

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
March 21, 2014**

**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, Cliff Stanton, and Tyson Worrell

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

**Others Present:** John Linder, Pension Consulting Alliance; Dan Janis, Dave Zielinski, and Scott Eversole, Manulife Asset Management; Moser

*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 9:30 a.m., Chair Eaton called the meeting to order.

Chair Eaton called for a motion to approve the minutes of the February 27, 2014, board meeting. Mr. Slack noted that the February minutes did not correctly reflect the approval of the motion to go into an executive session. Mr. Stanton moved to approve the minutes with the suggested amendment. Ms. Feely seconded the motion. The motion carried with Mr. Esquibel and Mr. Worrell abstaining.

Chair Eaton called for a motion to approve the Consent Calendar. Ms. Feely moved to approve the Consent Calendar. Mr. Stanton seconded the motion. The motion carried.

### **Investment Report**

#### **Investment Committee Update**

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

- Discussed allocation to Unconstrained Global Fixed Income, Manulife will present to the Board today.
- Reviewed a draft of an incentive program for the Investment Staff.
- Approved a second commitment to Energy and Minerals Group, private equity manager.
- Approved an investment in Graham Global for the managed futures portfolio.

- Reviewed the Annual Commitment Pacing Recommendation and target allocation to illiquid alternatives
- Will seek Board approval to establish an agreement with Russell Investments in order to evaluate potential swap opportunities

### Monthly Investment Report

Mr. Simon presented the economic recap and financial performance for February 2014. After a difficult month in January, February saw positive economic data. Global stocks rose in February as U.S. and non-U.S. developed markets recouped January's losses.

Market reaction in March has been negative due to the current situation in the Ukraine and Russia, as well as the Fed's discussion around lifting the quantitative easing, which would cause interest rates to rise.

Total Fund performance (net of fees) for the month was **+2.78% (+.77% YTD)** and Net Investible Assets for the Total Fund are estimated at **\$4.01 billion** as of February 28.

### PIMCO

Mr. Simon and Mr. Cooley discussed current fixed income exposure with PIMCO. Bill Gross has been assigned as portfolio manager for FPPA's account. FPPA's Investment Staff continues to closely monitor PIMCO.

At 9:42 a.m., Vice-Chair Bower joined the meeting.

Staff will also closely monitor the PIMCO Total Return Fund in the Self-Directed Plans Committee portfolio.

### Commitment Pacing

Mr. Simon reviewed the portfolio construction of the Alternative Growth Investments ("AGI") Class - Private Equity, Private Credit, Real Estate and Real Assets - and the recommendation of an Annual Commitment Pacing Plan which details the anticipated commitment level across the AGI Class.

- For 2014, \$200 to \$250 million (\$45 million committed to date, \$160 million remaining)

Mr. Bower moved to approve the recommendation of the 2014 Annual Commitment Pacing Plan. Mr. Bomberger seconded the motion. The motion passed.

There was some discussion surrounding the possibility of adding infrastructure investments. The Board discussed the positive attributes relative to known risks of infrastructure investing. Mr. Slack also pointed out concern surrounding potential political interference in public infrastructure investments.

### Total Return Swaps

Mr. Simon communicated the Investment Staff's support that total return swaps would be an appropriate and beneficial tool in the management of Total Fund exposures and will continue to work with Russell Investments in the development of policies and procedures to govern its implementation. The Investment Staff sought Board approval to establish an agreement and documentation with Russell to allow FPPA to utilize total return swap agreements.

Mr. Stanton moved to allow the Investment Staff to begin a formal process with Russell Investments to utilize total return swap agreements, pending the development of policies and procedures to govern its implementation. Mr. Bower seconded the motion. The motion passed.

### Sudan Review

Mr. Simon reviewed FPPA's continued compliance with House Bill 07-1184, requiring all public pension funds in the state of Colorado to divest from companies with active business operations in Sudan.

### Manulife Asset Management

Mr. Bronson reviewed past challenges with traditional fixed-income investing and relayed Staff's confidence in reallocating the majority of FPPA's fixed income exposure to actively managed, unconstrained mandates. Staff identifies with Manulife Asset Management's strong global investment presence, the depth of its fixed income capabilities, and the strength of risk and operational infrastructure.

At 10:55 a.m., Mistery Janis, Zielinski, and Eversole of Manulife joined the meeting.

Mistery Janis, Zielinski, and Eversole reviewed Manulife's global footprint and their strategic fixed income strategy combining global and multi-sector fixed income, with top-down macroeconomic analysis.

At 11:55 a.m., Chair Eaton called for a lunch break. Mistery Cooley, Martin, Janis, Zielinski, and Eversole left the meeting.

At 12:28 p.m., the meeting reconvened.

Mr. Bomberger moved to approve Staff's recommendation to allocate \$75 million to Manulife Asset Management Strategic Income. Mr. Blumenthal seconded the motion. The motion passed.

At 12:34 p.m., Mr. Simon, Mr. Bronson and Ms. Hsu left the meeting.

## **Investment Staff Incentive Program**

Mr. Slack reviewed the growth of FPPA's Investment Staff and FPPA's cost savings as the internal investment responsibilities have evolved.

Ms. Gorton discussed the value and points of incentive pay:

- Increase employee potential
- Increase employee engagement
- Increase employee morale
- Manage performance on measurable goals
- Reward based on creativity and innovation
- Ability to recruit the best

Also reviewed was the value of incentive pay versus total rewards compensation and facts surrounding incentive plan prevalence.

At 1:00 p.m., Mr. Bomberger left the meeting.

At 1:07 p.m., Mr. Linder left the meeting.

The Board raised concerns surrounding eligibility to participate, vesting, and the management of administrative challenges in implementation of the proposed incentive program. Staff will consider the concerns raised and provide an updated proposal at a future board meeting.

## **Staff Report**

### **CEO Report**

Mr. Slack shared the recent award received from Government Financial Officers Association (GFOA) recognizing achievement of excellence in financial reporting for the 2012 report. The Board congratulated FPPA Staff on this accomplishment.

Mr. Slack will send an email to the Board highlighting planned agenda items for the June 12<sup>th</sup> and 13<sup>th</sup> Education and Strategic Planning meeting. The original plan of a one-day meeting has grown into a value-filled day and a half, requiring more time and budget commitment from the Board.

- Business at hand (vision, risks)
- Strategic planning thoughts
- Actuarial evaluation (including cost of living adjustments)
- Asset allocation study
- Options study of the Statewide Defined Benefit Plan
- Board policies
- Requested longer time dedicated to risk discussion
- Potential hire of professional facilitator

### 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 in the process of being re-scheduled.

Both of FPPA's bills have been signed by the Governor and are now passed into law. Staff has begun meeting for the August/September Rule Making hearings.

Mr. Simon and Mr. Lindahl are looking at opportunities to do an audit for the filings of our securities claims to verify entitled funds are accounted for.

At 1:22 p.m., Mr. Linder left the meeting.

At 1:30 p.m., Mr. Bower left the meeting.

### **Chairman's Report**

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

At 2:05 p.m., Mr. Bomberger rejoined the meeting.

At 2:10 p.m., Chair Eaton called for a motion to adjourn the Board meeting. Ms. Feely moved to adjourn the meeting. Mr. Bower seconded the motion. The meeting adjourned.

**FIRE and POLICE PENSION ASSOCIATION**

Board of Directors

March 21, 2014

- 9:30 a.m.      **Call to order**  
*Sue Eaton, Chair*
- Approval of February minutes  
Consent Calendar
- 1) Chaffee County FPD Affiliation for Clerical Staff
  - 2) Affiliation for City of Lamar Volunteer Fire Fighters
- 9:40 a.m.      **Investment Report**
- Investment Committee report  
*Cliff Stanton, Chair*
- Review of February performance and Managers  
*Scott Simon*
- Annual commitment pacing recommendation  
*Dale Martin*
- Sudan divestment semi-annual review  
*Scott Simon*
- 10:10 a.m.      **Unconstrained Fixed Income - Manulife**  
*Dan Janis, Dave Zielinski, Scott Eversole, Manulife Asset Management*
- 11:10 a.m.      **Break**
- 11:25 a.m.      **Investment Staff Incentive Program**  
*Dan Slack, Elaine Gorton*
- 11:55 a.m.      **Lunch**
- 12:25 p.m.      **Staff Report**
- CEO Report  
*Dan Slack*
- Legal Report  
*Kevin Lindahl*
- 12:45 p.m.      **Chair's Report**  
*Sue Eaton, Chair*
- Board Self-Evaluation  
*Sue Eaton, Chair*
- 1:45 p.m.      **Adjourn**