years as opposed to a 4% increase over 8 years.

Mr. Bower reported that the task force, after much discussion, is now recommending the following: 1) the primary proposal remain on the ballot (4% increase to the member contribution rate to the SWDB Plan implemented at ½% per year over 8 years beginning in 2015 and fully implemented in 2022; 2) a contingent proposal be added to the ballot – a 2% increase in the member contribution rate to the SWDB Plan implemented at ½% per year over 4 years, beginning in 2015 and fully implemented in 2018; and 3) the election date be moved from April 2014 to June 2014, assuming that timeframe is workable for the vendor hired to conduct the election. The pros and cons of adding a contingent proposal and changing the election timeline were discussed at length. Staff explained that if the board approved a contingent proposal, that the ballots for the contingent proposal would only be considered and counted if the primary proposal fails.

Mr. Stanton moved to accept the recommendation of the task force, to have a primary proposal of a 4% member increase in contributions, including a contingent proposal of a 2% member increase. Mr. Worrell seconded the motion. The motion passed.

Vice Chair Bower moved to change the election date to June 2014. Mr. Esquibel seconded the motion. The motion passed.

Staff was directed to revise the previous election resolutions establishing the election question and expressing support for a 4% increase in members' contributions for consideration at the February Board meeting.

At 12:25 p.m., Mr. Blumenthal left the meeting via conference call. Mr. Clayton left the meeting.

At 12:25 p.m., Chair Eaton called for a lunch break.

At 1:07 p.m., the meeting reconvened.

Staff Report

CEO Report

Mr. Slack gave a brief update on the Diligence Boardbooks Resource Center that

will now house the Board Governance Manual and Board Handbook.

Legal Report and Legislative Update

Mr. Lindahl updated the Board on FPPA's legal matters. The Countrywide derivative litigation has come to an end.

The U.S. Senate has been considering legislation that would restrict access to Social Security death match information. FPPA values this service, with a legitimate need of verifying a member's death within the pension plans that FPPA administers. This legislation would make it much more difficult for FPPA to verify this needed information. Vice Chair Bower moved to authorize Mr. Slack to take the actions necessary to protect and promote access for FPPA to Social Security data with regard to deaths. Mr. Stanton seconded the motion. The motion passed.

Mr. Slack recommended that FPPA become a signatory to the Council of Institutional Investors (CII) amicus curiae brief being prepared in the Halliburton case. With FPPA's large exposure to index funds, the maintenance of securities litigation claims for "fraud on the market" is important and relevant. Vice Chair Bower moved to authorize Mr. Slack to sign onto the brief on behalf of FPPA. Mr. Bomberger seconded the motion. The motion passed.

Mr. Bomberger moved to pass Resolution 2014-1, Notice of Public Meetings and Board meeting dates for 2014. Vice Chair Bower seconded the motion. The motion passed.

Chairman's Report

Mr. Slack discussed a letter addressed to the Board from member Jim Brand, regarding his denial of enrollment in the Humana Medicare Advantage plan. The Board directed Mr. Slack to respond to Mr. Brand on behalf of the Board, laying out the geographical coverage of Humana Medicare Advantage plan and suggest some options that are available to him.

Mr. Slack reminded the Board that its policies require both Board and staff members to execute a Conflict of Interest Disclosure form every year.

Chair Eaton handed out summary of feedback on both the CEO evaluation and the Board self-evaluation. The discussion of evaluations is postponed until the February Board meeting.

At 1:34 p.m., Chair Eaton adjourned the Board meeting.