

**FIRE and POLICE PENSION ASSOCIATION
Board of Directors**

December 8, 2016

- 7:30 a.m. **Call to order**
Pamela Feely, Chair
- Approval of October 27 and November 10
board meeting minutes**
- Consent agenda**
Thornton Old Hire Fire Pension Plan benefit improvement
- 7:35 a.m. **Investment Report**
Review of October 2016 performance
Scott Simon
- 7:50 a.m. **Investment Committee recommendation on governance**
Dave Bomberger, Chair
- 8:20 a.m. **Portfolio & Capital Markets Review - Q3**
John Linder, Ryan Lobdell, Pension Consulting Alliance
- 8:50 a.m. **break**
- 9:00 a.m. **Ad Hoc Compensation Committee report**
Sue Morgan, Chair
Gallagher Benefit Services presentation
Lori Messer
- 10:00 a.m. **2017 Budget approval**
Kim Collins
- 10:15 a.m. **Break**
- 10:30 a.m. **Staff Report**
Executive Director & staff report
Dan Slack
Legal report
Kevin Lindahl
Cognizant Securities Litigation Recommendation
Kevin Lindahl
Approval of "Board hire" contracts
Kevin Lindahl, Gina McGrail
Medical Advisor
Hearing Officers
Bidart & Ross
Other matters
- 11:10 a.m. **Chair's Report**
Pamela Feely, Chair
Resolution re Cliff Stanton
- 11:30 a.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
December 8, 2016**

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

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

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

Others present: John Linder, Ryan Lobdell, Pension Consulting Alliance; Jack Linder, guest; and Lori Messer, Arthur J. Gallagher and Company, via teleconference

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 7:30 a.m., Chair Feely called the meeting to order.

Chair Feely noted that the minutes of October 27 and November 10 were distributed prior to the meeting and asked if there were any corrections to the minutes. Mr. Blumenthal requested the minutes for the October 27th meeting reflect that both he and Mr. Torres had recused themselves from any discussion and voting regarding the Wells Fargo matter. Chair Feely declared the minutes approved as amended.

Chair Feely asked if there was any objection to the consent agenda without discussion. Chair Feely declared the consent agenda was approved. Consent agenda items approved:

- Request for Permission to Amend City of Thornton Firefighters' Old Hire Fire Pension Plan

Investment Report

Monthly Investment Report

Mr. Simon presented the economic recap and fund performance for October 2016. U.S. equities sold off in October ahead of the presidential elections on November 8. Emerging market equities had modest gains generated partially by continued capital inflows.

Total Fund performance (net of fees) was -0.84% in October, bringing the YTD performance to +3.47%. FPPA's total fund implementation benchmark was +4.07% YTD. Net Investible Assets for the Total Fund are estimated at \$4.2 billion as of October 31.

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 annual review of Absolute Return, Long/Short Equity, and Managed Futures portfolio performance and objectives of these strategies.
- A move towards providing more strategic advice and oversight to the investment program and delegating manager hires and terminations to the Investment Staff. Proposed changes to the Investment Policy Statement are to be presented to the Board.
- A \$25 million commitment to Littlejohn Opportunities Fund II, a \$700 million fund focused on debt investments in middle-market companies which may present turnaround opportunities or lead to restructurings. This is FPPA's first investment with Littlejohn. The investment will be held in FPPA's private capital portfolio.

Mr. Simon continued with the review of the RVK survey as of June 30, 2016.

The Board requested staff look into the cost of a customized analysis to our direct peers and report on this to the Investment Committee.

Investment Committee Recommendation on Governance

Mr. Bomberger and Mr. Slack discussed the past year's research with multiple pension plans across the country to learn how they are organizing their investment process, with a goal of evolving FPPA's investment committee to a more strategic role.

The Investment Committee recommends a change in FPPA's governance process, shifting the implementation role over to investment staff. It is also recommended that the Investment Committee meet on a more formal, quarterly basis, with reporting back to the Board.

Mr. Torres added that, based on the history of minimal overturn of recommended actions, the current oversight of the Investment Committee is not a value-added function. Mr. Bower agreed that it is a logical transition for the committee and staff.

Mr. Simon reviewed the recommended changes to the Investment Policy Statement, proposed to be effective January 1, 2017.

Mr. Bomberger moved the Board to approve the amendments to the Investment Policy Statement as recommended by the Investment Committee with a January 1, 2017 effective date. Mr. Bower seconded the motion. The motion passed.

3Q Portfolio and Capital Markets Review

Mr. Linder and Mr. Lobdell, Pension Consulting Alliance (PCA), detailed FPPA's 2016 third quarter portfolio and capital market review. The value of FPPA's plan as of September 30, 2016, was \$4.3 billion, a quarterly increase of \$122.9 million, and a \$156.3 million increase year over year. The overview of the last five years reflects FPPA outperforming the Implementation Benchmark, Policy Benchmark, (Net of Fees), Reference Benchmarks, and the Median Public Fund Gross of Fees.

At 8:26 a.m., Chair Feely called for a break and Mr. Cooley left the meeting.

At 9:01 a.m., the meeting reconvened.

Ad Hoc Compensation Committee

Ms. Morgan introduced Ms. Messer, Arthur J. Gallagher and Company, via teleconference.

Ms. Messer reviewed a summary of the executive compensation study as prepared by Arthur J. Gallagher and Company in considering the 2017 compensation for the Executive Director, to be discussed by the Board at the January 2017 Board meeting.

At 9:18 a.m., Ms. Messer disconnected from the call.

2017 Budget approval

Ms. Collins reviewed the memo in the Board packet highlighting the updates to the 2017 proposed budget since the October presentation.

Ms. Morgan moved the Board to approve the 2017 FPPA budget as presented. Mr. Bomberger seconded the motion. Staff noted that costs for any redesign of the office suite were not included in the proposed budget. An alternative proposal addressing the Board's concerns will be presented at the January Board meeting. The motion passed.

Staff Report

Executive Director Report

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

He congratulated Ms. Collins and her staff on receiving the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial

Reporting (CAFR) for twenty-one years in a row. Ms. Collins also personally received an award of financial reporting achievement from GFOA.

FPPA has received initial feedback from Rocky Mountain Performance Excellence (RMPEX) assessing how FPPA performs as an organization. A more comprehensive and detailed written report will be issued to FPPA in December and discussed at the January meeting.

The Board approved consideration of Estes Park as an alternative location for the June 2017 board meeting.

Legal Report

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

FPPA moved the court to be appointed co-lead plaintiff counsel with the City of Birmingham on the Wells Fargo derivative matter.

Cognizant Securities Litigation Recommendation

Mr. Lindahl reviewed the recommendation of Bernstein Litowitz Berger & Grossman, LLP, to seek lead plaintiff status in the Cognizant Securities litigation matter.

Vice Chair Nuanes moved the Board to ratify the action to seek lead plaintiff status in the law suit filed against Cognizant Securities and engage the law firm of Bernstein Litowitz Berger & Grossman, LLP, as counsel in such action. Mr. Bomberger seconded the motion. The motion passed.

Medical Advisor

Ms. Morgan moved the Board to reappoint Dr. Clarence Henke as the FPPA Medical Advisor and further move approval of the contract extension for his services. Mr. Bower seconded the motion. The motion passed.

Hearing Officer

Ms. Morgan moved the Board to reappoint Stacy J. Tarler as FPPA's hearing officer and further move approval of the contract extension for her services. Mr. Bower seconded the motion. Mr. Lindahl commented on Ms. Tarler's compensation and staff's satisfaction with her work at FPPA. The motion passed.

Mr. Lindahl commented on Mr. Kanan's compensation and staff's satisfaction with his work at FPPA. Mr. Blumenthal moved the Board to reappoint Thomas Kanan as FPPA's hearing officer and further move approval of the contract extension for his services. Vice Chair Nuanes seconded the motion. The motion passed.

Staff will research the status of Bidart & Ross's contract and if action is needed it will be brought to the Board's attention at the January 2017 meeting.

Chairman's Report

Chair Feely referenced Resolution 2016-09 recognizing Cliff Stanton's service to FPPA's Board of Directors.

Mr. Blumenthal moved the Board to adopt Resolution 2016-09 recognizing the service to FPPA by Cliff Stanton. Mr. Bomberger seconded the motion. The motion passed.

At 9:53 a.m., Chair Feely declared the meeting adjourned.