

FIRE and POLICE PENSION ASSOCIATION
Board of Directors

October 30, 2014

- 5 min 7:30 a.m. **Call to order**
Todd Bower, Chair
- Approval of September 25, 2014 board meeting minutes
Approval of September 25, 2014 executive session minutes
- Consent calendar**
Amendment to the Durango Old Hire Fire Pension Plan
Amendment to the Durango Old Hire Police Pension Plan
- 30 min 7:35 a.m. **Craig Roberts appellate review on remand**
- 30 min 8:05 a.m. **Investment Report**
- Investment Committee report
Cliff Stanton, Chair
Review of September 2014 performance
Scott Simon
Review of Managers
Scott Simon
- 1 hr 8:35 a.m. **Unconstrained Fixed Income Recommendation**
Ben Bronson
Prudential Investment Management
Michael Collings, Portfolio Manager
Peter Taggart, Investor Relations
- 10 min 9:35 a.m. **Break**
- 1 hr 9:45 a.m. **Equity and Fixed Income annual review**
Austin Cooley, Ben Bronson, Jessica Hsu
- 1 hr 10:45 a.m. **2015 budget presentation**
Budget Committee report
Sue Eaton, Chair
Staff presentation
Dan Slack, Kim Collins, Scott Simon, Elaine Gorton
- 20 min 11:45 a.m. **Lunch**
- 5 min 12:05 p.m. **Reappointment of Hearing officer and contract**
Hearing Officer Stacy Tarler

Kevin Lindahl

15 min 12:10 p.m. **Amendment to the 457 Model Deferred Compensation Plan**
Proposal to allow loans
Mike Sutherland

30 min 12:25 p.m. **Staff Report**
Executive Director report
Dan Slack
Legal report
Kevin Lindahl
BLB&G Securities Class Action Claims Audit
Kevin Lindahl
Strategic plan update
Executives
Other Matters

10 min 12:55 p.m. **Chairman's report**
Proposed 2015 Board meeting dates
Dan Slack
Other matters

1:05 p.m. **Adjourn**

Post-adjournment educational program
Gina McGrail

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

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

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

Board member not present: Cliff Stanton

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

Others Present: Gerald Dahl, Murray, Dahl, Kuechenmeister & Reynaud; John Linder, Ryan Lobdell, Pension Consulting Alliance; Craig Roberts, member; Mike Collins, Peter Taggart, Prudential Investment Management

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 7:35 a.m., Chair Bower called the meeting to order.

Chair Bower called for a motion to approve the minutes of the September 25, 2014, board meeting. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion passed.

Chair Bower called for a motion to approve the minutes of the September 25, 2014, executive session. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion passed.

Chair Bower called for a motion to approve the Consent Calendar. Ms. Feely moved to approve the Consent Calendar. Mr. Blumenthal seconded the motion. The motion passed.

Craig Roberts Appellate Review

At 7:40 a.m., Mr. Roberts, member, joined the meeting. Mr. Dahl was present to provide legal advice to the Board on this matter.

Chair Bower announced that this matter came before them on the objection filed by member Craig Roberts to the Findings, Conclusions and Recommendation on

Remand of Hearing Officer Thomas Kanan dated October 15, 2014, concerning Roberts' occupational disability benefits and specifically whether or not those benefits should be classified as on-duty .

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

Mr. Dahl refreshed the Board on the procedural history leading to today's review and pointed out the four alternative proposed motions before the Board.

Mr. Roberts presented argument in disagreement with the hearing officer's determination. Mr. Sutherland presented argument in favor of the hearing officer's determination. The Board directed questions to Mr. Roberts and Mr. Sutherland.

Mr. Nuanes moved that the Board set aside the written Findings, Conclusions, and Recommendations on Remand of Hearing Officer Thomas Kanan dated October 15, 2014, with respect to Member Craig Roberts, and enter an order finding that the Member is entitled to on-duty status with respect to his permanent occupational disability benefits. The motion failed due to no second.

Ms. Eaton moved that the Board of Directors affirm the written Findings, Conclusions, and Recommendation upon Remand of Hearing Officer Thomas Kanan dated October 15, 2014, with respect to the review of Member Craig Roberts' permanent occupational disability benefits and that the Board enter an order affirming the Hearing Officer's recommendation that the Death and Disability Committee's decision to deny the Member on-duty status, in conjunction with his eligibility for permanent occupational disability benefits, should be upheld, based upon the Board's review of the entire record in the case, including the Hearing Officer's Findings, Conclusions and Recommendation on Remand, and the argument and testimony at the Board's July 24, 2014, and October 30, 2014, hearing. Mr. Worrell seconded the motion.

Mr. Dahl explained that should the motion pass, it would be the final action of the Board and FPPA on the matter, the recommendation of the Hearing Officer would be affirmed, the member's opportunity for judicial review would commence as of today, and the member's disability benefits would be classified as off-duty and would be subject to taxation.

The motion passed by a vote of 4 - 2 with Chair Bower and Mr. Nuanes on record as opposing.

At 8:22, Mr. Sutherland, Mr. Dahl and Mr. Roberts left the meeting. Ms. Feely, Misters Bomberger, Bronson, Cloete, Cooley, Martin, and Ms. Hsu joined the meeting.

Investment Report

Investment Committee Update

Mr. Bomberger reviewed the topics of the Investment Committee meetings held since the last Board meeting.

- A \$42 million investment in Hitchwood Capital Management (long/short equity)
- A \$30 million commitment to Scout Energy Partners II (energy real assets)
- A \$155 million investment to Prudential Investment Management (unconstrained fixed income)
- A full redemption (\$36 million) of Brigade Capital (credit)
- A full redemption (\$41 million) of Coatue Qualified Partners (long/short equity).

Chair Bower acknowledged the dedication of and work accomplished by the investment staff and the Investment Committee.

Monthly Investment Report

Mr. Simon presented the economic recap and financial performance for September 2014. The continued turmoil in the European markets, decline of energy prices gave way to a decline for the month of September in both the equity and fixed income markets.

Total Fund performance (net of fees) for the month was **-1.56% (+4.80% YTD)** and Net Investible Assets for the Total Fund are estimated at **\$4.13 billion** as of September 30, 2014. Equity Long/Short is still performing well relative to its benchmark YTD. Fixed Income had a positive month but still lags YTD due primarily to the short duration strategy of Goldman Sachs.

Vice Chair Blumenthal commended FPPA's Board of Directors and Investment staff for a thorough job and quick actions early on in getting ahead of the potential fallout of the turmoil at PIMCO.

Mr. Simon continued with an announcement of BlueCrest's spin-off of a new independent firm in the strategy in which FPPA is invested. Staff believes the new firm is a positive change but will continue to monitor this development.

Unconstrained Fixed Income Recommendation

Mr. Bronson discussed the strategy behind recommending Prudential as FPPA's third unconstrained fixed income manager. The presentation included the goals, merits, risks, and expectations of the manager being sought.

At 9:03 a.m., Mr. Collins and Mr. Taggart with Prudential joined the meeting.

Mr. Collins and Mr. Taggart presented a firm overview and the firm's unconstrained strategy.

Mr. Bomberger asked about the balancing of interests between the parent company and the interest of third party clients. Prudential responded that the parent company and client money are two separate businesses. The parent company portfolio is much longer in duration and is typically buy-and-hold. To the extent there is overlap, trades are executed pro rata across both lines (and their underlying products) and the process is governed by compliance oversight.

At 9:45 a.m., Mr. Collins and Mr. Taggart left the meeting.

Mr. Bomberger moved that the Board approve a \$155 million investment with Prudential Investment Management in an unconstrained fixed income strategy and delegate to staff the authority to negotiate pricing, terms and execution. Ms. Feely seconded the motion. The motion passed.

At 9:50 a.m., Chair Bower called for a break.

At 9:58 a.m., the meeting reconvened.

Long-Only Equity & Long/Short Equity Annual Review

Mr. Cooley, Mr. Bronson and Ms. Hsu reviewed the long-only equity strategy, including market performance, portfolio actions, and potential equity objectives and guidelines.

The presentation continued into the Long/Short Equity annual review, covering its history and implementation, return objectives, performance, and portfolio exposure and manager fees.

At 10:37 a.m., Misters Bronson, Cooley, Martin and Ms. Hsu left the meeting.

Risk Metrics

Mr. Linder discussed the risk metrics as of September 30, 2014. High-yield spreads are widening, indicating there is more concern in the bond market about credit; however, there remains a lot of positive momentum behind the U.S. economy. Inflation expectations fell in September and it's an indication that economic activity is not as strong as the markets had thought and there may not be sustainability in the market growth we've been seeing.

Discussion continued around FPPA's long-term investment portfolio, the history of investing prior to having an Investment Committee, and how the market sentiment charts provided by PCA are used as an informational tool along with valuation, volatility, leverage, etc., to facilitate open Board discussion while maintaining the investment decision-making framework.

2015 Budget Presentation

Ms. Eaton discussed the October 23 Budget Committee meeting and the proposed 2015 Budget.

Although the final 2015 Budget will be presented at the December Board meeting for approval, both Budget Chair Eaton and Mr. Esquibel were supportive of the proposed budget as presented to the Budget Committee on October 23, 2014.

Mr. Slack reviewed FPPA's change in reporting hedge fund fees on a gross return basis. This best practice results in a recommended change to the 2014 budget. This action reflects a change in how fees are reported within the budget and not an actual increase in the amount of fees paid. Ms. Eaton moved that the Board amend the 2014 budget for Asset Based Fees within the Investment Management Fees category by increasing the budget in the amount of \$10,000,000, to a total of \$25,000,000. Ms. Feely seconded the motion. The motion passed.

At 11:03 a.m., Mr. Cloete left the meeting.

Mr. Slack and Ms. Collins reviewed the proposed 2015 budget, addressing the bigger project figures and highlighting the areas of changes compared to 2014.

Ms. Collins presented details of the proposed 2015 budget to the Board for its consideration and discussion.

Mr. Slack informed the Board that the November Educational Session will include a presentation on Baldrige's Performance Excellence Program, in response to the Board's request for a way to determine whether FPPA is meeting that portion of its Mission Statement that calls for providing superior, cost-effective service to our members.

Mr. Slack noted how the proposed new three staff positions tie directly to Goals 1 – 5 of FPPA's strategic plan.

At 12:00 p.m., Chair Bower called for a break.

At 12:18 p.m., the meeting reconvened. Mr. Sutherland joined the meeting.

Reappointment of Hearing officer and contract

Mr. Lindahl advised the Board that Hearing Officer Stacy Tarler has changed firms and he presented the Board with a proposed new contract reflecting the new firm. The appointment is for a term through December 31, 2015.

Ms. Feely moved that the Board reappoint Stacey Tarler as a Hearing Officer to hear such matters as come before her and further move that the Board approve the contract with SJT Law LLC for her services. Mr. Bomberger seconded the motion. The motion passed.

Amendment to the 457 Model Deferred Compensation Plan Proposal to allow loans

Mr. Sutherland explained in detail the plan provisions to be amended in the plan document to allow participant loans.

Mr. Bomberger moved that the Board approve Resolution 2014-12, amending the Model FPPA Deferred Compensation Plan to allow loans to members under certain limited circumstances. Mr. Nuanes seconded the motion. The motion passed.

Staff Report

Executive Director Report

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

Ms. McGrail reported an upward trend in disability applications.

Legal Report and Legislative Update

Mr. Lindahl referenced the legal report included in the Board packet and noted that much of the legal staff's work has been focused on investment deals.

Mr. Lindahl reviewed the Securities Class Action Claims Audit conducted by Bernstein Litowitz Berger & Grossmann LLP (BLBG), one of FPPA's outside legal counsel for securities litigation. BLBG monitors FPPA's holdings through our custody account at BNY Mellon. This audit revealed BNY Mellon is adequately filing securities litigation claims on behalf of FPPA.

Strategic Plan Update

Mr. Slack noted the updates to the Strategic Plan and that 2015 will be the third and final year. The 2015 off-site meeting may be devoted to strategic planning, and further work on performance excellence through the Baldrige program. Mr. Slack encouraged the Board to be considering goals to add or delete.

2015 proposed Board dates

Mr. Slack reviewed the proposed 2015 Board meeting dates, to be finalized at the December meeting.

Ms. Feely reviewed the highlights from her attendance at the NCPERS Public Safety Employees Pension & Benefits Conference. Ms. Feely noted that a presentation of particular interest was one on the cost of health care after retirement.

Ms. McGrail discussed what information is provided by FPPA with respect to retiree health, dental and vision plans. She also addressed the insurance

shopping service available to FPPA members through HUB International.

Chairman's Report

At 12:55 p.m., Chair Bower moved to adjourn the meeting. Mr. Nuanes seconded the motion. The meeting adjourned.