

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

September 24, 2015

7:30 a.m.

Call to order

Jack Blumenthal, Chair

Approval of August 27 board meeting minutes

7:35 a.m.

Hearing Regarding Amendments to Rules and Regulations and to Plan Documents

Michael Sutherland

FPPA Rules and Regulations and Statewide Hybrid Plan Regulations
Resolution No. 2015-08

Colorado Springs New Hire Pension Plan Rules and Regulations
Resolution No. 2015-09

Model FPPA Deferred Compensation Plan Document
Resolution No. 2015-10

FPPA Staff 457 Plan Document
Resolution No. 2015-11

9:00 a.m.

break

9:15 a.m.

Investment Report

Review of August 2015 performance

Review of Managers

Scott Simon

9:45 a.m.

Illiquid Alternatives Annual Review

Dale Martin, Claud Cloete, Sean Ross

10:45 a.m.

break

11:00 a.m.

Mercato Partners Growth Fund

Greg Warnock, Managing Director

12:00 p.m. **lunch**

12:30 p.m. **Staff Report**

CEO Report

Dan Slack

Best practice of executive session minutes

Kevin Lindahl

Legal Report

Kevin Lindahl

Other Matters

1:00 p.m. **Chairman's Report**

1:15 p.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
September 24, 2015**

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

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

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

Others present: John Linder, Ryan Lobdell, Pension Consulting Alliance; Susan, Bretschneider, Steven-Koenig, court reporter; Patrick Dolan, Hoffman, Parker, Wilson & Carberry, P. C.; Greg Warnock, Mercato Partners Growth Fund.

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 7:33 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for a motion to approve the minutes of the August 27, 2015, board meeting. Mr. Bomberger moved to approve the minutes. Ms. Feely seconded the motion. The motion passed with Mr. Esquibel abstaining.

**Hearing Regarding Amendments to Rules and Regulation
and to Plan Documents**

Chair Blumenthal began the Public hearing for the proposed rules.

Mr. Sutherland walked through the process taken on by FPPA staff throughout the year leading up to the final proposed rule changes and plan amendments. Mr. Sutherland offered the Certificate of Service of the Notice of Proposed Rulemaking as sent to the mailing house by FPPA on August 28, 2015, and attached list of employers and plans that received copy of notice, marked as Exhibit 1. Chair Blumenthal accepted Exhibit 1 for the record.

Mr. Sutherland continued with the presentation of the proposed amendments to the rules and regulations and to plan documents as follows:

Rules and Regulations for Resolution No.:

- 2015-08 Adoption and Amendment of FPPA Rules and Regulations and Statewide Hybrid Plan Regulations
- 2015-09 Adoption and Amendment of CSNHPP Rules and Regulations

Adoption and Amendment to Plan Document Resolution No.:

- 2015-10 Amendment of the Model FPPA Deferred Compensation Plan Document
- 2015-11 Amendment of the FPPA Staff Deferred Compensation Plan Document

Mr. Sutherland and Mr. Lindahl addressed the committee's questions surrounding the proposed amendments.

At 8:26 a.m., Mr. Bower left the meeting.

Mr. Lindahl brought the recent addition of Exhibit C to the Statewide Money Purchase Plan to Resolution 2015-08 to the committee's attention along with a revision to the resolution caption.

Ms. Feely moved to modify the caption for Resolution 2015-08 to include the Money Purchase Plan under the authority for which the Board is allowed to make to plan amendments to the Statewide Money Purchas Plan. Mr. Bomberger seconded. The motion passed.

Mr. Nick moved that the Board adopt Resolution 2015-08, as just amended, which sets forth amendments to the FPPA Rules and Regulations and the Statewide Hybrid Plan Regulations and the Statewide Money Purchase Plan. Mr. Bomberger seconded the motion. The motion passed.

Mr. Nuanes moved, based on the information presented at today's rule-making hearing and on the record as a whole, that the Board adopt Resolution 2015-09 which sets forth amendments to the Colorado Springs New Hire Pension Plan Rules and Regulations. Mr. Bomberger seconded the motion. The motion passed.

Mr. Nuanes moved, based on the information presented at today's rule-making hearing and on the record as a whole, that the Board adopt Resolution 2015-10 which sets forth amendments to the Model FPPA Deferred Compensation Plan Document. Mr. Bomberger seconded the motion. The motion passed.

Mr. Nuanes moved, based on the information presented at today's rule-making hearing and on the record as a whole, that the Board adopt Resolution 2015-11 which sets forth amendments to the FPPA Staff Deferred Compensation Plan Document. Ms. Feely seconded the motion. The motion passed.

The committee recognized Mr. Sutherland, Ms. Witsell and FPPA staff for their time, dedication and engagement in undertaking this process.

At 9:17 a.m., Chair Blumenthal called for a break. Mr. Sutherland, Ms. Witsell and Ms. Bretschneider left the meeting.

At 9:31 a.m., the meeting reconvened.

Investment Report

Monthly Investment Report

Mr. Simon presented the economic recap and fund performance for August 2015. August was a difficult month as China's surprise devaluation of the Yuan fueled concerns around global growth and unleashed a wave of volatility, sparing few asset classes. The MSCI EM Index fell 9% as emerging market equities—especially China's major trade partners—took a hit.

Within developed markets the S&P 500 dropped 6% and the MSCI EAFE declined 7.4% as investors recognized the potential for contagion from an economic slowdown in China. Markets were on firmer footing by month-end, despite sharp losses across numerous equity and bond indices, as investors responded to favorable economic news in the US.

Total Fund performance (net of fees) was -2.41% in August, bringing the YTD to +1.23%. FPPA's total fund implementation benchmark was -.67% YTD. Net Investible Assets for the Total Fund are estimated at \$4.3 billion as of 8/31/2015.

Mr. Bronson presented a macro overview of the current market and asset class performance across Europe, China and the U.S.

At 9:45 a.m., Mr. Bower rejoined the meeting.

At 10:10 a.m., Ms. Collins left the meeting.

Investment Committee Update

Mr. Bomberger reviewed the topics of the Investment Committee meetings held since the last Board meeting. He noted that the committee had considered the following:

- Systematic Equity Primer – the Investment Staff presented an educational primer on the risk and return attributes of the likely implementation of the new systematic equity allocation within the Global Public Equity portfolio.
- Russell Overlay – the Investment Staff described new procedures with Russell which will more closely align FPPA's physical rebalancing criteria with the overlay program.

- Non-U.S. Benchmarks – to be consistent with the Policy benchmark change, the Investment Committee approved the utilization of net benchmarks (where available) for Non-U.S. strategies within its Implementation benchmark.
- HighBar Partners III – the Investment Staff discussed the rationale for ultimately passing on the investment within this fund.

Mr. Simon noted that FPPA has replaced \$40 million of Russell 2000 futures exposure with a 1-year swap with BNP Pariba at a -70 spread.

The flow chart of a securities loan was discussed detailing the review and recommendation to retain Deutsche Bank as FPPA's securities lending manager and that the focus of the program remain on the specialty-lending segment of the market. Staff is also recommending that collateral be limited to Cash and Treasury securities only, which is consistent with the current mandate.

Mr. Simon presented the semi-annual report detailing FPPA's compliance with the Sudan Divestment Legislation.

At 10:15 a.m., Chair Blumenthal called for a break.

At 11:18 a.m., the meeting reconvened.

Illiquid Alternative annual Review

Mr. Martin acknowledged Mr. Cloete and Mr. Ross for their continued efforts and support in implementing this class. He also thanked the Investment Operations team for their knowledge and involvement in keeping continual tracking of information.

Mr. Martin delivered a comprehensive update on the Illiquid Alternatives Portfolio. Mr. Simon added 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 the approach being taken to implement the particular asset class. This review is followed with a formal board motion for approval.

The board asked questions of Mr. Martin and discussed the risks involved in co-investing.

Mr. Bomberger asked staff to develop a plan or strategy to implement co-investment and bring that to the Investment Committee.

At 11:13 a.m., Chair Blumenthal called for a break.

At 11:23 a.m., the meeting reconvened and Mr. Warnock joined the meeting.

Mercato Partners Growth Fund

Mr. Warnock, Mercato Partners Growth Fund, gave a performance overview of Mercato, reviewing industry, stage and regional focus as well as risk-return profile and investment strategy.

Mr. Warnock also noted that Mercato invests in companies that have a technology foundation and exhibit growth characteristics.

At 12:10 p.m., Ms. Hsu and Misters Cooley, Bronson, and Warnock left the meeting.

Mr. Simon reviewed the motion before the board, per the Investment Policy Statement.

Mr. Bomberger moved that the Board approve the staff's recommendation for continuing the Illiquid Alternatives Portfolio Construction Plan. Mr. Nuanes seconded the motion. The motion passed.

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

At 12:27 p.m., the meeting reconvened and Mr. Wilson joined the meeting.

At 12:54 p.m., Mr. Bomberger moved to go into executive session to discuss confidential matters as allowed pursuant to Section 24-6-402 (4)(c) of the Colorado Revised Statutes. Mr. Stanton seconded the motion. The motion passed. Mr. Linder and Mr. Lobdell left the meeting.

At 1:20 p.m., Mr. Bomberger moved the Board return to its regular meeting. Mr. Stanton seconded the motion. The motion passed. Chair Blumenthal declared that no action was taken during the executive session and no motions were made. Mr. Linder and Mr. Lobdell rejoined the meeting.

Staff Report

Executive Director Report

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

Staff continues to work on the Baldrige Performance Excellence program, and is very close to finalizing an Organizational Profile for submission to the Rocky Mountain Performance Excellence group. Part of this program includes a survey from entire staff requesting feedback on what they believe is unique or important about working at FPPA. Results were very positive statements about the job we do and the people we serve at FPPA and the overall satisfaction of working here.

Staff completed the interview process for the internal audit function. Staff's recommendation will go before the Audit Committee next week.

The Self-Directed Plans Committee met and discussed the Target Date Funds that FPPA offers and continued review of the glide path. The glide path is essentially the amount of equity exposure they have over time and is reflecting that the equity in the target date funds is decreasing over time as members in the plan get older and closer to retirement. The committee also discussed the implementation of a Roth provision, expected later this year, and the recent addition of the loan provision in the 457 Deferred Compensation Plan, and Department of Labor (DOL) guidance on fee disclosure for defined contribution plans. Because FPPA is a governmental plan and not an ERISA plan, we are not subject to the DOL. However, in maintaining "best practice" in terms of disclosure of fees that participants in the Self-Directed Plans are paying, both Fidelity and Bidart & Ross concluded that the information FPPA is currently providing far exceeds what the DOL is requiring of the ERISA plans.

Mr. Slack also discussed proposed Board meeting dates for 2016. The dates will be revisited at the October meeting.

Mr. Slack invited the Board to attend the Employer Summit to be held on October 19 at the Hilton Garden Inn Denver Tech Center.

Legal Report

Mr. Lindahl updated the Board on FPPA's legal matters. Mr. Lindahl addressed Chair Blumenthal's question regarding insurance coverage through Travelers Insurance for the Dolan case. FPPA was very satisfied working with Travelers and their coverage and found them extremely accommodating.

The Pension Reform Commission (PRC) is scheduled to meet on Oct 21st, at which time staff will present both an update on FPPA and our proposed legislation as presented to the Board in July 2015. Ms. Tara will send out a link to the board members to access the audio portion live. Mr. Slack will be updating the members of the PRC on things that occurred in the last year with regard to FPPA. Mr. Simon will report on investment issues related to FPPA over the last year, and Mr. Lindahl will review the legislative issues that FPPA would like to see addressed in the coming session.

At 1:08 p.m., Mr. Linder and Mr. Lobdell left the meeting.

Executive Session Minutes

Mr. Lindahl thanked Mr. Esquibel for raising concern over the handling of executive session minutes. Through Mr. Lindahl's research, surveying of other municipal attorneys, and outside legal counsel advice, it has been determined that the best practice is to not take minutes of executive sessions, but to continue to electronically record these sessions in accordance with statutory provisions.

Chairman's Report

Chair Blumenthal appointed Mr. Esquibel as Chair of the Budget Committee. It was also shared that Mr. Bomberger has been elected Chair of the Investment Committee.

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