

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

February 25, 2016

- 7:30 a.m. **Call to order**
 Jack Blumenthal, Chair
- Approval of January 28 Board meeting minutes
- 7:35 a.m. **Investment Report**
 Review of January 2016 performance
 Scott Simon
 Review of Managers
 Scott Simon
- 8:05 a.m. **Asset Allocation Recommendation**
 Scott Simon, Austin Cooley
- 8:20 a.m. **FPPA Quarterly Investment Report (4Q 2015)**
 John Linder, PCA
- 8:50 a.m. **break**
- 9:00 a.m. **Self-Directed Plans Annual Review**
 Fidelity market overview and recordkeeping review
 Ed Chen, Alex Svensen, Fidelity
 Fund performance review
 Mike Fleiner, Bidart & Ross
- 10:30 a.m. **Staff Report**
 Executive Director Report
 Dan Slack
 Legal Report
 Kevin Lindahl
 Supplemental Actuarial Studies
 Gina McGrail
 2015 Budget variance report
 Kim Collins
- 11:00 a.m. **Chair's Report**
 Jack Blumenthal, Chair
- 12:00 p.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
February 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, Cliff Stanton, and Tyson Worrell

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

Others present: John Linder, Ryan Lobdell, Pension Consulting Alliance; Mike Fleiner, Annette Bidart, Bidart & Ross; Ed Chen, Alex Svensen, Fidelity; Patrick Wilson, Hoffman, Parker, Wilson, & Carberry, P.C.

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 January 28, 2016, board meeting. Mr. Stanton 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 January 2016. A difficult start to the year as equity markets were down over 6%. The continued weakness in oil prices added to this risk aversion as oil hit a decade low of \$26 before ending the month at \$33. The MSCI ACWI IMI w/ US Gross equity index returned -6.25% in January. The Barclays Capital Aggregate fixed income index returned +1.38% in January.

Total Fund performance (net of fees) was -2.59% relative to the total fund implementation benchmark of -2.52%. Net Investible Assets for the Total Fund are estimated at \$4.1 billion as of January 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:

- **Managed Futures:** Staff discussed the evolving opportunity set of strategies and objectives and characteristics of the portfolio and likely portfolio construction changes. The Fulcrum redemption (\$46.9 million) was completed on January 31. \$30 million of proceeds will be allocated to an existing manager, Graham Tactical Trend, until a new manager is likely funded on April 1.
- **Asset Allocation:** Given recent capital markets activity, the illiquid alternatives asset class is now significantly overweight (24%) relative to its current target allocation of 20%. Staff will present proposed revised target allocations and ranges.

Mr. Simon noted completion of a global equity transition (approximately \$150 million) with EDHEC.

Asset Allocation Recommendation

Mr. Cooley reviewed staff's proposed changes to the total fund policy asset allocation targets and associated rebalancing ranges. Intentions are to incorporate movement towards the long-term targets, with no changes being made to FPPA's long-term asset allocation targets. The total fund expected return is improving given two contributing factors 1) modest allocation increases to classes with higher expected returns (illiquid alternatives) and 2) increased return expectations in several classes.

Staff compared forward looking analyses along with historical measures to generate expected returns and compared these measures to the PCA cross-correlation assumptions. The only material differences were in the private asset classes.

Mr. Linder, Pension Consulting Alliance (PCA), presented a summary and highlights of FPPA's 2016 ten-year capital market assumptions. Compared to last year, rates were higher and spreads were wider.

Mr. Bomberger moved the Board approve the change to the policy asset allocation targets as recommended by staff in its February 8, 2016, memorandum, to be effective March 1, 2016. Mr. Worrell seconded the motion. The motion passed.

Mr. Bomberger added that the Investment Committee (IC) spent a great deal of time with staff going through the analysis and the IC concurs with staff's recommendation and believes that it is consistent with FPPA's long-term objectives.

Implementation Benchmark Construction and Calculation

Mr. Linder and Mr. Lobdell discussed PCA's review of FPPA's Implementation

Benchmark construction and calculation. PCA believes that staff has selected reasonable underlying benchmarks to be used in the calculation of the implementation benchmark and that the benchmark is being correctly calculated.

Risk Metrics

Mr. Linder reviewed the Investment Market Risk Metrics. The U.S. market equity market declined significantly in January, oil and equities have been trading in tandem, and low levels of global inflation, driven by commodity price declines, are weighing on markets. PCA's *Market Sentiment Indicator* turned red at month end and will most likely remain red in February.

Mr. Cooley advised the Board that staff is closely watching FPPA's investment in Luxor. Staff will be submitting a rescindable full redemption request to Luxor.

At 8:53 a.m., Chair Blumenthal called for a break. Messrs. Cooley, Bronson, and Bryant left the meeting. Ms. Bidart, Messrs. Fleiner, Chen, and Svensen joined the meeting.

At 9:08 a.m. the meeting reconvened.

Self-Directed Plans Annual Review

Mr. Slack discussed the structure, governance, and overview of the Self-Directed Plans.

Fidelity market overview and recordkeeping review

Mr. Chen and Mr. Svensen, Fidelity, reviewed total members and total assets within the Statewide Hybrid Plan, DROP, Statewide Money Purchase Plan, SRA, and the Deferred Compensation Plan, as well as a summary of combined plan statistics for 4Q 2015.

Ms. Collins will work with Fidelity on new analysis and data calculations to create separate divisions between members that participate in a defined benefit plan and those that don't, as requested by the Board.

Updates to the Plan

Mr. Fleiner, Bidart & Ross, discussed FPPA's reassessment of its Target-Date Funds and the effort to ascertain an appropriate glide path based on the demographics and population of FPPA's members. The Wells Fargo Dow Jones Target-Date Funds will be replaced with Vanguard Institutional Target Retirement Funds, which will match up the glide path more closely with the way the investors are actually allocated and reduce member investment fees. In addition, the committee voted to remove the modified aging table within the target-date funds and use the standard table that assumes retirement at age 65. The projected completion date for the fund change will be July 2016 and the assets will be mapped to the Vanguard target date funds.

Fund Performance review

Ms. Bidart, Bidart & Ross (B&R), delivered an investment fund performance review for 4Q 2015.

Based on the Deutsche Alternative Asset Allocation Plus Fund announcement that their investments will be changing to be a diversified real asset fund and the very low utilization of this fund, B&R recommended removal of this fund. The committee voted to remove this fund; participants having an investment in this fund will be mapped to age appropriate target date fund.

At 10:05 a.m., Chair Blumenthal called for a break.

At 10:25 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. FPPA's Organizational Profile has been submitted to Rocky Mountain Performance Excellence and their feedback and comments are expected in March.

Legal Report

At 10:35 a.m., Mr. Wilson joined the meeting.

Dolan Update

Mr. Lindahl announced that the judge has issued a ruling in the Dolan case and Mr. Wilson, FPPA's outside counsel is present to discuss the rulings and get direction from the Board.

At 10:37 a.m., Ms. Feely moved the Board go into executive session to discuss and receive legal advice from Legal Counsel and to instruct negotiators regarding Dolan vs. FPPA, as allowed under Section 24-6-402 (4)(b) and (e) of the Colorado Revised Statutes. An appropriate second was declared. The motion passed. Mr. Linder and Mr. Lobdell left the meeting.

At 11:05 a.m., Ms. Feely moved the Board return to its regular meeting, it was duly seconded and the motion passed. Chair Blumenthal declared that no action was taken during the executive session and no motions were made.

Mr. Bomberger moved that the Executive Director be directed to follow the instructions given him in Executive Session with regard to the Dolan vs. FPPA

matter, and that he can do so with the advice of FPPA's litigation counsel. Ms. Feely seconded the motion. The motion passed.

Mr. Lindahl acknowledged Mr. Wilson's expert strategy and commended his skillful approach to the case.

At 11:07 a.m., Mr. Wilson left the meeting and Mr. Linder and Mr. Lobdell rejoined the meeting.

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

FPPA's two bills have passed out of the Senate Committee this week and will now go before the Governor.

Supplemental Actuarial Studies

Ms. McGrail discussed staff's annual meeting with Gabriel Roeder Smith & Company (GRS), on supplemental actuarial studies for various statewide plans.

Aside from assessing possible salary spiking in the Statewide Defined Benefit Plan, GRS will also study the cost of changing "off-duty" active member death benefits from 50% to 70% in the Statewide Death and Disability Plan as well as study the impact, if any, should FPPA change the way death and disability premiums and contributions are collected.

2015 Budget Variance Report

Ms. Collins reviewed the annual Operating Budget Variance Report for 2015.

At 11:55 a.m., Mr. Stanton moved to go into executive session pursuant to Section 24-6-402(4)(f) of the Colorado Revised Statutes to discuss personnel matters. Mr. Bower seconded the motion. The motion passed. In response to the executive session, Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. McGrail, Mr. Simon, Mr. Sutherland, Ms. Tara, Mr. Linder, and Mr. Lobdell left the meeting.

Chairman's Report

At 12:26 p.m., Ms. Feely left the meeting.

At 12:28 p.m., Mr. Bower 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. Ms. Tara rejoined the meeting.

At 12:29 p.m., Mr. Worrell moved to adjourn the meeting. Mr. Bower seconded the motion. The meeting adjourned.