

FIRE and POLICE PENSION ASSOCIATION  
Board of Directors  
August 25, 2016

- 7:30 a.m.      **Call to order**  
*Jack Blumenthal*
- Approval of July 28 board meeting minutes
- 7:35 a.m.      **Investment Report**
- Review of July 2016 performance  
Review of Managers
- 8:05 a.m.      **PCA Quarterly Report and Risk Metrics**  
John Linder
- 8:35 a.m.      **Break**
- 8:45 a.m.      **Staff Report**
- Executive Director's report  
*Dan Slack*  
Strategic Planning  
*Dan Slack*  
Litigation Report  
*Kevin Lindahl*  
Proposed 2017 Legislation  
*Kevin Lindahl*  
Review of Lombard & Clayton contract  
*Kevin Lindahl*  
Other matters
- 10:00 a.m.      **Chair's Report**
- Chair's remarks  
*Jack Blumenthal*  
Affirmation of election of Chair and Vice Chair  
*Jack Blumenthal*  
Committee appointments, effective September 1  
*Pam Feely*  
Other matters
- 10:20 a.m.      **Adjourn**

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
August 25, 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, and Tyson Worrell

**Board Member not present:** Cliff Stanton

**Staff Members present:** Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon, Elaine Gorton, Mike Sutherland, Jacquette Tara, and Austin Cooley

**Others present:** John Linder, Ryan Lobdell, Pension Consulting Alliance

*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 7:31 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for a motion to approve the minutes of the July 28, 2016, board meeting. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion passed.

**Investment Report**

*Monthly Investment Report*

Mr. Simon presented the economic recap and fund performance for July 2016. Rebounding from the second quarter, global equities bounced back in July and posted gains in most major markets. As Brexit shockwaves dissipated, equity volatility subsided and international equities surged amid a supportive central banking backdrop.

Much of the developed world bond market was awash in negative yields as 10-year German and Japanese government bonds finished the month at negative 12 and 19 basis points, respectively. Despite the negative yields, the Citi WGBI Index rose 0.5% as central bank buying and demand for safe assets pushed prices higher.

Total Fund performance (net of fees) was + **2.23% in July**, bringing the **YTD to +2.84%**. FPPA's total fund implementation benchmark was +3.77% YTD. Net Investible Assets for the Total Fund are estimated at **\$4.2 billion** as of July 31.

### Investment Committee Update

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

- A \$40 million investment in Rivulet Capital Partners, a \$750 million firm which implements a fundamentally driven and concentrated long/short strategy that primarily targets midcap companies across developed markets. The investment will be held in FPPA's long/short equity portfolio.
- A €15 million commitment to Ufenau V German Asset Light SLP, a €220 million fund seeking attractive opportunities to undertake majority investments in asset-light companies with buy-and-build potential. This is FPPA's second commitment to this manager and the investment will be held in FPPA's private capital portfolio.
- A full redemption (\$36.6 million) in Conatus Capital Partners long/short equity fund.
- A full redemption (\$38.6 million) in ESG Domestic Opportunity long/short equity fund.

The Investment Committee will be meeting to continue discussion on different models for investment governance and the investment decision-making process.

Chair Blumenthal began a discussion on FPPA's investment return assumption. Mr. Slack responded that he and Ms. Collins were currently working with Gabriel, Roeder, Smith & Co., negotiating a possible extension of their contract pursuant to the board's direction. In these discussions, they have considered the feasibility of doing an economic assumptions only experience study in 2017. Mr. Slack reminded the board that FPPA has a unique structure—even if the board decided to change the return assumption it wouldn't affect employer or employee contributions.

### Portfolio and Capital Market Review

Mr. Linder presented the 2Q Portfolio and Capital market review. As of the end of June, FPPA's pension fund had an aggregate value of \$4.2 billion, an increase of \$5.2 million over the quarter and a decrease of \$93.8 million dollars year over year. Mr. Linder also discussed the portfolio composition and performance.

### Risk Metrics

Mr. Linder continued with a review the Investment Market Risk Metrics.

At 8:21 a.m., Chair Blumenthal called for a break. Mr. Cooley left the meeting.

At 8:41 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.

Mr. Slack recently gave a presentation to the Board of Directors of West Metro Fire Protection District on current issues facing public pension plans. Discussions included the low return environment, where interest rates are at currently, issues to be faced should the lower environment continue for some time, and the dilemma the Fed is facing in this interest rate environment. Also reviewed were improvements in mortality and how to manage these increases as benefits are now paid out for longer periods, along with the political environment and attacks against public sector defined benefit pension plans across the country.

FPPA continues to address workplace security issues with psychologist John Nicoletti to manage threat assessments and make sure that FPPA is a safe environment for employees. Pursuant to his recommendation, a Threat Assessment Committee has been formed.

Mr. Slack requested approval, as a member of the Milken Institute's Global Capital Markets Advisory Council, to attend the upcoming London meeting. Mr. Nuanes moved to approve Mr. Slack's attendance at the Milken Institute London Summit in December. Mr. Bomberger seconded the motion. The motion passed.

Due to the Milken conference taking place after the scheduled November Educational Session, the board suggested having the educational session moved to the December meeting. Mr. Slack will give a recommendation to the board on this matter at the September board meeting.

### *Strategic Objectives*

Mr. Slack reviewed the proposed strategic objectives as defined by the board at the June meeting.

The board congratulated staff in identifying and summarizing the strategic objectives to be accomplished. A three-year timeframe will be added to the strategic plan document; the scorecard will be expanded to include tracking progress of the strategic objectives and will be monitored by the board on an ongoing basis.

Ms. Feely moved the Board approve the strategic plan as presented by staff with amendments as discussed. Ms. Morgan seconded the motion. The motion passed.

The amended strategic plan will be attached to the minutes from the August meeting for board approval at the September meeting and will also be added to the Resource Center in Diligent Boards.

Mr. Esquibel suggested that if the strategic plan document were posted on the FPPA website that a background statement explaining the reasoning behind it be attached as well.

### Legal Report

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

Reason.org has made an Open Records Act request for actuarial valuations on Old Hire plans going back 15+ years as well as GASB reports. This information is available on FPPA's website. Reason.org is funded in part, by the Koch brothers and staff will be proceeding with gathering the data for them.

The Denver Police Department has contacted FPPA regarding hiring retirees to perform certain duties within the police department. While still undefined, duties may include writing summons for traffic accidents and follow-up paperwork and citations. Chief White has indicated that retirees would not be required to be P.O.S.T certified, would not be required to carry a service weapon, and that they would not have arrest authority. A retiree hired back for this position would be classified as a civilian.

The Pension Reform Commission (PRC) is scheduled to meet on September 27. The State Auditor's study on volunteer firefighter plans will not be discussed at this meeting. The study must first be released at a meeting of the Legislative Audit Committee taking place on October 3. A second PRC meeting on the topic of the State Auditor's volunteer firefighter plans study has been scheduled for November 9.

The deadline for 2017 legislation originating from the PRC is the end of September.

Mr. Lindahl discussed two pieces of legislation up for consideration by the Board. Although not currently up for consideration, the Board also discussed the proposed legislation that allows partial entry into the plan by a department in a process similar to the re-entry process for non-Social Security employers, for those in Social Security who wish to join the FPPA supplemental plans. This legislation may be considered for 2018 once potential issues have been addressed.

Ms. Feely moved the Board give direction to staff to seek legislation concerning the approval of elections by 65% of those members voting and authorizing the creation of a multi-employer 457 deferred compensation plan. Ms. Morgan seconded the motion. The motion passed.

Mr. Lindahl will discuss the two proposed legislative items with the Colorado

Municipal League (CML).

Review/renewal of Lombard & Clayton contract

Mr. Lindahl discussed the proposed contract for Lombard & Clayton. Mr. Lindahl added that they are uniquely qualified with their history of Old Hire plans and noted this firm's credibility at the State Capitol and how pleased FPPA is with the work they do on our behalf.

Ms. Feely moved the Board approve a renewal of the contract with Lombard & Clayton for legislative services. Mr. Bower seconded the motion. The motion passed.

**Chairman's Report**

Ms. Morgan updated the board that the Ad Hoc Compensation Committee agreed to contract with Gallagher Benefit Services (Gallagher) for a compensation study for the executive director and the executive team. Favorable reference checks have been received and a contract has been reviewed and executed with Gallagher. An initial meeting has been scheduled with Gallagher to move forward in the process.

Chair Blumenthal thanked the Board and staff for their positive support throughout the last year, as he served as Chair. The Board thanked Mr. Blumenthal for his dedication and commitment as Chair.

Mr. Bower moved the Board affirm the election of Ms. Feely as Chair of the Board and of Mr. Nuanes as Vice Chair of the Board, effective September 1, 2016. Mr. Bomberger seconded the motion. The motion passed.

The Board determined to expand the Investment Committee from three members to up to four members. Mr. Bower moved that the Board amend the organizational document for the Investment Committee to allow the committee to be composed of up to four members of the Board of Directors. Mr. Nuanes seconded the motion. The motion passed.

Ms. Feely appointed Mr. Nuanes, Mr. Blumenthal, and herself to continue as members of the Audit Committee and appointed Mr. Blumenthal as Chair of the Audit Committee.

Ms. Feely appointed Mr. Esquibel and Ms. Morgan as members of the Budget Committee. The Chair of the Budget Committee will be appointed at a later date.

Ms. Feely appointed Mr. Bower, Mr. Bomberger, Mr. Stanton and Mr. Worrell to continue as members of the Investment Committee. The Chair of the Investment Committee will be chosen by the committee at a later date.

At 10:07 a.m., Mr. Bomberger moved to adjourn the meeting. Ms. Feely seconded the motion. The meeting adjourned.