

**FIRE and POLICE PENSION ASSOCIATION**

Board of Directors

July 28, 2016

- 7:30 a.m.     **Call to order**  
                  *Jack Blumenthal, Chair*
- Approval of June 8-10 2016 Board meeting minutes
- 7:35 a.m.     **Appellate review - Jeremy Kniffen**  
                  *Mike Sutherland, Jeremy Kniffen*
- 8:35 a.m.     **Diligent Board updates**  
                  *Jeremiah Slade, Diligent*
- 9:05 a.m.     **break**
- 9:20 a.m.     **Legislative Update: End of Session Review**  
                  *Tony Lombard; Kevin Lindahl*
- 9:35 a.m.     **2017 Potential Legislation**  
                  *Kevin Lindahl*
- 9:50 a.m.     **Investment Report**
- Review of June 2016 performance  
                  *Scott Simon*  
                  Review Managers  
                  *Scott Simon*
- 10:20 a.m.    **Notice of Rulemaking Hearing**  
                  *Kevin Lindahl*
- 10:35 a.m.    **break**

10:50 a.m. **Staff Report**

CEO Report

*Dan Slack*

Legal Report

*Kevin Lindahl*

Colorado Springs New Hire Pension Plan - contribution rates, SRA, COLA

*Kim Collins*

GRS Actuarial Contract

*Kim Collins*

FPPA Website Review

*Joan Phillips*

Other matters

11:35 a.m. **Chair's Report**

Chair's remarks

*Jack Blumenthal, Chair*

Report of the Ad Hoc Compensation Committee

*Sue Morgan*

Review of Board retreat

*Dan Slack*

Other matters

11:55 a.m. **Adjourn**

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

**Board Member not present:** Todd Bower

**Staff Members present:** Dan Slack, Kevin Lindahl, Kim Collins, Gina McGrail, Scott Simon, Elaine Gorton, Jacqueline Tara, Austin Cooley, Jessica Hsu, Scott Bryant, Dale Martin, and Joan Phillips

**Others present:** Ryan Lobdell, Pension Consulting Alliance; Tony Lombard, Bill Clayton, Lombard & Clayton; Jeremy Kniffen, Beth Kniffen; Richard Radabaugh and John Newsome, attorneys for Jeremy Kniffen; and Jeremiah Slade, Diligent Boards

*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 7:33 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for a motion to approve the minutes of the June 8-10, 2016, board meeting. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion passed.

**Jeremy Kniffen Appellate Review**

At 7:40 a.m., Mr. Lindahl reviewed Mr. Kniffen's occupational disability benefit case and his objection to the hearing officer's recommendation.

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

Mr. Sutherland laid out the rationale for the hearing officer's recommendation. Mr. Radabaugh presented argument in disagreement with the hearing officer's recommendation. Mr. Kniffen expressed concern that the statement of one of the three reviewing doctors—that a significant portion of his disability is related to his April 13<sup>th</sup> work injury—was not given proper weight by the hearing officer.

Mr. Sutherland addressed the member's objections to the hearing officer's recommendation and the argument presented by Mr. Radabaugh.

Mr. Radabaugh provided a rebuttal to Mr. Sutherland's arguments.

Mr. Sutherland clarified the difference between on-duty and off-duty status.

At 8:06 a.m., Mr. Bomberger moved that the Board adjourn into executive session to obtain legal advice regarding procedures as allowed under Section 24-6-402(4)(b) of the Colorado Revised Statutes. Ms. Feely seconded the motion. The motion passed. In response to the executive session, Ms. Collins, Mr. Simon, Ms. Gorton, Ms. Tara, Mr. Lobdell, Mr. Kniffen, Ms. Kniffen, Mr. Radabaugh, and Mr. Newsome left the meeting.

At 8:16 a.m., Mr. Bomberger moved that the Board return to its regular meeting. Mr. Esquibel seconded the motion. The motion passed. Chair Blumenthal declared that no action was taken during the executive session and no motions were made.

Ms. Collins, Mr. Simon, Ms. Gorton, Ms. Tara, Mr. Lobdell, Mr. Kniffen, Ms. Kniffen, Mr. Radabaugh, and Mr. Newsome rejoined the meeting.

At 8:18 a.m., Mr. Bomberger moved the Board remand the determination of on-duty status for Jeremy Kniffen to Hearing Officer Kanan for further review, specifically to obtain a copy of and review the City of Colorado Springs department policy that it was asserted requires an injury be reported within two days. The policy was not part of the record to date. Ms. Feely seconded the motion. The motion passed.

At 8:21 a.m., Chair Blumenthal concluded the hearing. Mr. Sutherland, Mr. Kniffen, Mrs. Kniffen, Mr. Radabaugh, and Mr. Newsome left the meeting and Mr. Slade joined the meeting.

### **Diligent Boards**

Mr. Slade, Diligent Boards, revisited the functionality and new interface of Diligent Boards.

At 8:45 a.m., Mr. Stanton joined the meeting.

At 9:00 a.m., Chair Blumenthal called for a break. Mr. Slade left the meeting.

At 9:10 a.m., the meeting reconvened and Mistery Sutherland, Lombard and Clayton joined the meeting.

### **Legislative Update & Proposed 2016 Legislation**

Mr. Lombard and Mr. Clayton, Lombard & Clayton, reviewed FPPA's two 2016 bills that passed this year and the legislative session in general.

Messrs. Lombard and Clayton are both Denver Old Hire Police pension retirees. Ms. Collins discussed the on-going audit project that was requested by the Denver Police local Old Hire Pension Board specific to the Denver Police retirees. FPPA's accounting staff has cooperated with the Pension Board and has hired provisional staff to implement the audit changes, including recalculations that will be made later this year. Ms. Collins reiterated that FPPA is not involved in any of the benefit calculations; direction for any benefit changes is received directly from the City. Information regarding these payments has been sent to FPPA's actuaries and they have incorporated it into the Denver Old Hire Police actuarial valuation as additional payments out for the 1/1/2016 valuation. The 1/1/2016 valuation determines the City's contribution requirements for 2017 and 2018.

Mr. Slack added that correspondence has been received by a Denver Old Hire Police member. Mr. Slack's response to the member communicated that FPPA does not determine what benefits are payable under the Denver Old Hire Police pension plan—the responsibility falls to the local board.

The Board and committee commended Ms. Collins and staff on handling the job so soundly under the direction of the City and recognized the efforts that have been put forth in handling member inquiries, and the related media coverage.

#### Recommended Legislation

Mr. Lindahl reviewed staff's recommendations to the Board for proposed legislation in 2017 and reminded the board that, upon approval, proposed bills will be drafted and presented to the Pension Reform Commission, which is anticipated to meet in August or September.

At 9:50 a.m., Mr. Lombard and Mr. Clayton left the meeting and Ms. Hsu and Misters Cooley, Martin, Bryant joined the meeting.

### **Investment Report**

#### Monthly Investment Report

Mr. Simon presented the economic recap and fund performance for June 2016. After the surprising outcome of a majority of UK voters choosing to leave the European Union, a wave of volatility swept through currency and equity markets – immediately depreciating the Pound and the Euro and sending investors into safe haven assets. All told, the MSCI EAFE lost -3.4% on the month with the Pound down 8.0% and the Euro off 0.2%.

U.S. equity markets felt some volatility but were more insulated from the downturn, as the S&P 500 had a 0.3% gain. Emerging market equities and debt both performed positively with the MSCI EM Index returning 4.0% on the month.

Total Fund performance (net of fees) was **+0.02% in June**, bringing the **YTD to +0.60%**. FPPA's total fund implementation benchmark was +1.71% YTD. Net Investible Assets for the Total Fund are estimated at **\$4.2 billion** as of 6/30/2016.

### Investment Committee Update

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

- A \$20 million commitment to the Siguler Guff Secondary Opportunities Fund, a \$300 million fund focused on secondary interests in distressed/special situation private equity funds. This is FPPA's first investment with Siguler Guff and it will be held in the private capital portfolio.
- A \$20 million commitment to Scout Energy Partners III, a \$360 million fund focused on acquiring and operating oil & gas properties. This is FPPA's third commitment to Scout with investments of \$20 and \$30 million to Fund I and II, respectively. The investment will be held in FPPA's private capital portfolio.
- Approved full redemptions from hedge fund investments in Trient Global Macro, Luxor Capital Partners, and Pershing Square.
- A \$25 million commitment to BroadRiver Asset Management L.P., a \$400 million fund that will invest in traditional life settlements through both the secondary and the tertiary markets. This is FPPA's first commitment to BroadRiver and the investment will be held in FPPA's real assets portfolio.
- A €20 million commitment to Petroleum Equity, a €150 million fund to acquire and develop low cost conventional European on-shore oil and gas assets. This is FPPA's first commitment to this manager and the investment will be held in FPPA's real assets portfolio.

At 10:01 a.m., Ms. Hsu and Misters Cooley, Martin, Bryant left the meeting.

### Notice of Rulemaking Hearing

Mr. Lindahl reviewed the annual Notice of Proposed Rule-Making and Plan Amendment. The subjects and issues involved in the proposed amendments to the FPPA Rules and Rules and Regulations are for the Statewide Defined Benefit Plan, the Statewide Death & Disability Plan, the Statewide Hybrid Plan, the Colorado Springs New Hire Pension Plan, and the Statewide Money Purchase Plan.

Ms. Feely moved the Board direct staff to issue a Notice of Proposed Rulemaking Hearing. Mr. Bomberger seconded the motion. The motion passed.

## **Staff Report**

### **Executive Director Report**

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

Mr. Slack reviewed the letter sent to Senator Bennet on behalf of FPPA opposing any Public Employee Pension Transparency Act (PEPTA) legislation.

The Board expressed its willingness to have an educational session regarding board meeting procedures and processes at an upcoming meeting.

### **Legal Report**

Mr. Lindahl updated the Board on FPPA's legal matters and gave a review of the Jennifer Fortezzo-Draper matter, which is now final.

### **Defined Benefit System: Colorado Springs New Hire Pension Plan**

#### **Colorado Springs New Hire Pension Plan for Police Component Contribution Rate**

Ms. Feely moved to change the Colorado Springs New Hire Pension Plan for Police Component annual required contribution to \$10,368,391, effective January 1, 2017. Of this amount, the members of the plan will contribute 8.0% of basic salary and the employer will remit the remainder. Mr. Nuanes seconded the motion. The motion passed.

#### **Colorado Springs New Hire Pension Plan for Police Component Stabilization Reserve Account Contribution Rate**

Ms. Morgan moved to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Police Component at 0%, effective January 1, 2017, through December 31, 2017. Mr. Bomberger seconded the motion. The motion passed.

#### **Cost-of-Living-Adjustment (COLA) for the Colorado Springs New Hire Pension Plan for Police Component**

The CPI-W as of December 31, 2014 was 1.5%. FPPA will implement the COLA for retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Police Component at 1.5%, effective October 1, 2016, through September 30, 2017. No Board action is required.

#### **Colorado Springs New Hire Pension Plan for Fire Component Contribution Rate**

Ms. Feely moved to set the Colorado Springs New Hire Pension Plan for Fire Component contribution amount at \$5,132,890 effective January 1, 2017. Of this amount, the members of the plan will contribute 10% of basic salary and the employer will remit the remainder. Ms. Morgan seconded the motion. The motion passed.

### **Colorado Springs New Hire Pension Plan for Fire Component Stabilization Reserve Account Contribution Rate**

Ms. Morgan moved to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Fire Component at 0%, effective January 1, 2017, through December 31, 2017. Mr. Nuanes seconded the motion. The motion passed.

### **Cost-of-Living-Adjustment (COLA) for the Colorado Springs New Hire Pension Plan for Fire Component**

The CPI-W as of December 31, 2015 was -0.4%. FPPA will implement the COLA for retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Fire Component at 0%, effective October 1, 2016, through September 30, 2017. No Board action is required.

### Gabriel, Roeder, Smith & Co. (GRS) Actuarial Contract

Mr. Slack and Ms. Collins discussed their recommendation to negotiate tentative and alternative four- and six-year contract extensions for GRS, pending satisfactory audit results from Cavanaugh Macdonald.

At 10:26 a.m., Chair Blumenthal called for a break.

At 10:45 a.m., the meeting reconvened and Ms. Phillips joined the meeting.

### Website Review

Ms. Phillips reviewed FPPA's new website and the analytics that drove the decisions in creating the new web design.

At 11:04 a.m., Ms. Phillips left the meeting.

### **Chairman's Report**

The Investment Committee will be meeting to discuss governance related to the investment process and will report back to the Board.

Mr. Nuanes and Mr. Worrell shared feedback from their separate discussions with Romaine Pacheco and Dan Slack with respect to appointments and term limits of board members. To ease transition of board members, it was suggested that FPPA generate a list of qualified candidates through suggestions from the board. Due to FPPA's unique institutional knowledge it may also be helpful to form an advisory group of former board members to help educate new board members.

Ms. Morgan updated the board on the RFP process for the Ad Hoc Compensation Committee and the committee's recommendation of Gallagher Benefit Services.

Ms. Morgan moved on behalf of the Ad Hoc Compensation Committee that the Board proceed with negotiating and executing a contract with Gallagher Benefit Services Group, Inc., Fox Lawson Group of Arthur J. Gallagher, for the Executive Compensation Project, pending a favorable outcome of references. Ms. Feely seconded the motion. The motion passed.

Mr. Slack reviewed the survey results from the board's June 2016 retreat. Although the meeting site had very favorable reviews, the survey indicated a desire on the part of the board to seek a different location next year. Staff will work on obtaining an alternate venue.

Mr. Bomberger acknowledged and thanked Mr. Slack for presenting at the AASCIF annual meeting on the State of Public Pension Plans.

At 11:31 a.m., Mr. Nuanes moved to adjourn the meeting. Mr. Bomberger seconded the motion. The meeting adjourned.