

FIRE and POLICE PENSION ASSOCIATION  
Board of Directors

October 29, 2015

- 7:30 a.m. **Call to order**  
*Jack Blumenthal, Chair*
- Approval of September 24, 2015 board meeting minutes
- 7:35 a.m. **Ranjan Ford administrative appellate review**
- 8:05 a.m. **Investment Report**
- Review September 2015 performance  
Review of Managers  
*Scott Simon*
- 8:35 a.m. **Equity Manager Recommendations (EDHEC, Allianz)**  
*Austin Cooley, Ben Bronson, Jessica Hsu*  
*Dr. Michael Heldmann, Senior Portfolio Manager, Allianz*  
*Taylor Carrington, Senior Relationship Manager, Allianz*  
*Christian McCormick, Senior Product Specialist, Allianz*
- 10:05 a.m. **break**
- 10:15 a.m. **Fixed Income & Cash Annual Review**  
*Austin Cooley, Ben Bronson, Jessica Hsu*
- 11:15 a.m. **Discussion of "work after DROP" rule**  
*Dan Slack*
- 11:45 a.m. **Lunch**

- 12:05 p.m. **Proposed 2016 budget presentation**  
Budget Committee report  
*Manuel Esquibel, Chair*  
Staff presentation  
*Dan Slack, Kim Collins, Scott Simon, Elaine Gorton*
- 1:05 p.m. **Staff Report**  
Executive Director report  
*Dan Slack*  
Legal report  
*Kevin Lindahl*  
Other Matters
- 1:20 p.m. **Chair's report**  
Proposed 2016 Board meeting dates  
*Dan Slack*  
Other matters
- 1:30 p.m. **Adjourn**

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

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

**Board Members present:** Chair Jack Blumenthal, Vice Chair Pam Feely, Todd Bower, Manuel Esquibel, Sue Morgan, Nick Nuanes, and Tyson Worrell.

**Board Members not present:** Dave Bomberger and Cliff Stanton

**Staff Members present:** Dan Slack, Kim Collins, Elaine Gorton, Kevin Lindahl, Scott Simon, Jacqueline Tara, Mike Sutherland, Austin Cooley, Dale Martin, Ben Bronson, Claud Cloete, Sean Ross, Jessica Hsu, and Scott Bryant.

**Others present:** John Linder, Ryan Lobdell, Pension Consulting Alliance; Ranjan Ford, member; Dr. Michael Heldmann, Taylor Carrington, and Christian McCormick, Allianz Global Investors

*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 7:34 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for a motion to approve the minutes of the September 24, 2015, board meeting. Mr. Bower moved to approve the minutes. Ms. Feely seconded the motion. The motion passed.

**Ranjan Ford Appellate Review**

At 7:35 a.m., Mr. Ford, member, joined the meeting.

At 7:39 a.m., Mr. Esquibel joined the meeting.

Chair Blumenthal announced this matter came before the board on the objection filed by member Ranjan Ford to the Findings, Conclusions and Recommendations on Remand of Hearing Officer Stacy Tarler dated July 15, 2015, concerning Ford's occupational disability and specifically whether or not those benefits should be classified as on-duty.

Mr. Sutherland refreshed the Board on the procedural history leading to today's hearing and pointed out the three alternative proposed motions before the Board.

Mr. Ford 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. Ford and Mr. Sutherland.

At 7:59 a.m., Mr. Esquibel moved to go into executive session to seek legal advice pursuant to CRS Section 24-6-402(4)(b) regarding the options available to the Board at this point in the hearing process. Mr. Worrell seconded the motion. The motion passed. Ms. Collins, Ms. Gorton, and Misters Simon, Sutherland, Linder, Lobdell and Ford left the meeting.

At 8:33 a.m., Mr. Bower moved the Board return to its regular meeting. Mr. Esquibel seconded the motion. The motion passed. Chair Blumenthal declared that no action was taken during the executive session and no motions were made. Ms. Collins, Ms. Gorton, and Misters Simon, Sutherland, Linder, Lobdell and Ford rejoined the meeting.

Mr. Esquibel moved that the Board set aside the Hearing Officer's recommendation and find that Ranjan R. Ford's disability is a result of a duty-related injury or disease based upon facts presented to the board, including a review of the documentation submitted, and direct that Mr. Lindahl prepare new written findings for further consideration by the Board. Mr. Worrell seconded the motion.

Mr. Lindahl confirmed with the Board his understanding that the motion on the table was to set aside the hearing officer's recommendation and that, if passed, he was directed to prepare written findings based on the board's discussion and pending motion in support of granting an on-duty disability to Mr. Ford. At the next business meeting of the Board, the proposed findings will be presented to it for consideration. The motion passed.

Chair Blumenthal asked Mr. Ford if he had any questions and then concluded the hearing in this matter.

At 8:40 a.m., Mr. Sutherland and Mr. Ford left the meeting. Ms. Hsu and Misters Cooley, Martin, Bryant, Linder and Lobdell joined the meeting.

At 8:41 a.m., Chair Blumenthal called for a break.

At 8:47 a.m., the meeting reconvened.

## **Investment Report**

### **Monthly Investment Report**

Mr. Simon presented the economic recap and fund performance for September 2015. In the U.S., the Federal Open Market Committee (FOMC) elected not to raise its target interest rates. International equity markets suffered losses as the MSCI EAFE declined 5.1% and the MSCI EM fell 3.0%. Emerging market equities closed the quarter down 17.9% as significant currency depreciation and the effects of a slowdown in China have caused large losses.

Total Fund performance (net of fees) was -1.43% in September, bringing the YTD performance to -0.21%. FPPA's total fund implementation benchmark was -1.91% YTD. Net Investible Assets for the Total Fund are estimated at \$4.1 billion as of September 30.

Mr. Simon provided manager updates regarding Wood Creek, Fortress, Russell Investments, Commonfund and Prudential.

Mr. Linder reviewed the data included in the Risk Metrics report in the board packet.

### Investment Committee Update

Mr. Bower reviewed the topics of the Investment Committee meetings held since the last Board meeting. He noted that the committee had concurred in investments in, or considered, the following:

- A \$20 million commitment to Centre Lane IV, LP., a \$300 million fund focused on control special situation investing in the lower middle market. The commitment will be held within FPPA's private equity portfolio. This is FPPA's second commitment with Centre Lane.
- A \$150 million separate account investment with Allianz Global Investors to implement a Systematic Multi-Factor Long-Only Equity strategy to held within FPPA's global public equity portfolio.
- A \$150 million separate account investment with EDHEC, a passive multifactor strategy to be implemented by our current index manager, State Street Global Advisors.

Mr. Bower commended the Investment staff for their continuous work in accumulating the necessary background information for the Investment Committee to evaluate the deals.

Mr. Simon noted that the Investment Committee has been discussing opportunities in Master Limited Partnerships (MLPs), which are publicly traded partnerships providing energy exposure.

In September 2013, FPPA completed a secondary sale for a portion of the illiquid alternatives portfolio. FPPA received more favorable economics for its willingness to accept a 2-year deferred payment for a portion of the proceeds. The \$56.9 million in aggregate deferred payments was received in full in September 2015.

There is currently a move within the private equity industry to seek more transparency on fees and expenses. Mr. Slack noted that he had recently reviewed a proposed reporting template for fees and expenses and participated in an Institutional Limited Partner Association (ILPA) webinar on this. Mr. Martin also commented that staff has engaged external legal counsel to revise our standard side letter to be consistent with the proposed reporting standards. In addition, our proposed new vendor for private equity back office and reporting, Capital Analytics,

is well versed and already has processes to accommodate the increased transparency.

Mr. Simon reviewed the CEM Investment Benchmarking Analysis as of December 31, 2014.

### Allianz

Mr. Cooley introduced the systematic multi-factor long-only equity strategy and the stability of excess returns emphasized in Allianz's process.

At 9:25 a.m., Dr. Heldmann, Mr. Carrington and Mr. McCormick joined the meeting. Dr. Heldmann reviewed Allianz's investment philosophy and investment styles, like value or momentum, which carry risk premia that can be harvested in a disciplined systematic approach, largely independent from the economic or market environment.

Allianz addressed questions from the board.

At 10:19 a.m., Dr. Heldmann, Mr. Carrington and Mr. McCormick left the meeting.

Mr. Bower moved that the Board approve a \$150 million separate account investment with Allianz Global Investors in their Best Styles Global Public Equity strategy. Mr. Nuanes seconded the motion. The motion passed.

At 10:56 a.m., Chair Blumenthal called for a break.

At 11:09 a.m., the meeting reconvened. Mr. Bronson joined the meeting and Mr. Linder left the meeting.

### EDHEC

Mr. Simon explained that the EDHEC Multi-Factor strategy is a passive index offered by EDHEC. They license their index data to plan sponsors and asset managers. FPPA would contract with EDHEC to receive the index data and hire a manager to invest a separate account custodied at BNY Mellon. Staff recommends using our existing passive manager, State Street Global Advisors, to manage this strategy.

### Liquid Strategies annual review

Mr. Simon introduced the presentations, noting that per the Investment Policy Statement, the board receives touch points on the various asset classes throughout the year, followed with a full annual review of each asset class with the responsibility of the Board to review and approve the approach being taken to implement the particular asset class.

Mr. Bronson delivered a comprehensive update on FPPA's Fixed Income Portfolio, covering market performance, fixed income evolution and components, manager and strategy exposure, and costs.

Mr. Cooley delivered a comprehensive update on FPPA's Cash Management Portfolio.

Vice Chair Feely moved approval of staff's implementation of the Fixed Income and Cash Portfolio. Mr. Nuanes seconded the motion. The motion passed.

At 11:45 a.m., Ms. Hsu and Misters Cooley, Martin, Bronson, Bryant, and Linder left the meeting.

Mr. Sutherland joined the meeting.

### **Work after "DROP" discussion**

Mr. Slack explained that, due to Mr. Bower's unforeseen and emergency absence at last month's rules hearing, Mr. Bower has requested the board revisit the "work after DROP" rule so that he may share certain aspects he felt important that the board consider and understand with respect to taking action on this matter.

Mr. Lindahl discussed the rules and options associated with the end of the DROP period under the Statewide Defined Benefit Plan, the Statewide Hybrid Plan, and the Colorado Springs New Hire Plan. The rule was proposed by staff due to concern about maintaining compliance with the Internal Revenue Code and plan qualification. The rules affect the SWDB plan, the Colorado Springs NHPP, and the Statewide Hybrid plan.

Mr. Bower reviewed the DROP provisions and rules. He is concerned that, as administrators of this IRS-approved plan, allowing a member to work beyond the contractually agreed date may put the plan at risk. The Board discussed various alternatives and simplest manageable method.

Mr. Nuanes moved that the Board repeal FPPA Rule 311.04 as adopted in the September 2015 meeting. Mr. Bower seconded the motion. Pursuant to advice from counsel, Chair Blumenthal directed staff to give notice of a hearing to repeal this rule to be held at the December board meeting. Mr. Nuanes accepted the amendment to his motion, as did Mr. Bower as the second. The motion passed..

Mr. Bower moved to have a rule making hearing to adopt a DROP annulment method as the new Rule 311.04. Ms. Morgan seconded the motion. The motion passed..

Mr. Lindahl reviewed for the Board the resulting action that would take place: a notice of rulemaking to take place at the December meeting will be sent out. At the hearing the Board will consider the repeal of recently enacted Rule 311.04 and the adoption of a new Rule 311.04 that would be in the nature of a DROP annulment in that the member's retirement benefit would be determined as if the member had never entered DROP. The monthly benefits and member contributions accumulated in the member's account balances during the DROP period would be forfeited to the

general plan assets. The member would receive service credit for the DROP period. The plan's actuary would determine any unfunded benefit obligation resulting from the DROP annulment and the employer would be required to fund any unfunded obligation according to the existing funding methods used by FPPA. Details and the mechanics of the methodology will be developed and presented for further consideration. Similar rules will also be prepared for consideration the SWH plan and the CSNHPP.

At 12:53 p.m., Chair Blumenthal called for a break and Mr. Lobdell left the meeting.

At 1:30 p.m., the meeting reconvened and Mr. Martin joined the meeting.

### **Budget**

Mr. Esquibel noted that the Budget Committee was very impressed with the amount of detail and hard work staff presented in the 2016 budget. The Budget Committee endorses the proposed budget, with some discussion anticipated on employee benefits.

Mr. Slack reviewed the multi-part process of budget development and the standard by which it is measured, as set forth in the Uniform Prudent Investment Act: "costs that are appropriate and reasonable in relation to the assets, the purposes of the trust, and the skills of the trustee", and under the direction the Board has given staff.

Ms. Collins, Ms. Gorton, and Mr. Simon highlighted noteworthy points as previously defined by the Budget Committee and summarized the projects included in the budget.

Chair Blumenthal thanked Mr. Esquibel and Ms. Morgan for their time and effort in reviewing the proposed budget in great detail.

At 1:56 p.m., Mr. Martin left the meeting.

At 1:59 p.m., Mr. Esquibel left the meeting.

### **Staff Report**

#### **Executive Director Report**

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

Mr. Slack discussed optional start times for December's board meeting due to the Board Open House event later that day. The committee agreed to adjourn close to the event start time as scheduled in the past.

Mr. Slack, as well as one board member, has had multiple conversations with concerned parties regarding Aurora Old Hire Police Plan in regard to the actuarial

wage growth assumption. FPPA had an actuarial experience study done 2015 and the Aurora Old Hire Plan has in it a provision that restricts increases in rank escalation to FPPA's actuarial wage growth assumption. Mr. Slack will attend a meeting of the Aurora Police Pension Plan board in early December to discuss the process of determining actuarial assumptions and how FPPA's assumptions interact with rank escalation provisions in their plan.

Mr. Slack and Mr. Lindahl have had several conversations with interested parties regarding the Colorado Firefighter Heart and Circulatory Benefit's Trust. There is some interest in FPPA taking that trust over and it is still in discussion stages.

Mr. Slack, Mr. Lindahl and Ms. Collins were asked to make comments to the State Auditor's office on their RFP for a study of volunteer firefighter plans. The State Auditor's office also sent the responses from the three firms that responded to the RFP. Staff felt that any of the three entities that responded would perform a worthy study of the volunteer firefighter plans.

Mr. Slack continued with discussion of the internal auditor and the November Board educational session. Paragon Audit & Consulting has been selected by the Audit Committee as our contract internal auditing firm, and Mr. Kevin Sear of that firm has agreed to speak to the framework for considering risks that FPPA has, followed with a risk assessment discussion. The Audit Committee will meet immediately following the November educational session and, taking the feedback gained at that meeting, construct the internal audit plan for 2016.

Mr. Lindahl highlighted the Pension Reform Commission (PRC) hearing last week and noted that FPPA two of the three bills proposed by FPPA were adopted by the PRC.

### **Chairman's Report**

Mr. Slack reviewed the proposed 2016 board and committee meeting dates.

Vice Chair Feely moved to accept the 2016 board and committee meeting dates. Mr. Nuanes seconded the motion. The motion passed.

At 1:10 p.m., Ms. Morgan moved to adjourn the meeting. Mr. Nuanes seconded the motion. The meeting adjourned.