

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

January 29, 2015

- 7:30 a.m. **Call to order**
Todd Bower, Chair
- Approval of December 11, 2014 Board Meeting minutes
- Consent Calendar
Fort Morgan Old Hire Police Plan Amendment
- 7:35 a.m. **Investment Report**
Review of November & December 2013 performance
Scott Simon
Review of Managers
Scott Simon
- 8:05 a.m. **Overlay Program - Annual Review**
Karl Sahlin, Charles Anslem, Jonathan Baily - Russell
- 8:50 a.m. **break**
- 9:00 a.m. **Fixed Income & Cash - Annual Review**
Austin Cooley, Ben Bronson, Jessica Hsu
- 9:45 a.m. **Actuarial experience study - introductory session**
Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.
- 10:10 a.m. **Examples of COLA-SRA interaction**
Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.
- 10:30 a.m. **break**
- 10:40 a.m. **2015 Legislative session preview**
Kevin Lindahl
Tony Lombard and Bill Clayton, Lombard & Clayton
- 10:55 a.m. **Staff Report**
CEO Report
Dan Slack
Legal Report
Kevin Lindahl
Securities Litigation RFP update
Kevin Lindahl
Amendment to Internal Auditor contract
Kevin Lindahl
4Q 2014 Strategic Plan
Dan Slack
- Other matters

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11:30 a.m. **Lunch**

12:00 p.m. **Chairman's Report**

Todd Bower, Chair

Conference Evaluation (NCPERS)

Pam Feely, Dave Bomberger

Conflict of Interest form

Dan Slack

Evaluation of Executive Director

Todd Bower, Chair

Other matters

Board self-evaluation timeline

1:00 p.m. **Adjourn**

1:05 p.m. **Post-meeting educational session - investment due diligence**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
January 29, 2015**

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

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

Board member not present: Nick Nuanes

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

Others Present: John Linder, Pension Consulting Alliance; Tony Lombard, Bill Clayton, Lombard & Clayton; Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.; Karl Sahlin, Charles Anslem, Jonathan Baily, 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 7:35 a.m., Chair Bower called the meeting to order.

Chair Bower called for a motion to approve the minutes of the December 11, 2014, board meeting. Mr. Bomberger moved that the Board approve the minutes of December 11, 2014. Ms. Feely seconded the motion. The motion passed.

Chair Bower called for a motion to approve the consent calendar. Ms. Feely moved that the Board approve the consent calendar. Mr. Stanton seconded the motion. The motion passed.

At 7:40 a.m., Mr. Sutherland left the meeting.

Investment Report

Monthly Investment Report

Mr. Simon presented the economic recap and financial performance through December 2014, along with a preliminary performance for the year. US equities were up again in December, while non-US markets continued to decline through the end of 2014. The yield on the 10-year Treasury fell to 2.11% in December from 2.16% a month earlier. Oil prices continued to decline throughout the year, dropping from a peak of \$110 a barrel to below \$45 by year end.

The *preliminary* Total Fund performance (net of fees) for the month was **-.51%** (**+6.83% for the year**) and Net Investible Assets for the Total Fund are estimated at **\$4.175 billion** as of December 31, 2014.

Mr. Simon referenced a client letter included in the Board packet regarding AQR's increase of ownership by Affiliated Managers Group (AMG). There will be no changes to the leadership or structure of the firm and, after review, staff is comfortable overall with the change.

Investment Committee Update

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

- A \$15 million commitment to Endeavour Capital VII (private equity). A \$700 million fund focused on lower middle market companies in the western US.
- A \$15 million commitment to Dyal Capital Partners II (private equity). A \$2.0 billion fund focused acquiring minority interests in general partners of established hedge firms.
- A \$50 million investment in Hutchin Hill Capital (absolute return). A \$735 million multi-strategy fund.
- Temporary use of up to \$40 million in cash supporting the overlay program to fund manager investments until the settlement of hedge fund redemptions was received the following month.

Self-Directed Plans Committee

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

At 7:55 a.m., Misters Sahlin, Anslem, and Baily with Russell Investments joined the meeting.

Russell Overlay Annual Review

Misters Sahlin, Anslem, and Baily of Russell Investments presented an annual review of FPPA's Overlay Program and the tools that aid in managing and creating exposure within FPPA's portfolio.

At 8:17 a.m., Mr. Worrell joined the meeting.

At 8:55 a.m., Chair Bower called for a break. Misters Kaszubowski, Sahlin, Anslem, and Baily left the meeting.

At 9:05 a.m., the meeting reconvened.

Fixed Income & Cash Annual Review

Mr. Cooley, Mr. Bronson, and Ms. Hsu presented a market overview, including performance and exposure, and the pursuit and evolution of unconstrained fixed income strategies into the portfolio. The presentation continued on FPPA's total fund cash management program.

Mr. Stanton moved that the Board approve staff's recommendation to conduct a search for a cash manager to oversee a portion of FPPA's cash allocation. Mr. Bomberger seconded the motion. The motion passed.

On behalf of the Board, Mr. Esquibel shared his appreciation of the Investment staff's exploration of alternatives to FPPA's usual cash management. This effort was above and beyond the required norm and gives comfort to the Board that all aspects are being reviewed. With cash being only one piece of FPPA's overall plan, a revisit of the Board's strategy policy was suggested to ensure the policy is working in terms of assisting staff.

At 10:00 a.m., Mr. Newton and Ms. Woolfrey joined the meeting.

Actuarial Experience Study

Mr. Newton and Ms. Woolfrey, Gabriel, Roeder, Smith & Co. (GRS) reviewed the experience study process and purpose; assumptions used to model the plan, confirmed and provided recommendations for improvements, and summarized results from the last study.

Discussion continued on mortality trend assumptions. Based on new actuarial data now available, GRS may suggest replacing the "blue collar" adjustment with a more general table, which would involve incorporating a steeper projection scale.

Mr. Blumenthal suggested adding a discussion to FPPA's Comprehensive Annual Financial Report (CAFR) revealing the actions taken by FPPA regarding increased life expectancy.

Examples of Benefit Adjustment (COLA)-SRA Interaction

Mr. Newton and Ms. Woolfrey continued with a short briefing on FPPA's Statewide Defined Benefit plan, ad hoc benefit adjustments (COLAs), stabilization reserve account (SRA), changes that have taken place to the benefit structure, and SRA versus benefit adjustment.

GRS also reviewed alternative methodologies to come up with a breakeven benefit adjustment, and the impacts on the surplus.

GRS suggested that the Board adopt a policy stating how it views and determines when it is appropriate to give benefit adjustments and when it's appropriate to allocate funds to a member's SRA.

At 11:09 a.m., Chair Bower called for a break. Mr. Newton and Ms. Woolfrey left the meeting.

At 11:16 a.m., the meeting reconvened. Mr. Lombard and Mr. Clayton joined the meeting.

2015 Legislative Session Preview

Mr. Lombard and Mr. Clayton, Lombard & Clayton, updated the Board on the 2015 legislative session. They discussed the leadership changes in both the house and senate and how those changes could impact the outcome of FPPA's proposed legislation.

Four of FPPA's five bills were passed by the Senate and will be presented to the House committee. One bill, a study of Colorado's volunteer fire plans, has been referred to the appropriations committee.

At 11:40 a.m., Chair Bower called for a break and Mr. Lombard and Mr. Clayton left the meeting.

At 11:50 a.m., the meeting reconvened.

Staff Report

Executive Director Report

Mr. Slack updated the Board on matters included under the staff report in the Board packet. The Executive Team has begun the first stage of the Baldrige Performance Excellence - ascertaining the strengths and opportunities for improvements within the organization.

Highlights of the Strategic Plan included COLA/SRA design and policy issues, steps and timing surrounding the DB Selection project, segregation between RIA (Registered Investment Advisor) fees and FPPA's administrative fees in the Self-Directed Plan accounts and statements, continued processes in preparation for the SOC 1 audit, and on-going work with the employers regarding the member contribution increase.

At 12:07 p.m., Mr. Linder left the meeting.

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.

It was noted that 22 responses have been received in reply to the Securities Litigation Monitoring RFP. Due to the heavy volume received, Counsel suggested alternative ways of handling selection of finalists.

Mr. Esquibel moved that the Board delegate the selection of securities litigation monitoring firms to staff. Mr. Bomberger seconded the motion. The motion passed.

Mr. Bomberger moved that the Board approve the 2015 Internal Auditor contract as corrected. Ms. Feely seconded the motion. The motion passed.

Chairman's Report

At 12:15 p.m., Mr. Stanton left the meeting.

Ms. Feely and Mr. Bomberger provided a summation on the NCPERS Healthcare and Legislative conference. Topics included the Affordable Care Act, the revenue expectations built into Cadillac Tax, the Orphan Drug Component, GASB 43 & 45, and an updated study on the value of defined benefit plans presented by Flick Forna.

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

The Board agreed to honor departing Board members with a resolution presented in plaque form as a thanks for their service.

The Board agreed to complete the Executive Director evaluation at the February meeting.

The Board self-evaluation will be done at the June retreat.

At 12:30 p.m., Mr. Bomberger moved to go into executive session pursuant to Section 24-6-402(4)(f) of the Colorado Revised Statutes to discuss personnel matters. Ms. Feely seconded the motion. The motion passed. Chair Bower designated Ms. Gorton to remain in the Board meeting. In response to the executive session, Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. McGrail, Mr. Simon, and Ms. Tara left the meeting.

At 12:35 p.m., Ms. Feely moved that the Board return to its regular meeting. Mr. Bomberger seconded the motion. The motion passed. Chair Bower declared that no action was taken during the executive session and no motions were made. Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. McGrail, Mr. Simon, and Ms. Tara rejoined the meeting.

At 12:37 p.m., Ms. Feely moved to adjourn the meeting. Mr. Bomberger seconded the motion. The meeting adjourned.