

FIRE and POLICE PENSION ASSOCIATION
Board of Directors
March 31, 2016

- 7:30 a.m. **Call to order**
 Jack Blumenthal
- Approval of February 25 Board minutes
- 7:35 a.m. **Investment Report**
- Review of February 2016 performance
 Ben Bronson
 Review of Managers
 Austin Cooley
 Sudan divestment semi-annual review
 Austin Cooley
- 8:05 a.m. **Proxy Voting and Corporate Governance**
- Review of FPPA Proxy Voting Process
 Austin Cooley
 Policy Formation and Corporate Governance
 Fassil Michael, Executive Director, ISS
 Corina Florea, Vice President, ISS
- 8:50 a.m. break
- 9:00 a.m. **Staff Report**
- CEO Report
 Dan Slack
 Legal and Legislative Report
 Kevin Lindahl
 Dolan - legal update
 Kevin Lindahl
- 10:00 a.m. **Chair's Report**
 Jack Blumenthal
- 10:30 a.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
March 31, 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, Elaine Gorton, Jacqueline Tara, Mike Sutherland, Austin Cooley, Ben Bronson, Scott Bryant, and Jeff Kaszubowski

Others present: John Linder, Ryan Lobdell, Pension Consulting Alliance; Fossil Michael, Corina Florea, ISS

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 Blumenthal called the meeting to order.

Chair Blumenthal called for a motion to approve the minutes of the February 25, 2016, board meeting. Mr. Bomberger moved to approve the minutes. Mr. Nuanes seconded the motion. The motion passed.

Investment Report

Monthly Investment Report

Mr. Bronson presented the economic recap and fund performance for February 2016.

February had a difficult start with early volatility due to global growth concerns and instability. The markets rebounded slightly in the second half of the month, and emerging markets equities were up through mid-March.

Total Fund performance (net of fees) was -0.38% in February and -2.96% YTD. The total fund implementation benchmark was -2.52% YTD. Net Investible Assets for the Total Fund was \$4.0 billion as of February 29.

Review of Managers

Mr. Bronson and Mr. Cooley updated the Board on a few of FPPA's Liquid Strategies manager performances.

Pershing Square (Long/Short Equity) – The Fund lost 8.7% in February on the back of a 9.3% loss in January and a challenging 2015 (-16.54%). This places Pershing Square in their largest drawdown since inception of the Fund. The largest detractor from performance has been Valeant Pharmaceuticals. This fund has been downsized to reduce the risk to the portfolio and to diversify FPPA's activist exposure. FPPA has made three partial redemptions and Pershing Square will be discussed before the Investment Committee.

Brevan Howard Argentina (Hedge Fund) – the portfolio gained 8.5% in February as the post-election country-specific news continued to favor the strategy. Specifically, the new government has aggressively pursued their reformist agenda, devaluing the currency to increase competitiveness, restructuring inefficient subsidies across the agriculture sector and, most importantly, reaching a long-anticipated deal with holdout bond holders. This resolution would end a more than ten-year disagreement and would appear to pave the way for the country's return to global capital markets.

Numeric (Emerging Markets Equity) – The \$75 million funding to Numeric was completed over February 24th – 25th. Direct trading costs were within expectations and there were minimal indirect market impact costs. Performance through the transition exceeded that of the underlying strategy given the exposure to futures over the two trading days.

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 \$20 million investment with Arrowgrass Capital Partners in a \$580 million merger arbitrage strategy fund. The investment will be held in FPPA's absolute return portfolio.
- Staff reviewed the delivery of full redemption requests to HBK (multi strategy hedge fund) and Luxor (long/short equity). The requests are rescindable and will allow time for Staff to complete some additional diligence on the investments.

Sudan Review

Mr. Cooley reviewed FPPA's continued compliance with House Bill 07-1184, requiring all public pension funds in the state of Colorado to divest from companies with active business operations in Sudan.

FPPA currently owns two companies, Dongfeng Motor GRO and Indian Oil Corporation within the Numeric EM Core Commingled Vehicle. Under C.R.S. 24-54.8-104(5), because of the nature of the investment vehicle, FPPA is not able to divest from these securities within the fund. FPPA is in compliance with the legislation.

At 7:50 a.m., Jeff Kaszubowski, Fassil Michael, and Corina Florea joined the meeting.

Proxy Voting and Corporate Governance

Proxy Voting Process

Mr. Cooley updated the committee on FPPA's outsourced proxy voting specific to a policy tailored to public funds such as FPPA. Mr. Slack added that voting on corporate actions taking place is an asset of a pension fund and that FPPA has a fiduciary duty to properly manage the voting of proxies of the companies we have shares in.

Policy Formation and Corporate Governance

Mr. Michael and Ms. Florea of ISS, FPPA's proxy voting service provider, presented their policy formulation process and current corporate governance trends. The Board discussed best practices regarding auditor rotation.

At 9:10 a.m., Mr. Michael and Ms. Florea left the meeting.

Staff will prepare a formal policy for recommendation to the Board with respect to evaluation of FPPA's proxy voting service provider and to the suggested rotation and search of a service provider.

At 9:15 a.m., Chair Blumenthal called for a break. Messrs. Cooley, Bronson, Bryant, and Kaszubowski left the meeting.

At 9:32 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 has received the High Plains Award from Rocky Mountain Performance Excellence for submission of the Organizational Profile. Staff will update the Board at the June off-site meeting on the progress made in completing the Board's challenge of measuring how we are meeting our Mission Statement.

Staff is collecting data from three recent focus groups and surveys of both the active and retired members and will present a final report to the Board at an upcoming Board meeting.

Staff has completed two internal audits and will be presenting results to the Audit Committee on April 8.

As requested by the committee, staff will modify the financial statements included on the board packet to reflect separate Board Investment Consulting fees from the Staff Consulting fees.

Mr. Slack briefed the Board on his presentation to the Old Hire Police Pension Board for the City of Aurora concerning the plan's rank escalation and a city ordinance that was passed back in 1997 as it relates to the assumptions used by the FPPA.

Vice Chair Feely discussed the upcoming merger of the Wheat Ridge and West Metro fire departments, both of which are currently participating in the FPPA Statewide Defined Benefit Plan.

Mr. Slack discussed a proposed solution to the historically demanding schedule at the Board's December Board meeting and the annual Holiday reception. The committee agreed to hold the meeting and reception on separate dates. It was also agreed to continue inviting all former Board members to the holiday celebration and allow staff to decide how best to determine the invitation of former FPPA employees.

Legal Report

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

House Bill 16-1028, FPPA's death & disability bill, has been approved by the General Assembly and signed by the Governor. House Bill 1038, FPPA's bill regarding optional affiliation by non-Social Security Sheriff's departments, has been approved by the General Assembly and is expected to be signed by the Governor.

FPPA has filed suit in Germany against Volkswagen related to securities fraud.

Dolan update

At 9:48 a.m., Ms. Feely moved that the Board adjourn into executive session to discuss and receive legal advice from legal counsel and to instruct negotiators regarding Dolan v. FPPA, as allowed under Section 24-6-402 (4)(b) and (e) of the Colorado Revised Statutes. Mr. Stanton seconded the motion. The motion passed. In response to the executive session, Mr. Linder and Mr. Lobdell left the meeting.

At 10:02 a.m., Mr. Stanton 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, and that Mr. Slack was directed to follow the instructions given him in executive session with regard to the Dolan vs. FPPA matter.

Mr. Linder and Mr. Lobdell rejoined the meeting.

Chairman's Report

At 10:15 a.m., Mr. Bomberger moved the Board adjourn into executive session to discuss the Executive Director's evaluation, as allowed under Section 24-6-402

(4)(f) of the Colorado Revised Statutes. Mr. Nuanes seconded the motion. The motion passed. In response to the executive session, Mr. Slack, Ms. Collins, Mr. Lindahl, Ms. McGrail, Ms. Gorton, Ms. Tara, Mr. Sutherland, Mr. Linder and Mr. Lobdell left the meeting.

At 11:28 a.m., Mr. Stanton moved that the Board return to its regular meeting. Mr. Worrell 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 and Ms. Tara rejoined the meeting.

At 11:30 p.m., Mr. Stanton moved to adjourn the meeting. Mr. Bower seconded the motion. The meeting adjourned.