

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

July 31, 2014

7:30 a.m.

Call to order

Sue Eaton

Approval of June 11-13 Board and Strategic Retreat meeting minutes
Approval of July 9 Board meeting minutes

Consent Calendar -

Wellington Fire Protection District

Crested Butte Fire Protection District

Falcon Fire Protection District

7:35 a.m.

Disability Review re Craig Roberts

8:00 a.m.

Investment Report

Investment Committee Report

Cliff Stanton

Review of June 2014 performance

Review of Managers

Scott Simon

8:20 a.m.

Notice of Rulemaking Hearing

Kevin Lindahl

8:30 a.m.

Legislative Update

Tony Lombard; Kevin Lindahl

9:00 a.m.

Staff Report

CEO Report

Dan Slack

Legal Report

Kevin Lindahl

Election Update

Gina McGrail

Colorado Springs New Hire Pension Plans - contribution rates, SRA, COLA

Kim Collins

SRA policy

Scott Simon; Kim Collins

Other matters

9:30 a.m.

Break

9:45 a.m.

Chair's Report

Chair's remarks

Sue Eaton

Review of Board retreat and surveys

Sue Eaton

Evaluation of LOFT Investors Forum

Nick Nuanes

Other matters

11:00 a.m.

Adjourn

6:00 p.m.

NCPERS dinner

Venice Ristorante

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
July 31, 2014**

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

Board Members Present: Chair Sue Eaton, Vice Chair Bower, Jack Blumenthal, Dave Bomberger, Manuel Esquibel, Pam Feely, Nick Nuanes, and Cliff Stanton

Board Members Not Present: Tyson Worrell

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

Others Present: John Linder, Pension Consulting Alliance; Tony Lombard and Bill Clayton, Lombard & Clayton; Craig Roberts, Bob Stratman, West Metro Fire Protection District

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 7:36 a.m., Chair Eaton called the meeting to order.

Chair Eaton called for a motion to approve the minutes of the June 11-13, 2014, board meeting and retreat. Ms. Feely moved to approve the minutes. Mr. Stanton seconded the motion. The motion carried with Mr. Bower and Mr. Esquibel abstaining.

Chair Eaton called for a motion to approve the minutes of the July 9, 2014, board meeting. Ms. Feely moved to approve the minutes. Mr. Bower seconded the motion. The motion carried with Mr. Stanton abstaining.

Ms. Feely moved to approve the 3 resolutions on the consent calendar; Wellington Fire Protection District's resolution to affiliate clerical and other personnel in the Statewide Defined Benefit Plan, Crested Butte Fire Protection District's resolution to affiliate clerical and other personnel in the Statewide Defined Benefit Plan, and Falcon Fire Protection District's resolution to affiliate clerical and other personnel in the Statewide Defined Benefit Plan. Mr. Bomberger seconded the motion. The motion carried.

Disability Review

At 7:38 a.m., Mr. Roberts and Mr. Stratman of West Metro Fire District joined the

meeting.

Mr. Lindahl reviewed Mr. Robert's occupational disability benefit case and his objection to the hearing officer's determination that the disability was not due to an on-duty cause.

Ms. Feely and Mr. Bomberger recused themselves, and left the meeting.

Mr. Lindahl continued with the procedural steps regarding Mr. Robert's issue and the options before the Board.

Mr. Roberts presented his argument as to why he disagreed with the hearing officer's determination. Mr. Stratman also presented arguments as to why he disagreed with the hearing officer's determination. The Board asked questions of Mr. Roberts and Mr. Statman.

At 7:54 a.m., Mr. Cooley joined the meeting.

At 8:00 a.m., Mr. Bronson and Ms. Hsu left the meeting.

Mr. Stanton moved to remand Mr. Robert's case back to the hearing officer for further consideration of the issues and to answer the following questions:

1. Did the Hearing Officer limit or prohibit testimony regarding the member's fitness or condition prior to the 2002 injury? If testimony was so limited, the Board directs that such evidence and testimony be considered. Did an arthritic condition of the hip exist prior to the 2002 injury?
2. What was the responsibility of the employer to complete and file worker's compensation notices or reports with regard to the 2002 injury?
3. What is the impact, if any, of an employee's decision to seek treatment outside of the worker's compensation system?
4. What are the NFPA standards related to the hip replacement in 2006 and 2013 in terms of the member's continued employment? What is the timing of changes to the NFPA standards? Do the NFPA standards affect the determination in this case?

Mr. Bower seconded the motion. The motion passed.

At 8:43 a.m., Mr. Roberts and Mr. Stratman left the meeting.

At 8:45 a.m., Chair Eaton called for a break.

At 9:00 a.m., the meeting reconvened. Mr. Lombard, Mr. Clayton, Mr. Sutherland, Mr. Bronson and Ms. Hsu joined the meeting.

The Board asked staff to propose specific policies or guidance to handle future case reviews.

Legislative Update

Mr. Lindahl discussed the upcoming annual update on the status of FPPA to the Pension Reform Commission (PRC). FPPA's potential legislation is presented to this committee and members of the committee become sponsors of those. Legislation proposed by FPPA in 2014 will be introduced in January 2015 and go through the regular committee hearings. FPPA also presents a report giving current statistics, including assets, asset allocation, and funding.

Mr. Lombard mentioned that, although term limited, Senator Lois Tochtrop will be Chair of the PRC.

Mr. Clayton discussed the two FPPA bills that passed this year:

1. Revisions to the Old Hire Plans
2. Revisions to the Volunteer Plans

Mr. Lombard commented that a bill calling for a study of PERA and their defined benefit plan, to be conducted by an actuarial firm, passed the legislature this year. PERA is now working with the State Auditor on an RFP for this study.

Lombard & Clayton noted that last year FPPA crafted a memo to the PRC discussing ongoing issues on the administration of the volunteer firefighter plans. Mr. Lindahl added that legislative staff is bringing the volunteer plan issues back up to the PRC, and he anticipates that action in terms of a study will take place.

Mr. Lindahl presented a memorandum and discussed staff's identification of four issues recommended to be addressed through legislation:

- 1) Participation in the Statewide Death & Disability Plan (SWDD)
 - a. Chief Opt Outs- a chief can retain the coverage under the SWD&D Plan if s/he remains in the SWDB Plan or elects coverage under the SWH Plan, SWMP Plan or a Local MP plan. If a chief elects coverage under another alternative plan she or he is no longer covered by the SWD&D plan.
 - b. Departments that are in Social Security supplemental SWD&D plan must also participate in the Social Security supplemental Statewide Defined Benefit Plan
- 2) Board Authority
 - a. to clarify language in the statute related to interest and penalty for late payments
 - b. to allow the board to find certain employer cost incurred due to regulation to be de minimis or to be assessed against the employer
- 3) Merger
 - a. Members beginning participation in the SWDB plan after a merger will contribute equivalent to that of a re-entry member
- 4) Compliance with IRS requirements
 - a. Separate out plan-to-plan transfers from purchase of service credits to create a more efficient process

Mr. Blumenthal moved to direct staff to proceed with the four bills as described. Mr. Bomberger seconded the motion. The motion passed.

At 9:35 a.m., Mr. Lombard and Mr. Clayton left the meeting.

Investment Report

Investment Committee Update

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

- A €11 million commitment to Constellation IV, a private equity fund focused on majority control investments in asset-light companies with clear buy-and-build potential in the inefficient small-cap segment of German speaking Europe.
- Review and analysis of restructuring of the Absolute Return portfolio.
- A \$15 million commitment to MVM Life Sciences IV, a private equity fund focused on special situation and distressed healthcare opportunities.
- A \$20 million commitment to Veritas Capital Fund V, an equity fund focused on the regulatory and government customer industries.
- An analysis and educational primer on multi-strategy hedge funds.
- Changes in the due diligence presentation to the Investment Committee.

Monthly Investment Report

Mr. Simon presented the economic recap and financial performance for June 2014. June was strong for the capital markets with continued improvements for the US economy. The month of July saw a drop in the market. Total Fund performance (net of fees) for June was **+1.25% (+4.82% YTD)** and Net Investible Assets for the Total Fund are estimated at **\$4.15 billion** as of June 30.

Investment staff continues to work with BNY Mellon on having the shorter-term implementation benchmark reflected in the Board packet.

FPPA's overlay manager, Russell Investments, is being bought by the London Stock Exchange Group. This transaction has not affected the services to FPPA, but staff will continue to monitor the situation.

Mr. Simon highlighted Commonfund Capital's (FPPA's venture capital fund of funds) announcement of a leadership transition with the CEO of the parent company and the replacement of the CEO/CIO, Sue Carter, of their private equity group.

Deutsche Bank (FPPA's securities lending manager) received an inquiry from the Federal Reserve Bank of New York for financial reporting problems. FPPA investment staff has been in contact with Deutsche Bank and will continue to monitor development.

Mr. Simon noted that congratulations were in order for two investment staff members: Jeff Kaszubowski has successfully passed the CIPM (Certificate of Investment Performance Measurement) exam, and Jessica Hsu passed Level Two of the CFA (Chartered Financial Analyst) certification.

At 9:47 a.m., Mr. Cooley, Bronson, Kaszubowski and Ms. Hsu left the meeting.

Notice of Rulemaking Hearing

Mr. Lindahl reviewed the annual Notice of Proposed Rule-Making and Plan Amendment. The subjects and issues involved in the proposed amendments to the FPPA Rules and Rules and Regulations are for the Statewide Defined Benefit (SWDB) Plan, the Statewide Death & Disability (SWD&D) Plan, the Statewide Hybrid (SWH) Plan, the Statewide Money Purchase (SWMP) Plan Document and the Statewide Hybrid (SWH) Plan Document.

Mr. Bower moved to adopt the proposed notice of rule-making and plan amendment and direct staff to prepare and distribute as presented to the Board. Mr. Bomberger seconded the motion. The motion passed.

At 9:51 a.m., Mr. Sutherland left the meeting.

Staff Report

Executive Director Report

Mr. Slack updated the Board on matters included under the Staff report in the Board packet.

- FPPA staff has been focused on preparation for the SWDB employer election.
- Mr. Lindahl and Ms. McGrail have worked closely with him on a CML newsletter article regarding the election, that is co-authored by Mr. Slack and Kevin Bommer of CML staff.
- Staff and counsel have finalized proposed legislation and rule-making initiatives identifying FPPA's priorities and how best to achieve them.
- Mr. Slack has been invited to speak regarding the SWDB Plan election at the annual NASRA conference (National Association of State Retirement Administrators).
- Mr. Slack will be presenting an update of FPPA to CPFF (Colorado Professional Fire Fighters) at their upcoming annual membership meeting.

Legal Report and Legislative Update

Mr. Lindahl updated the Board on FPPA's legal matters and opened discussion on defining a Board policy on "meals".

Vice Chair Bower moved that the Board adjourn into executive session pursuant to C.R.S. Section 24-6-402(4)(c) to seek legal advice on the matter. Ms. Feely seconded the motion. The motion passed.

At 10:01 a.m., Mr. Linder and Ms. Tara left the meeting.

At 10:20 a.m., Ms. Feely moved that the Board return to its regular meeting. Mr. Bomberger seconded the motion. The motion passed. Chair Eaton declared that no action was taken during the executive session. Mr. Linder and Ms. Tara joined the meeting.

Mr. Blumenthal moved to adopt a policy that meals may be served in conjunction with Board meetings in order to facilitate the meeting and promote Board collegiality. In recognition of the Board members' volunteer service, Board members may invite a guest to specially designated meals. A specially designated meal shall be limited to a meal where all Board members are invited to attend. The Board Chair shall designate any such meals. Attendance of a guest at such a specially designated meal shall not be considered a travel-related expense. Board members may be eligible for reimbursement of meal costs for travel-related purposes pursuant to the travel policy. Meals provided by third parties to Board members (or family members) may be subject to the ethics policy.

Mr. Nuanes seconded the motion. The motion passed.

Election Update

Ms. McGrail updated the Board on the status of the employer election in the Statewide Defined Benefit Plan regarding the proposed increase in the member contribution rate.

Colorado Springs New Hire Pension Plan

Ms. Collins reviewed the board action items from the results of the actuarial valuations.

Colorado Springs New Hire Pension Plan for Police Component Contribution Rate

Mr. Stanton moved to set the Colorado Springs New Hire Pension Plan - Police Component required contribution at \$10,203,704 effective January 1, 2015. Of this amount, the members of the plan contribute 8.0% of base salary and the employer remits the remainder. Mr. Bower seconded the motion. The motion passed.

Colorado Springs New Hire Pension Plan for Police Component Stabilization Reserve Account Contribution Rate

Mr. Stanton moved to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Police Component to 0%, effective January 1, 2015, through December 31, 2015. Mr. Bomberger seconded the motion. The motion passed.

Cost-of-Living-Adjustment (COLA) for the Colorado Springs New Hire Pension Plan for Police Component

The CPI-W as of December 31, 2013 was 1.4%. FPPA will implement the COLA for retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Police Component at 1.5%, effective October 1, 2014, through September 30, 2015. No Board action is required.

Colorado Springs New Hire Pension Plan for Fire Component Contribution Rate

Mr. Stanton moved to set the Colorado Springs New Hire Pension Plan for Fire Component contribution amount at \$4,628,508, effective January 1, 2015. Of this amount, the members of the plan will contribute 10% of base salary and the employer will remit the remainder. Mr. Bomberger seconded the motion. The motion passed.

Colorado Springs New Hire Pension Plan for Fire Component Stabilization Reserve Account Contribution Rate

Mr. Stanton moved to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Fire Component at 0% effective January 1, 2015, through December 31, 2015. Mr. Nuanes seconded the motion. The motion passed.

Cost-of-Living-Adjustment (COLA) for the Colorado Springs New Hire Pension Plan for Fire Component

The CPI-W as of December 31, 2013 was 1.4%. FPPA will implement the COLA for retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Fire Component at 1.0%, effective October 1, 2014, through September 30, 2015. No Board action is required.

SRA Policy

Mr. Simon and Ms. Collins discussed the proposed Stabilization Reserve Account (SRA) Earnings Allocation Policy.

Mr. Bower moved to accept the draft SRA policy as proposed. Ms. Feely seconded the motion. The motion passed.

At 10:46 a.m., Chair Eaton called for a break.

At 10:53 a.m., the meeting reconvened.

Chairman's Report

Mr. Slack discussed his summary of the Board's survey of the June 2014 board meeting and retreat. Key areas identified were:

- Intergenerational equity within the Statewide Defined Benefit Plan
- Cost effectiveness and service quality
- Consideration of holding board meetings at various locations across the state. The Board determined to table this matter.

Discussion continued around options for measurement and evaluation of effectiveness and service to our members and employers. Staff will return to the Board by year end with a recommendation for determining FPPA's cost effectiveness and service quality.

The Board discussed other items raised at the June retreat. It reiterated its desire for more educational training on matters like the FPPA benefit structure and departmental operations. The Board also desires to have quarterly verbal reports on FPPA financial statements, as well as have a yearly management review from the Executive Director.

The Board discussed the desirability of holding its meetings less frequently than monthly. Board members were polled on this and determined to continue with the current meeting schedule.

Mr. Nuanes provided his evaluation of the LOFT (Leaders on a Fast Track) Investors Forum. The focus of the forum was emerging managers and diversity of boards.

At 11:47 a.m., Chair Eaton adjourned the meeting.