

FIRE and POLICE PENSION ASSOCIATION
Board of Directors

October 27, 2016

- 7:30 a.m. **Call to order**
Pam Feely, Chair
- Approval of September 29, 2016 board meeting minutes
- 7:35 a.m. **Jeremy Kniffen appellate review**
Kevin Lindahl
- 8:05 a.m. **Actuarial Audit of the Statewide Defined Benefit Plan,
Statewide Death & Disability Plan,
and Denver Old Hire Police Plan**
Patrice Beckham, Cavanaugh Macdonald Consulting, LLC
- 8:50 a.m. **break**
- 9:00 a.m. **Proposed 2017 budget presentation**
- Budget Committee report
Manuel Esquibel, Chair
- Staff presentation
*Dan Slack, Kim Collins, Elaine Gorton
Kelly Parrish, Catalyst Planning Group*
- 10:00 a.m. **Investment Report**
- Review September 2016 performance
Review of Managers
Scott Simon
- 10:15 a.m. **break**
- 10:30 a.m. **Annual Review: Absolute Return, Equity Long/Short,
Managed Futures**
*Scott Simon, Austin Cooley, Ben Bronson, Jessica Hsu
Lincoln Smith, Albourn Partners*

12:00 p.m. **Lunch**

12:30 p.m. **Staff Report**

Executive Director report

Dan Slack

Legal report

Kevin Lindahl

Wells Fargo Claims

Kevin Lindahl

Volunteer Firefighter Pension Plans Study

Kevin Lindahl

Pension Reform Commission

Kevin Lindahl

Departments Reentering the Defined Benefit System

Gina McGrail

Other Matters

1:40 p.m. **Chair's report**

Pam Feely, Chair

Other matters

1:55 p.m. **Adjourn**

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
October 27, 2016**

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

Board Members present: Chair Feely, Vice Chair Nuanes, Jack Blumenthal, Todd Bower, Manuel Esquibel, Guy Torres, and Tyson Worrell

Members not present: Dave Bomberger and Sue Morgan

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

Others present: John Linder, Pension Consulting Alliance; Patrice Beckham, Cavanaugh Macdonald Consulting, LLC; Kelly Parrish, Catalyst Planning Group; Jeremy Kniffen, Elizabeth Kniffen, John Newsome, Attorney for Jeremy Kniffen; Lincoln Smith, Albourne Group; Kurt Frenzel, Adam Matkowski, and Steve MacDonald, the Westminster Police Department.

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 7:36 a.m., Chair Feely called the meeting to order.

Chair Feely called for a motion to approve the minutes of the September 29, 2016, board meeting. Mr. Bower moved to accept the minutes. Vice Chair Nuanes seconded the motion with the following amendments. The FPPA Board finds the South Adams County FPD Old Hire Fire Pension Plan amendment as set forth in Resolution 2016-08-01A will maintain the actuarial soundness of the plan and further that the board permits the plan's modifications. The second amendment to the minutes is that the FPPA Board finds the Montrose FPD Old Hire Fire Pension Plan amendment as set forth in Resolution 2016-9 will maintain the actuarial soundness of the plan and further the board permits the plan's modifications. Mr. Bomberger seconded the motion. The motion passed.

Chair Feely welcomed new board member Guy Torres.

Actuarial Audit of the Statewide Defined Benefit Plan, Statewide Death & Disability Plan, and Denver Old Hire Police Plan

Ms. Beckham, Cavanaugh Macdonald Consulting, LLC, reviewed the audit of the actuarial valuations conducted by Gabriel, Roeder, Smith & Company (GRS) on

the Statewide Defined Benefit Plan, Statewide Death & Disability Plan, and the Denver Old Hire Police Plan. Cavanaugh MacDonald found GRS' work to be reasonable, clean and complete and had no concerns.

Ms. Collins noted that GRS' response to the audit is included in the board packet.

Mr. Lindahl explained the differences between FPPA's Statewide Defined Benefit Plan, Denver Old Hire Plan, and Statewide Death & Disability Plan.

Mr. Esquibel moved the Board accept the audit presented by Cavanaugh Macdonald Consulting, LLC. Vice Chair Nuanes seconded the motion. The motion passed.

At 8:19 a.m., Mr. Linder and Ms. Beckham left the meeting.

Appellate Review: Jeremy Kniffen

Mr. Lindahl briefed the Board on the history of Jeremy Kniffen's remand.

Mr. Newsome presented argument against the adoption of the hearing officer's recommendation.

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

As a procedural matter, Mr. Lindahl suggested Mr. Torres abstain from participating in today's decision since he was not on the Board or present during the previous testimony.

Mr. Blumenthal moved the Board affirm the written Findings, Conclusions, and Recommendation of Hearing Officer Kanan denying on-duty status for Jeremy Kniffen. Motion failed due to lack of a second.

Mr. Worrell moved the Board set aside the written Findings, Conclusions, and Recommendation of Hearing Officer Kanan, with respect to on-duty status for Jeremy Kniffen, and enter an order finding that Mr. Kniffen's permanent occupational disability of his left knee was caused by an injury that he suffered as a result of performing his duties as a police officer for the Colorado Springs Police Department, in that the written findings are not supported by the evidence. Mr. Bower seconded the motion. The motion passed.

At 8:37 a.m., Chair Feely called for a break. Mr. Newsome, Mr. Kniffen and Mrs. Kniffen left the meeting.

At 8:54 a.m., the meeting reconvened.

At 9:18 a.m., Ms. Parrish joined the meeting.

Proposed 2017 Budget

Mr. Slack reviewed the multi-part process of the budget development and the standard by which it is reviewed, as set forth in the Uniform Prudent Investment Act: "costs that are appropriate and reasonable in relation to the assets, the purposes of the trust, and the skills of the trustee", and under the direction the Board has given staff. Mr. Slack also stated that staff's goal was to develop the budget based on FPPA's Mission Statement and objectives within the Strategic Plan.

Ms. Collins highlighted noteworthy points previously presented to the Budget Committee and summarized the projects included in the budget. The final budget presentation will come before the Board at the December meeting.

Mr. Esquibel commented that the Budget Committee was very impressed with the amount of detail and hard work staff had presented in the proposed 2017 budget. The Budget Committee recommends the Board adopt the proposed budget as presented.

Mr. Esquibel suggested having the Budget Committee meet for a review meeting mid-year 2017.

Mr. Slack presented FPPA's proposed office suite redesign. Mr. Esquibel added that from the customer service aspect, the Budget Committee agrees with staff that there is a need for adequate office space and facilities, new equipment, and increased safety and security. The Board asked staff to prepare and present different options at the December meeting.

At 10:39 a.m., Chair Feely called for a break.

At 10:48 a.m., the meeting reconvened. Ms. Parrish left the meeting and Messrs. Cooley, Martin, Bronson, and Smith joined the meeting.

Investment Report

Monthly Investment Report

Mr. Simon presented the economic recap and fund performance for September 2016. Equities posted modest gains in September amid oscillating investor sentiment fueled by uncertainty around potential interest rate hikes by the Federal Reserve. Reacting to the news, stocks initially sold off but subsequently rebounded as the Fed confirmed that interest rates would remain unchanged.

Total Fund performance (net of fees) was +0.48%% in September, bringing the YTD to +4.34%. FPPA's total fund implementation benchmark was +4.49% YTD. Net Investible Assets for the Total Fund are estimated at \$4.3 billion as of September 30.

Investment Committee Update

Mr. Bower reviewed the topics of the Investment Committee meetings held since the last Board meeting. He noted that the committee had considered the following:

- Staff prepared the 2016 Fixed Income Annual Review. Topics included a review of performance, portfolio construction and manager issues. The current and explicit goals of the fixed income class were discussed. Staff reviewed the thesis and performance of the unconstrained portfolio. Staff recommended combining exposures again into one fixed income class and terminating the Goldman Sachs unconstrained mandate.
- Staff updated the Committee on the diligence process for Renaissance Institutional Equities Fund and the reasons for passing on an investment at this time.
- The Committee received an update on the sale of existing private equity partnership interests in the secondary market.
- The Committee discussed potential changes to the investment governance process. The Committee will continue the discussion at their November 10 meeting.

Mr. Simon reviewed the options to restructure and transition the Fixed Income portfolio due to the termination of Goldman Sachs. Staff's priority will be to find another Core Fixed Income Manager for that capital. Goldman Sachs will continue managing the portfolio as is currently in place, until a new manager is found.

After in-depth research and preparation, the currency overlay program has gone live as of early October.

FPPA's sale of some of its existing private equity interests in the secondary market is under way.

Mr. Simon continued with the review of CEM Investment Benchmarking Analysis as of December 31, 2015. The Board requested staff look into the cost of a customized analysis to our direct peers.

FPPA's self-directed plans consultant, Bidart & Ross, Inc., is being acquired by The Bogdahn Group, a large investment consultant group which will open up additional resources for them and FPPA.

Annual Review: Absolute Return, Long/Short Equity, Managed Futures

Messrs. Cooley, Bronson, and Smith reviewed the market and portfolio performance and educated the Board on the role of hedge funds and the unique strategy and distinct goals of the absolute return, long/short equity and managed futures portfolios.

At 11:42 a.m., Mr. Esquibel left the meeting.

At 12:24 p.m., Chair Feely called for a break and Messrs. Cooley, Bronson, Martin, and Smith left the meeting.

At 12:44 p.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 recently submitted an application to Rocky Mountain Performance Excellence (RMPEX) for an organizational review. Verification of this application includes RMPEX examiners visiting onsite, interviewing staff, observing operations, and taking additional steps in determining the status of "performance excellence" at FPPA. This process will take place the first week of November and will provide external validation and opportunities for improvement.

Having just returned from the Global ARC Conference in Boston, Mr. Slack recommended it for Board members interested in further education on alternative investments.

Mr. Slack noted that FPPA has sent out letters regarding the proposed Financial CHOICE Act of 2016 to the Colorado congressional delegation.

Volunteer Firefighter Study

Mr. Lindahl discussed the highlights and issues resulting from the Volunteer Firefighter Plans Study conducted under the auspices of the State Auditor. The Board discussed various points surrounding ease of administration, regulatory concern, and growth opportunities.

At 1:21 p.m., Mr. Linder left the meeting.

Departments Reentering the Defined Benefit System

Ms. McGrail reviewed the history of the moratorium currently in place. Staff continues to receive inquiries from departments interested in joining FPPA's Defined Benefit System and recommends lifting the moratorium on partial entry only, effective December 1, 2016, and keeping the moratorium on full entry in place until after the outcome of the proposed legislation regarding election requirements is known.

Vice Chair Nuanes moved the Board lift the moratorium on partial reentry effective December 1, 2016. Mr. Blumenthal seconded. The motion passed.

At 1:34 p.m., Messrs. Frenzel, Matkowski, and MacDonald left the meeting.

Oversight of FPPA by the Pension Reform Commission

Mr. Lindahl reviewed with the Board the pros and cons of Sen. John Cooke's (Chair of the Pension Reform Commission (PRC)) question whether FPPA should be removed from the oversight authority of the PRC. The Board concluded that FPPA was created by the legislature and that it should take no position on the issue of legislative oversight at this time.

Legal Report

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

At 1:56 p.m., Vice Chair Nuanes moved the board to adjourn into executive session to seek legal advice regarding potential litigation regarding Wells Fargo as allowed under Section 24-6-402(4)(b) of the Colorado Revised Statutes. Mr. Bower seconded the motion. The motion passed. Mr. Blumenthal and Mr. Torres recused themselves from any discussion and voting regarding the Wells Fargo matter. Mr. Blumenthal, Mr. Torres, Mr. Sutherland and Ms. Gorton left the meeting.

At 2:05 p.m., Mr. Bower moved the Board return to its regular meeting. Mr. Worrell seconded the motion. The motion passed. Chair Feely declared no actions were taken and no decisions were made in executive session. The regular meeting reconvened and Mr. Blumenthal, Mr. Torres, Mr. Sutherland, and Ms. Gorton rejoined the meeting.

Vice Chair Nuanes moved the Board seek lead plaintiff status in the derivative litigation action against Wells Fargo. Mr. Bower seconded the motion. The motion carried, with Mr. Blumenthal and Mr. Torres abstaining.

At 2:07 p.m., Mr. Blumenthal moved the Board adjourn into executive session to receive legal advice regarding the Dolan matter as allowed under Section 24-6-402(4)(b) of the Colorado Revised Statutes. Vice Chair Nuanes seconded the motion. The motion passed.

At 2:31 p.m., Mr. Blumenthal moved the Board return to its regular meeting. Vice Chair Nuanes seconded the motion. The motion passed. Chair Feely declared no actions were taken and no decisions were made during the executive session.

Chair's Report

Chair Feely appointed Mr. Esquibel as Chair of the Budget Committee and appointed Mr. Torres to the Investment Committee.

Chair Feely evaluated the recently attended NCPERS Public Safety Employees Conference.

At 2:21 a.m., Vice Chair Nuanes moved to adjourn the meeting. Mr. Bower seconded the motion. The motion passed. The meeting adjourned.