

# **FIRE AND POLICE PENSION ASSOCIATION**

Board of Directors

April 28, 2016

- 8:30 a.m.     **Call to order**  
                  *Jack Blumenthal, Chair*
- Approval of March 31 Board minutes
- 8:35 a.m.     Disability Review re Damien Lopez  
                  *Kevin Lindahl*
- 9:35 a.m.     **Staff Report**
- Executive Director Report  
                  *Dan Slack*  
                  Re-entry Discussion  
                  *Gina McGrail*  
                  Litigation Report  
                  *Kevin Lindahl*
- 10:50 a.m    **break**
- 11:00 a.m    **Investment Report**
- Review of March 2016 performance  
                  Review of March Managers  
                  *Scott Simon*
- 11:30 a.m    **lunch**
- 12:00 p.m.   **Audit Committee report**  
                  *Pam Feely, Chair*
- Internal Audit Report  
                  *Kevin Sear, Paragon Audit & Consulting*
- 12:45 p.m.   **Chair's Report**  
                  *Jack Blumenthal, Chair*
- 1:15 p.m.    **Adjourn**

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
April 28, 2016**

**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, Elaine Gorton, Jacqueline Tara, Mike Sutherland, Austin Cooley, Dale Martin, Ben Bronson, Scott Bryant, and Jeff Kaszubowski

**Others present:** John Linder, Ryan Lobdell, Pension Consulting Alliance; Kevin Sear, Paragon Audit & Consulting; Damien Lopez, member

*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 8:49 a.m., Chair Blumenthal called the meeting to order.

The board congratulated Mr. Bower on receiving his M.B.A. from Regis University.

Chair Blumenthal called for a motion to approve the minutes of the March 31, 2016, board meeting. Mr. Bower moved to approve the minutes. Mr. Nuanes seconded the motion. The motion passed.

At 8:56 a.m., Mr. Lopez joined the meeting. Mr. Linder and Mr. Lobdell were excused.

**Disability Review of Damien Lopez**

Mr. Lindahl reminded the board of their responsibility to make a decision in the appellate review hearing to affirm, modify, or reverse the hearing officer's decision. The evidence necessary to make this decision is based on the documents and findings from the hearing that the hearing officer held.

Mr. Sutherland presented argument in favor of the hearing officer's determination. Mr. Lopez presented argument in disagreement with the hearing officer's recommendation. The board asked questions of Mr. Sutherland and Mr. Lopez.

Mr. Lindahl explained that the timeline of disability payments in the five-year period starts with the date of disability, which is defined as the day after the member's last day on the payroll.

Mr. Bower moved that the Board of Directors set aside the written Findings, Conclusions, and Recommendations of Hearing Officer Kanan with respect to the disability determination for Damien Lopez and enter an order finding that Mr. Lopez is temporarily occupationally disabled. Mr. Bomberger seconded the motion.

Mr. Bower amended the motion to add that the conflicts in the evidence are not resolved in the written findings. Mr. Bomberger agreed to the amended motion.

Mr. Lindahl noted that if the Board were to grant a temporary occupational disability to Mr. Lopez, the Death & Disability Review Committee would need to be directed to develop a treatment plan and schedule any necessary reexaminations. The Board will also need to make a determination regarding on-duty status or remand that issue back to the Hearing Officer to make that determination.

Mr. Bower amended the motion to include a finding of on-duty status. Mr. Bomberger accepted the amendment. The motion passed.

At 10:30 a.m., Chair Blumenthal called for a break. Mr. Bower, Mr. Sutherland and Mr. Lopez left the meeting.

At 10:44 a.m., the meeting reconvened. Mr. Linder and Mr. Lobdell rejoined the meeting.

#### Executive Director Report

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

Mr. Slack reviewed a letter he sent to all members of the Colorado Congressional delegation on behalf of FPPA, opposing the Public Employee Pension Transparency Act (PEPTA).

As a result of FPPA's recent submittal of the Organizational Profile to Rocky Mountain Performance Excellence (RMPEX), a High Plains award will be received next week, recognizing FPPA's efforts towards achieving Performance Excellence. In addition, remaining staff will be participating in meetings and discussions about how to incorporate Performance Excellence concepts into the work that all staff is doing at FPPA. Staff will update the Board at the June off-site meeting on the progress made in completing the Board's challenge of measuring how we are meeting our Mission Statement and will use the work that has been completed to-date in development of strategic planning at the June meeting. The next goal in this process will be to submit an application for the next level in Performance Excellence with RMPEX.

Mr. Slack reviewed the draft agenda for June Board retreat, and discussed the possibility of a keynote speaker. The Board will also be reviewing FPPA's policies at the June retreat.

Mr. Slack agreed to prepare an assessment of executive staff and management of FPPA for the Board. The board also discussed the possibility of having a speaker on investment strategies at a meeting subsequent to the June planning meeting.

### Re-entry Discussion

Ms. McGrail recapped the history of the moratorium on reentry in the Defined Benefit System that was put into place in late 2012. Staff is recommending lifting the moratorium and projecting a timeframe of October 2016, but will come back at the appropriate time to request a motion from the Board. The board's consensus was for staff to proceed with preparations for lifting the moratorium.

### Legal Report

Mr. Lindahl updated the Board on FPPA's legal matters.

### Fortezzo-Draper Update

The judge has ruled in favor of FPPA, upholding its decision with respect to on-duty status for Ms. Fortezzo-Draper.

### Dolan update

Mr. Dolan has filed an appeal and FPPA has filed a cross-appeal. The cross-appeal filed is with respect to the finding that the Chief Benefits Officer has the authority to promise a continuation of benefits to a member.

At 11:30 a.m., Mistery Cooley, Martin, Bronson, and Bryant joined the meeting.

## **Investment Report**

### 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:

- An update on Pershing Square, one of FPPA's existing long/short equity managers, was presented to the committee.

### Monthly Investment Report

Mr. Bronson presented the economic recap and fund performance for March 2016.

March had a difficult start with early volatility due to global growth concerns and instability. The markets rebounded slightly in the second half of the month, and emerging markets equities were up through mid-March.

Total Fund performance (net of fees) was +2.77% in March and -0.28% YTD. The total fund implementation benchmark was +0.55% YTD. Net Investible Assets for

the Total Fund were \$4.2 billion as of March 31. Mr. Bronson shared highlights from a recent feed-back loop presentation from a macro manger.

### Review of Managers

The Board asked questions to Mr. Cooley regarding the performances of Pershing Square and Luxor. Mr. Cooley responded that the managers have been under watch by staff.

At 11:38 a.m., Mr. Sear joined the meeting.

### Commitment Pacing Plan

Mr. Martin reviewed staff's proposed changes to the illiquid asset class, which include lowering the opening end of the range to acknowledge increased capital formation in the asset classes, uncertainty in the broader economic environment, and increasing volatility in the capital markets.

Mr. Bomberger moved the Board adopt staff's recommendation of \$200-\$300 million for the 2016 Annual Commitment Pacing Plan of the Illiquid Asset Class. Mr. Stanton seconded the motion. The motion passed.

### Risk Metrics

Mr. Linder reviewed the Investment Market Risk Metrics. All equity markets worldwide rallied after the Fed publicized it would not raise rates quarterly and reduced expected 2016 hikes by half. Projecting that the spread markets (credit or high yield spreads) are going to turn, PCA will put together an analysis of spreads for the Board to review. PCA's *Market Sentiment Indicator* went back to neutral in March from the negative January and February.

At 11:50 a.m., Chair Blumenthal called for a break. Misters Bower, Esquibel, Cooley, Bronson, Martin, and Bryant left the meeting.

At 12:04 p.m., the meeting reconvened.

### **Audit Committee Report**

Audit Chair Feely reported that the Audit Committee discussed the SSAE 16 SOC 1 Type II 2015 Audit and the SSAE 16 SOC 1 Type II 2016 Audit Plan.

At 12:06 p.m., Ms. Feely moved the Board adjourn into executive session to discuss confidential matters and security arrangements as allowed under Section 24-6-402 (4)(c) and 24-6-402(4)(d) of the Colorado Revised Statutes. Mr. Bomberger seconded the motion. The motion passed. In response to the executive session, Mr. Linder and Mr. Lobdell left the meeting.

At 12:19 a.m., Ms. Feely moved that the Board return to its regular meeting. Mr. Bomberger seconded the motion. The motion passed. Chair Blumenthal declared

that no action was taken during the executive session and no motions were made.

At 12:21 p.m., Mr. Sear left the meeting.

### **Chair Report**

#### **Ad Hoc Compensation Committee**

Chair Blumenthal shared with the Board the committee's suggestion to be titled *Ad Hoc Compensation Committee* and noted that rather than being a ongoing committee there would be a beginning and an ending time period.

Mr. Bomberger moved that the Board accept the title of *Ad Hoc Compensation Committee*. Mr. Stanton seconded the motion. Mr. Bomberger commented that staff will define FPPA's current compensation philosophy and there may be conversation at the strategic planning meeting regarding a more permanent compensation committee. The motion passed.

Chair Blumenthal announced Ms. Morgan as the Ad Hoc Compensation Committee Chair. Committee Chair Morgan reviewed the discussion at the committee's meeting that morning and the request to expand the Phase I RFP search to encompass the Executive Director and all of the Executive Team.

Mr. Bomberger moved to expand the scope of Phase I to include the Executive Team along with the Executive Director. Ms. Feely seconded the motion. The motion passed.

At 12:33 p.m., Ms. Feely moved to adjourn the meeting. Mr. Stanton seconded the motion. The motion passed and the meeting adjourned.