

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

June 10-12, 2015

Wednesday, June 10th

Grouse Mountain Grill

4:00 p.m. **Board self-evaluation**

6:30 p.m. **Reception & Dinner**

Thursday, June 11th

Alpine Ballroom B / Boardroom

8:00 a.m. **Breakfast**

9:00 a.m. **Welcome**
Dan Slack

9:10 a.m. **Keynote Speaker - Allan Emkin, Pension Consulting Alliance (PCA)**

10:00 a.m. **Fiduciary Duties and Investment Matters**
David Parrish, Jackson Walker

10:45 a.m. **Break**

11:00 a.m. **Actuarial valuations**
Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co. (GRS)

11:45 a.m. **Discussion of draft SWDB Benefits Policy**
Dan Slack

12:15 p.m. **Lunch**

1:15 p.m. **Actuarial experience study**
Joe Newton, Dana Woolfrey, GRS

2:30 p.m. **Break**

2:45 p.m. **Asset/Liability study**
Staff; GRS; PCA

3:45 p.m. **Break**

4:00 p.m. **Investing in an expensive world**
Mark Sunderhuse, Red Rocks Capital

4:45 p.m. **Adjourn**

7:00 p.m. **Dinner at SaddleRidge**

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

Friday, June 12th

June 10-12, 2015

Alpine Ballroom B / Boardroom

7:00 a.m. **Breakfast**

8:00 a.m. **Call to order**

Todd Bower, Chair

Approval of April 30 minutes

8:05 a.m. **Audit Committee Report**

Jack Blumenthal, Chair

8:15 a.m. **Investment Report**

Investment Committee Report

Dave Bomberger

Review of April performance and managers

Scott Simon

Approval of Members' Benefit Fund Investment Policy Statement

Scott Simon

Approval of Self-Directed Plans Investment Policy Statement

Scott Simon

9:00 a.m. **Approval of Asset/Liability Study recommendations**

Scott Simon, Austin Cooley

9:30 a.m. **Break**

9:45 a.m. **1Q PCA Portfolio and Capital Markets Review, Risk Metrics, and Risk Performance and Evaluation Framework**

John Linder, PCA

10:15 a.m. **Approval of Actuarial Experience Study recommendations**

Dan Slack

10:45 a.m. **Approval of SWDB Plan Benefits Policy**

Dan Slack

11:15 a.m. **Break**

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

June 10-12, 2015

11:45 a.m. **Staff report**

CEO Report

Dan Slack

1Q Strategic plan update

Dan Slack

Legal Report

Kevin Lindahl

Approval of 2015 benefit adjustments

Kim Collins

Organizational self-analysis

Dan Slack

12:45 p.m. **Chair's report**

Chair's remarks

Todd Bower, Chair

Evaluation of NCPERS annual conference

Pam Feely

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

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
June 10-12, 2015**

**The Pines Lodge
141 Scott Hill Road
Beaver Creek, CO 81657**

Board Members Present on Wednesday: Chair Todd Bower, Jack Blumenthal, Dave Bomberger, Tyson Worrell, Pam Feely, Manuel Esquibel, and Nick Nuanes

Board Members Present on Thursday: Chair Todd Bower, Jack Blumenthal, Tyson Worrell, Pam Feely, Manuel Esquibel, and Nick Nuanes

Cliff Stanton and Dave Bomberger (via teleconference)

Board Members Present on Friday: Chair Todd Bower, Jack Blumenthal, Tyson Worrell, Pam Feely, and Dave Bomberger

Cliff Stanton (via teleconference)

Staff Members Present on Thursday and Friday: Dan Slack, Kevin Lindahl, Gina McGrail, Kim Collins, Scott Simon, Austin Cooley, Dale Martin, Scott Bryant, and Jacquette Tara

Others Present on Thursday and Friday: John Linder, and Ryan Lobdell, Pension Consulting Alliance; Joe Newton and Dana Woolfrey, Gabriel Roeder Smith & Co.

Guests Present on Thursday: Allan Emkin, Pension Consulting Alliance; David Parrish, Jackson Walker; Mark Sunderhuse, Red Rocks Capital

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.

On Wednesday, June 10th, at 4:30 p.m., the Board conducted a self-evaluation.

On Thursday, June 11th, at 9:00 a.m., Chair Bower called the meeting to order.

Mr. Emkin, Pension Consulting Alliance, provided his personal perspective, gained from his many years as an investment consultant, to some of the challenges in the investing world, including the impact that inflation and the low interest rate environment have on both the liability and investment side of pension plans.

At 10:04 a.m., Chair Bower called for a break. Mr. Emkin left the meeting.

At 10:16 a.m., the meeting reconvened.

Fiduciary Education

Mr. Parrish, Jackson Walker, presented an overview of fiduciary duties, challenges for public retirement systems and investments, and the fiduciary duties of investment managers. Emphasis was placed on what it means to the Board to be a fiduciary when making decisions, what the standard is, and how best to delegate fiduciary duties.

At 11:04 a.m., Chair Bower called for a break. Mr. Parrish left the meeting.
At 11:20 a.m., the meeting reconvened.

Actuarial Valuation

Ms. Woolfrey, of Gabriel Roeder Smith & Co. (GRS), reviewed the January 1, 2015, Valuation Results and the methodology used in developing the recommendations. The study reviewed the economic and demographic experience of the Statewide Defined Benefit Plan, the Statewide Hybrid Plan, the Statewide Death & Disability Plan, and the Colorado Springs New Hire Plan compared to the plans' actuarial assumptions.

Statewide Defined Benefit Plan Benefits Policy

Mr. Slack reviewed the draft Statewide Defined Benefit Plan Benefits Policy, which incorporates a priority on funding for benefit adjustments and the 100% funded status methodology for calculating benefit adjustments (with a 0.60% floor for the transition period until the first time that the policy, without a transition calculation, provides a greater benefit).

At 12:05 p.m., Chair Bower called for a break.
At 1:15 p.m., the meeting reconvened. Mr. Stanton joined the meeting via teleconference.

Actuarial Experience Study

Mr. Newton, Gabriel Roeder Smith & Co. (GRS), discussed GRS' recent Actuarial Experience Study, and presented recommendations for new actuarial assumptions and methods, and provided information about the actuarial impact of these recommendations on the liabilities and other key actuarial measures of FPPA.

At 2:16 p.m., Chair Bower called for a break.
At 2:37 p.m., the meeting reconvened.

Asset Liability Study

Mr. Simon discussed the purpose, modeling process, and outcome of the Asset Liability Study. Mr. Cooley reviewed the proposed changes to the asset allocation, which include a modest shift of assets from equities and private equity to cash and

traditional fixed income.

Organizational Self-Analysis

Mr. Slack updated the board on the status of the Performance Excellence program and FPPA's progress in evaluating, measuring, and affirming that the mission statement is being fulfilled.

This recently completed phase consisted of the organizational self-analysis prepared by the executive team and HR, which was then presented to staff for additional feedback. The purpose of this analysis was to uncover the organization's current strengths as well as opportunities for improvement (OFIs). The next step will have the executive team identifying some initial OFIs that can be turned into strengths.

At 3:25 p.m., Mr. Stanton left the call.

At 3:20 p.m., Mr. Bomberger joined the meeting via teleconference.

At 3:45 p.m., Chair Bower called for a break. Mr. Bomberger left the call. Mr. Nuanes, Ms. Woolfrey, Mr. Newton left the meeting.

At 4:18 p.m., the meeting reconvened. Mr. Sunderhuse joined the meeting.

Investing in an expensive world

Mr. Sunderhuse, Red Rocks Capital, reviewed some of the challenges and risks surrounding investing in today's "expensive" world.

At 5:18 p.m., Chair Bower adjourned the meeting.

On Friday, June 12th, at 8:05 a.m., Chair Bower called the meeting to order.

Audit Committee Report

Mr. Blumenthal reported that FPPA's Audit Committee reviewed the Comprehensive Annual Financial Report (CAFR) and approved the CAFR with a few minor changes. CliftonLarsonAllen's (CLA) audit resulted in an unmodified opinion, sometimes referred to as "clean" opinion.

With the recent resignation of internal auditor Tim O'Brien, the Audit Committee sought direction from the Board in hiring a replacement. By consensus of the Board members present, Chair Bower delegated the Audit Committee authority to select the new internal auditor. The Executive Director will oversee the search for a new Internal Auditor and make a recommendation to the Audit Committee.

Ms. Collins presented an overview of the CAFR. CliftonLarsonAllen's (CLA) Governance Letter noted that FPPA has successfully implemented Governmental Accounting Standards Board Statement No. 67 (GASB 67) into the financial statements. CLA also determined that FPPA used reasonable methods to estimate

private equity amounts and the new net pension liability.

Chair Bower requested staff provide further discussion and education on the Investment Target Asset Allocations at an upcoming Board meeting.

The Audit Committee met with Auditors separately from staff and the auditors were complimentary of the FPPA Operations staff, with emphasis on the implementation of GASB 67.

On behalf of the Audit Committee, Ms. Feely made a motion that the Board approve and accept the Comprehensive Annual Financial Report for the Fire and Police Pension Association for 2014. Mr. Worrell seconded the motion. The motion passed.

Chair Bower called for a motion to approve the minutes of the April 30, 2015, board meeting minutes. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion carried with Mr. Nuanes abstaining.

At 9:00 a.m., Mr. Stanton joined the meeting via teleconference.

Investment Report

Monthly Investment Report

Mr. Simon provided the economic recap and fund performance for April 2015. International equities surged in April, with the MSCI EAFE Index gaining 4.1%, as monetary easing policies in Europe and Japan emboldened investors. Emerging market stocks also rallied as investors embraced the likelihood that the Fed would delay raising rates in light of softening economic data at home. Total Fund Performance (net of fees) was **+0.94% in April**, bringing the **YTD to +3.34%**. Net Investible Assets for the Total Fund are estimated at **\$4.294 billion** as of April 30.

FPPA's securities lending manager, Deutsche Bank, announced a recent settlement of \$2.5 billion with respect to British allegations that it manipulated interest rates, wrapping up a years-long investigation. Staff's subsequent conversation with the securities lending team confirmed the settlement was not related to nor should it affect our securities lending portfolio.

Investment Risk Committee Report

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

- Brevan Howard (Absolute Return) – approval of a \$10 million allocation to the Brevan Howard Argentina Fund, a \$305 million opportunistic fund which will create fixed income and equity exposure to the Argentina public markets.
- Asset Liability Study – staff's recommendation of the 2015 asset allocation targets and ranges.

Mr. Simon reviewed the RVK Peer Survey.

Ms. Feely moved that the Board approve the recommended asset allocation targets and ranges from the annual asset/liability study. Mr. Bomberger seconded the motion. The motion passed.

Mr. Simon reviewed the proposed changes to the Investment Policy Statement of the Fire and Police Member's Benefit Investment Fund. The Board agreed to conduct an asset/liability study at least every two years.

Ms. Bomberger moved to approve the revised Investment Policy Statement of the Fire and Police Members' Benefit Investment Fund as amended during the Board's discussion. Mr. Worrell seconded the motion. The motion passed.

Ms. Bomberger moved to amend his previous motion to approve Resolution 2015-03, amending the Investment Policy Statement of the Fire and Police Members' Benefit Investment Fund. Ms. Feely seconded the motion. The motion passed.

Ms. Feely moved to approve Resolution 2015-04, adopting the Investment Policy Statement of the Fire and Police Members' Self-Directed Investment Fund. Mr. Bomberger seconded the motion. The motion passed.

At 9:35 a.m., the Chair called for a break.

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

1Q Portfolio and Capital Market Review

Mr. Linder and Mr. Lobdell of Pension Consulting Alliance (PCA) reviewed FPPA's 2015 first quarter portfolio and capital market review. The value of FPPA's plan as of March 31, 2015, was \$4.3 billion, a quarterly increase of \$82.1 million, and a \$239.1 million increase year over year. During the latest 1-year period, the actual weighting of Long/Short Equity increased by 4% while Global Public Equity decreased by 6%. All other allocations were essentially unchanged during the period. The Total Fund outperformed its implementation benchmark during the quarter.

Approval of 2015 Actuarial Experience Study

Mr. Slack reviewed the board action items from the experience study results for the Statewide Defined Benefit Plan (SWDB), Statewide Death and Disability Plan (SWDD), Statewide Hybrid Plan (SWH), and the Colorado Springs New Hire Plan (CSNH).

Ms. Feely moved the Board approve the changes recommended by Gabriel Roeder Smith & Co. with regard to the actuarial assumptions for the SWDB, the SWD&D, the SWH, the CSNH, affiliated Old Hire plans and affiliated Volunteer plans. The new assumptions shall be effective January 1, 2016 for actuarial valuations and

shall be reflected in all calculations requiring actuarial factors, including but not limited to service credit purchases, benefit options, and early retirement benefits beginning October 1, 2016. Mr. Worrell seconded the motion. The motion passed.

SWDB Plan Benefits Policy

Mr. Slack recapped the proposed Statewide Defined Benefit Plan Benefits Policy.

Ms. Feely moved the Board approve Resolution 2015-05 adopting the Statewide Defined Benefit Plan Benefits Policy. Mr. Bomberger seconded the motion. The motion passed.

Staff Report

CEO Report

Mr. Slack updated the Board on matters included under the staff report in the Board packet. Commenting on the 2013-2015 Strategic Plan, Mr. Slack suggested goals and revisions be reviewed at the November Board meeting.

At 10:36 a.m., Mr. Stanton left the call.

Legal Report and Legislative Update

Mr. Lindahl updated the Board on FPPA's legal matters. There will be discussion of a proposed motion at the July Board meeting instructing staff to publish a notice of rulemaking for the September board meeting.

Board Seat Vacancy

Mr. Slack advised the board that Suzanne Morgan, HR Director for Town of Castle Rock, has submitted an application to the Governor's office for the vacant board seat.

Plan Consideration

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

Defined Benefit System: Statewide Defined Benefit Plan

Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate

Ms. Feely moved the Board set the SRA contribution rate for the members of the Statewide Defined Benefit Plan at 0%, effective July 1, 2015, through June 30, 2016. Mr. Worrell seconded the motion. The motion passed.

Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate for Members of Departments that have Re-entered the Plan

Ms. Feely moved the Board set the SRA contribution rate for the members of the Statewide Defined Benefit Plan at 3.6%, effective July 1, 2015, through June 30, 2016. Mr. Bomberger seconded the motion. The motion passed.

Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate for Members of the Supplemental Social Security Plan

Ms. Feely moved the Board set the stabilization reserve account ("SRA") contribution rate for the members of the supplemental Social Security program within the Statewide Defined Benefit Plan at 0%, effective July 1, 2015, through June 30, 2016. Mr. Worrell seconded the motion. The motion passed.

Benefit Adjustment for the Statewide Defined Benefit Plan (including Members of Departments that have Re-entered the Plan and Members of the Supplemental Social Security Plan)

Ms. Feely moved to set the ad hoc benefit adjustment for retirees and beneficiaries of the Statewide Defined Benefit Plan at 0.6%, effective October 1, 2015, through September 30, 2016. Mr. Worrell seconded the motion. The motion passed.

Defined Benefit System: Statewide Hybrid Plan – Defined Benefit Component

Statewide Hybrid Plan – Defined Benefit Component Contribution Rate

Ms. Feely moved the Board increase the Statewide Hybrid Plan – Defined Benefit Component contribution rate to 12.6% effective July 1, 2015, through June 30, 2016. Mr. Worrell seconded the motion. The motion passed.

Benefit Adjustment for the Statewide Hybrid Plan – Defined Benefit Component

Ms. Feely moved the Board set the ad hoc benefit adjustment for retirees and beneficiaries of the Statewide Hybrid Plan – Defined Benefit Component at 3.0% effective October 1, 2015, through September 30, 2016. Mr. Worrell seconded the motion. The motion passed.

Defined Benefit System: Colorado Springs New Hire Pension Plan

The Board will vote on the Colorado Springs matters at the July 30, 2015, Board meeting after the City has had an opportunity to review the results of the actuarial studies. These benefit items will take effect January 1, 2016, per the plan documents.

Statewide Death & Disability Plan

Statewide Death & Disability Plan (including Members of the Supplemental Social Security Plan) Contribution Rate

Ms. Feely moved the Board set the ad-hoc benefit adjustment for Statewide Death & Disability Plan for occupational disability retirees and their beneficiaries and to survivors of active members at 0.9%, effective October 1, 2015, through

September 30, 2016. Mr. Worrell seconded the motion. The motion passed.

Chairman's Report

Ms. Feely provided an evaluation of her attendance at the NCPERS Annual Conference.

Mr. Bomberger suggested inviting HR/community representatives from various fire and police departments to attend a board meeting and discuss current issues. Ms. McGrail added that FPPA is hosting the annual Employer Summit in October, this invitation goes out to various employer representatives including department chiefs. She noted that FPPA Board members are always invited and welcome to attend.

At 10:57 a.m., Mr. Worrell moved to adjourn the meeting. Mr. Bomberger seconded the motion. The meeting adjourned.