

FIRE and POLICE PENSION ASSOCIATION  
Board of Directors  
January 28, 2016

- 7:30 a.m.      **Call to order**  
*Jack Blumenthal, Chair*
- Approval of December 10, 2015 Board Meeting minutes
- 7:35 a.m.      **Disability Review re Ronald Bernal**  
*Kevin Lindahl*
- 7:45 a.m.      **Disability Review re Brian Snow**  
*Mike Sutherland*
- 8:30 a.m.      **Investment Report**  
Review of November & December 2015 performance  
*Scott Simon*  
Review of Managers  
*Scott Simon*
- 9:00 a.m.      **break**
- 9:10 a.m.      **Manager Recommendation - Currency Overlay**  
*Scott Bryant, FPPA*  
*Adnan Akant, Head of Currencies, FFTW*  
*Momtchil Pojarliev, Senior Portfolio Manager, FFTW*  
*Jim Johnson, Head of North America Sales, FFTW*
- 10:10 a.m.      **Highlights of State Auditor study of PERA**  
*Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.*
- 10:30 a.m.      **2016 Legislative session preview**  
*Kevin Lindahl*  
*Tony Lombard and Bill Clayton, Lombard & Clayton*
- 10:45 a.m.      **break**
- 11:00 a.m.      **Organizational Profile Review**  
*Dan Slack*

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Board of Directors

January 28, 2016

- 11:30 a.m.      **Staff Report**  
CEO Report  
    *Dan Slack*  
Legal Report  
    *Kevin Lindahl*  
Volkswagen Litigation  
    *Kevin Lindahl*  
Staff recommendation on Vision and Hearing Loss policies  
    *Gina McGrail*  
Other matters
- 12:00 p.m.      **Lunch**
- 12:30 p.m.      **Chairman's Report**  
    *Jack Blumenthal, Chair*
- Conflict of Interest form  
        *Dan Slack*  
    Evaluation and Compensation of Executive Director  
        *Jack Blumenthal, Chair*  
    Other matters  
        Board self-evaluation timeline
- 1:30 p.m.      **Adjourn**

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

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

**Board Members present:** Chair Jack Blumenthal, Vice Chair Pam Feely, Dave Bomberger, Manuel Esquibel, Sue Morgan, Cliff Stanton, and Tyson Worrell

**Board Members not present:** Todd Bower and Nick Nuanes

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

**Others present:** Ronald Bernall, member; Brian Snow, member; John Linder (via teleconference), Ryan Lobdell, Pension Consulting Alliance; Joe Newton, Dana Woolfrey, Gabriel Roeder Smith & Co; Tony Lombard, Bill Clayton, Lombard & Clayton; Adnan Akant, Momtchil Pojarliev, Jim Johnston, FFTW

*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 7:34 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for a motion to approve the minutes of the December 10, 2015, board meeting. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion passed.

**Ronald Bernall Disability Review**

At 7:36 a.m., Mr. Bernall joined the meeting.

Mr. Lindahl reviewed Mr. Bernall's application requesting a change in his disability status and stated that the Death and Disability Review Committee (DDRC) has determined that Mr. Bernall's disability ceases to exist.

Mr. Stanton moved the board adopt the DDRC's recommendation for disability status regarding Ronald Bernall. Mr. Bomberger seconded the motion. The motion passed.

At 7:40 a.m., Mr. Bernall left the meeting.

## **Brian Snow Disability Review**

At 7:44 a.m., Mr. Snow joined the meeting.

Mr. Lindahl announced the matter came before the board on the objection filed by member Brian Snow to the Findings, Conclusions and Recommendations of Hearing Officer Thomas Kanan dated October 13, 2015, concerning Snow's occupational disability and specifically whether or not those benefits should be granted due to a possible pre-existing condition and if so, if the benefits should be classified as on duty.

Mr. Lindahl refreshed the Board on the procedural history leading to today's review and pointed out the three alternative proposed motions before the Board.

Mr. Snow presented argument in disagreement with the hearing officer's recommendation. Mr. Sutherland presented argument in favor of the hearing officer's recommendation. The Board directed questions to Mr. Snow and Mr. Sutherland.

At 8:30 a.m., Mr. Bomberger moved to go into executive session to seek legal advice pursuant to C.R.S. Section 24-6-402(4)(b). Ms. Morgan seconded the motion. The motion passed. Messrs. Simon, Sutherland, Lobdell, and Snow, and Meses. Collins, McGrail, Gorton, and Seno left the meeting.

At 8:52 a.m., Mr. Bower moved that 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. Messrs. Simon, Sutherland, and Snow and Meses. Collins, McGrail, Gorton, and Seno rejoined the meeting.

Mr. Stanton asked Mr. Slack to provide the Board with his opinion regarding this review. Mr. Slack stated that it was his opinion that the Board should not adopt the Findings, Conclusions and Recommendation of the Hearing Officer, but should instead find that the member's disability was not proximately caused by the health condition that preceded his employment.

Mr. Worrell moved that the Board set aside the recommendation of the Hearing Officer, find that the recommendation is not supported by the evidence or by the applicable law, and direct that Mr. Lindahl prepare proposed findings and final determination in this matter. Mr. Bomberger seconded the motion. The motion passed.

Mr. Lindahl confirmed with the Board his understanding that the motion was to set aside the hearing officer's recommendation and that he was directed to prepare written findings that would support granting an on-duty permanent occupational disability to Mr. Snow.

At 8:59 a.m., Ms. Seno and Mr. Snow left the meeting.

At 9:08 a.m., the meeting reconvened. Ms. Hsu and Messrs. Cooley, Bronson, Bryant, and Lobdell joined the meeting; Mr. Linder joined the meeting via teleconference.

## **Investment Report**

### *Monthly Investment Report*

Mr. Simon presented the economic recap and fund performance for December 2015. The anticipated move by the Federal Reserve in raising rates by 0.25% was well received by U.S. markets, which received a modest mid-month boost. In Europe, losses were largely driven by the investors' disappointment in the European Central Bank's decision last month to extend its bond-buying program by six months and cut its deposit rate by 10 basis points. Emerging market equities continued to struggle amid growth and currency concerns as the MSCI EM declined 2.2%.

Total Fund performance (net of fees) was -0.94% in December, bringing the YTD performance to +1.23%. FPPA's total fund implementation benchmark was +0.60% YTD. Net Investible Assets for the Total Fund are estimated at \$4.16 billion as of December 31.

Mr. Linder and Mr. Lobdell, PCA, reviewed the Investment Market Risk Metrics Report Market Sentiment Indicator as included in the board packet.

Mr. Simon noted Baillie Gifford's (emerging markets) announcement of the elimination of its use of soft dollars program where the manager would pay brokers for both research and trading through the commission applied to equity trades. Research costs will now be paid directly by the firm. This should result in lower commission costs for clients.

### *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:

- A \$15 million commitment with Nautic Partners VIII (private equity)
- A €15 million commitment with RiverRock European Opportunities Fund II (private debt)
- A \$30 million investment with Sachem Head Capital (long/short equity)
- A £14 million commitment with Mayfair Equity Partners Fund I (private equity)
- Full redemption of \$46.9 million from the Fulcrum Multi Asset Trend Fund (managed futures)
- Currency overlay strategy program with Fischer Francis Trees & Watts

Mr. Simon highlighted FPPA's Portfolio Activity and potential rebalancing, and informed the board on FPPA's Year-end Alternatives Valuation Adjustment.

Following up on the board's previous inquiry to FPPA's proxy voting policy, it will be arranged that FPPA's third party provider, Institutional Shareholder Services (ISS), present at March's board meeting.

The February Board meeting will include an annual review of the Self-Directed Plans.

### Currency Overlay Review

Mr. Bryant covered the objectives and structure of the proposed currency overlay strategy. Mr. Bryant continued with an overall discussion on Fischer Francis Trees & Watts' (FFTW) team, background, and investment strategy. Mr. Linder commented on PCA's diligence review of FFTW and their recommendation as a viable currency overlay manager.

At 9:57 a.m., Messrs. Bronson, Akant, Pojarliev, and Johnston joined the meeting.

### Fischer Francis Trees & Watts (FFTW)

Messrs. Akant, Pojarliev, and Johnston, *Fischer Francis Trees & Watts (FFTW)*, presented an overview of their firm and systematic approach for a currency overlay strategy including their philosophy and process and how it applies to FPPA's portfolio.

At 10:40 a.m., Messrs. Akant, Pojarliev, and Johnston left the meeting.

Mr. Bomberger moved approval of a \$750 million notional exposure with a 2% volatility target with FFTW BNP Paribas in the Defensive Currency Alpha Overlay. Mr. Stanton seconded the motion. The motion passed.

At 10:51 a.m., Ms. Woolfrey and Messrs. Newton, Lombard, and Clayton joined the meeting. Ms. Hsu and Messrs. Cooley, Bronson, and Bryant left the meeting. Mr. Linder left the call.

## **2016 Legislative session preview**

Mr. Lombard and Mr. Clayton, Lombard & Clayton, updated the Board on the 2016 legislative session. FPPA's two bills have moved quickly through the house and are now half-way through the process and in front of the Senate.

Confirmations for Todd Bower, Manuel Esquibel, Pam Feely, and Sue Morgan will be added to the consent calendar for the full Senate's approval.

## **Summary of PERA Hybrid Defined Benefit Plan Report**

Mr. Newton and Ms. Woolfrey, Gabriel, Roeder, Smith, & Co. (GRS) reviewed the Comprehensive Study Comparing the Cost and Effectiveness to Alternative Plan Designs Authorized by Senate Bill 14-214.

The board discussed the value of FPPA replicating the PERA report on a smaller scale to educate members, employers, and other interested parties.

At 11:40 a.m., Chair Blumenthal called for a break. Ms. Woolfrey and Messrs. Newton, Lombard, and Clayton left the meeting.

At 11:45 a.m., the meeting reconvened.

#### *Evaluation and Compensation of Executive Director*

At 11:45 a.m., Mr. Bomberger moved to go into executive session pursuant to Section 24-6-402(4)(f) of the Colorado Revised Statutes to discuss personnel matters. Ms. Feely seconded the motion. The motion passed. In response to the executive session, Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. McGrail, Mr. Simon, and Ms. Tara left the meeting.

At 12:45 p.m., Mr. Bomberger moved that the Board return to its regular meeting. Ms. Feely seconded the motion. The motion passed. Chair Blumenthal declared that no action was taken during the executive session and no motions were made. Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. McGrail, Mr. Simon, and Ms. Tara rejoined the meeting.

### **Organizational Profile Review**

Continuing the process begun at the November educational session, Mr. Slack reviewed the proposed strategic advantages and strategic challenges in FPPA's Organizational Profile and, with the board's approval will incorporate Mr. Linder's comment that FPPA has the scale to be an institutional investor but is small enough to be nimble.

The next step in the Performance Excellence process will be to present the final Organizational Profile to the Rocky Mountain Performance Excellence (RMPEX) for external feedback. This document will also be used as a foundational document for strategic planning discussions at the June off-site board meeting. In the second half of 2016, FPPA will file an Application for Examination with RMPEX which will include an on-site organizational evaluation by independent examiners giving external feedback and further external recognition of FPPA's efforts.

### **Staff Report**

#### *Executive Director Report*

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

### Legal Report

Mr. Stanton moved authority be delegated to Vice Chair Feely to execute the final determination for Mr. Snow if satisfied with the draft, and that determination would include the finding of on-duty disability. Mr. Bomberger seconded the motion. The motion passed.

### Volkswagen Litigation

Mr. Lindahl discussed the memorandum from FPPA's securities litigation counsel recommending participation in a legal action in Germany to recover market losses in Volkswagen AG related to the sale of "clean diesel" vehicles.

Mr. Stanton moved the Board to authorize litigation against Volkswagen for claims related to FPPA's investment losses. Ms. Feely seconded the motion. The motion passed. Mr. Bomberger abstained.

### Staff recommendation on Vision and Hearing Loss policies

Ms. McGrail discussed FPPA's current policy on hearing loss and vision impairment and staff's recommendation to rescind the policies effective January 28, 2016.

Mr. Stanton moved the Board rescind the Hearing Standards policy and the Policy for the Processing of Disability Applications Based on Impairment of Visual Acuity. Mr. Bomberger seconded the motion. The motion passed.

Mr. Bomberger moved the Board adopt FPPA Resolution 2016-01 regarding the posting of notices of meetings. Ms. Feely seconded the motion. The motion passed.

At 1:16 p.m., Mr. Esquibel left the meeting.

Ms. Bomberger moved the Board adopt Resolution 2016-02 regarding the Authority of the Executive Director. Mr. Stanton seconded the motion. The motion passed.

At 1:18 p.m., Mr. Bomberger left the meeting.

Ms. McGrail briefed the board on FPPA's recent member survey. The survey was forwarded electronically and to date FPPA's response rate is approximately 11% overall. The primary focus of the survey was to inquire if members feel value associated with being a FPPA member, who they trust and go to for pension information, and how they rate the overall FPPA service. The survey also asks members if they have a preference in how they receive information and communication from FPPA. The survey is scheduled to wrap up on February 18<sup>th</sup> and once analysis is received staff will develop questions for focus groups and have data available for use at the June off-site strategic planning discussions at the board meeting.

## **Chairman's Report**

Chair Blumenthal requested staff post a copy of the Governmental Finance Officers Association (GFOA) certificate on FPPA's website.

### **Conflict of Interest Form**

Mr. Slack reminded the Board of its policy requiring both Board and staff members to execute a Conflict of Interest Disclosure form every year.

At 1:29 p.m., Ms. Feely moved to adjourn the meeting. Mr. Stanton seconded the motion. The meeting adjourned.