

FIRE and POLICE PENSION ASSOCIATION  
Board of Directors  
September 29, 2016

7:30 a.m.     **Call to order**  
                  *Pam Feely, Chair*

**Approval of August 25 board meeting minutes**

**Consent agenda**  
                  *Michael Sutherland*

- 1) South Adams County FPD Old Hire Fire Pension Plan cost-of-living adjustment
- 2) Montrose FPD Old Hire Fire Pension Plan increase survivor benefits

7:35 a.m.     **Hearing Regarding Amendments to Rules and Regulations and to Plan Documents**  
                  *Michael Sutherland*

FPPA Rules and Regulations and Statewide Hybrid Plan Regulations  
Resolution No. 2016-03

Colorado Springs New Hire Pension Plan Rules and Regulations  
Resolution No. 2016-04

Statewide Money Purchase Plan Document  
Resolution No. 2016-05

Statewide Hybrid Plan Document  
Resolution No. 2016-06

Model FPPA Deferred Compensation Plan Document  
Resolution No. 2016-07

FPPA Staff Deferred Compensation Plan Document  
Resolution No. 2016-08

9:05 a.m.     **break**

9:15 a.m.      **Investment Report**

Review of August 2016 performance  
Review of Managers  
Risk System Proposal  
Fixed Income Review  
*Scott Simon*

10:15 a.m.      **break**

10:30 a.m.      **Staff Report**

Executive Director's report  
*Dan Slack*  
Strategic plan document  
*Dan Slack*  
Litigation Report  
*Kevin Lindahl*  
Policy for review of possible preexisting conditions  
*Gina McGrail*  
Proposed 2017 board meeting dates  
*Dan Slack*  
Other matters

11:15 a.m.      **Chair's Report**

Chair's remarks  
*Pam Feely, Chair*  
Other matters

11:30 a.m.      **Adjourn**

**Fire and Police Pension Association  
Minutes – Board of Directors Meeting  
September 29, 2016**

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

**Board Members present:** Chair Feely, Vice Chair Nuanes, Todd Bower, Dave Bomberger, Sue Morgan, Cliff Stanton, and Tyson Worrell

**Members not present:** Manuel Esquibel and Jack Blumenthal

**Staff Members present:** Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon, Jacqueline Tara, Mike Sutherland, Gina Witsell, Dale Martin, Ben Bronson, Jessica Hsu, Scott Bryant, and Austin Cooley (via teleconference)

**Others present:** John Linder, Pension Consulting Alliance; Holly Faddis, Stevens-Koenig Court Reporting; and Bill Clayton, Lombard & Clayton

*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 7:38 a.m., Chair Feely called the meeting to order.

Chair Feely called for a motion to approve the minutes of the August 25, 2016, board meeting. Mr. Bower moved to approve the minutes. Mr. Bomberger seconded the motion. Mr. Slack noted that the combined Strategic Plan and Board Scorecard document had been updated since discussion at the August 25<sup>th</sup> meeting and therefore was not included as part of the August minutes as originally requested by the board. The motion passed.

**Consent Agenda**

Mr. Bower moved the Board approve the consent calendar. Mr. Bomberger seconded the motion. The motion passed.

**Hearing Regarding Amendments to Rules and Regulations  
and to Plan Documents**

Chair Feely began the Public hearing regarding amendments to rules and regulations and to plan documents.

Mr. Sutherland commented that notice of this hearing was sent to employers in August 2016, and was posted to FPPA's website.

Mr. Sutherland continued with the presentation of the proposed amendments to the rules and regulations and to plan documents as follows:

Rules and Regulations for Resolution No.:

- 2016-03 Adoption and Amendment of FPPA Rules and Regulations and Statewide Hybrid Plan Regulations
- 2016-04 Adoption and Amendment of CSNHPP Rules and Regulations

Adoption and Amendment to Plan Document Resolution No.:

- 2016-05 Amendment of the Statewide Money Purchase Plan
- 2016-07 Amendment of the Statewide Hybrid Plan Document
- 2016-08 Amendment of the FPPA Staff Deferred Compensation Plan Document

Mr. Sutherland reviewed a letter received from the Platte Canyon Fire Protection District. Mr. Sutherland and Mr. Lindahl addressed the committee's questions surrounding the proposed amendments.

Chair Feely closed the Public hearing.

Vice Chair Nuanes moved that, based on the information presented at today's rule-making hearing and on the record as a whole, the Board adopt Resolution 2016-03, which sets forth amendments to the FPPA Rules and Regulations and the Statewide Hybrid Plan Regulations. Mr. Bomberger seconded the motion. The motion passed.

Ms. Morgan moved that, based on the information presented at today's rule-making hearing and on the record as a whole, the Board adopt Resolution 2016-04, which sets forth amendments to the Colorado Springs New Hire Pension Plan Rules and Regulations. Vice Chair Nuanes seconded the motion. The motion passed.

Mr. Bomberger moved that, based on the information presented at today's rule-making hearing and on the record as a whole, the Board adopt Resolution 2016-05, which sets forth amendments to the Statewide Money Purchase Plan Document. Mr. Stanton seconded the motion. The motion passed.

Vice Chair Nuanes moved that, based on the information presented at today's rule-making hearing and on the record as a whole, the Board adopt Resolution 2016-06, which sets forth amendments to the Statewide Hybrid Plan Document. Mr. Bomberger seconded the motion. The motion passed.

Mr. Bomberger moved that, based on the information presented at today's rule-making hearing and on the record as a whole, the Board adopt Resolution 2016-07, which sets forth amendments to the FPPA Deferred Compensation Plan Document. Ms. Morgan seconded the motion. The motion passed.

Vice Chair Nuanes moved that, based on the information presented at today's rule-

making hearing and on the record as a whole, the Board adopt Resolution 2016-08, which sets forth amendments to the FPPA Staff Deferred Compensation Plan Document. Mr. Stanton seconded the motion. The motion passed.

The Committee recognized Ms. Collins, Ms. McGrail, Mr. Sutherland, Ms. Witsell and all staff involved for their time, dedication and engagement in undertaking this process.

At 8:40 a.m., Chair Feely called for a break. Mr. Sutherland, Ms. Witsell, and Ms. Faddis left the meeting.

At 8:59 a.m., the meeting reconvened. Messrs. Martin, Bronson, Bryant and Ms. Hsu joined the meeting. Mr. Cooley joined via teleconference.

## **Investment Report**

### *Monthly Investment Report*

Mr. Simon presented the economic recap and fund performance for August 2016. Coming on the heels of a rally in July, equities posted modest returns in August as volatility hovered around historic lows. Within emerging markets, investors, encouraged by positive business indicators and economic data, drove Chinese stocks higher by 8% despite continued pressure on commodity prices.

Total Fund performance (net of fees) was +0.97%% in August, bringing the YTD to +3.85%. FPPA's total fund implementation benchmark was +3.96% YTD. Net Investible Assets for the Total Fund are estimated at \$4.3 billion as of August 31.

Mr. Simon discussed current turmoil that manager Deutsche Bank is undergoing. Deutsche Bank manages FPPA's securities lending portfolio. Almost all FPPA's credit exposure is with other custodians and only minimal credit exposure is directly with Deutsche Bank.

### *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 quorum issue, now that the size of the Investment Committee has increased from three to four members;
- A presentation regarding fixed income asset class that will come before the Board today;
- Due to due diligence concerns, investment in a prospective fund has been put on hold until operating issues are resolved; and
- A potential secondary transaction of selling existing private equity partnership interests.

### Sudan Review

Mr. Simon 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.

The Board inquired on the likelihood of having the Sudan restriction lifted. Mr. Simon explained that it would require a repeal of Sudan legislation or a federal declaration.

### Risk Management System Proposal

Mr. Bryant reviewed the proposed implementation of a multi-asset class risk and performance software platform that would improve the transparency of FPPA's consolidated market risk exposures and provide additional insight into the sources of portfolio return. The system would also improve FPPA's liquidity forecasting, compliance monitoring, and reporting to the Board by combining all of our investment holding information for each asset class onto a single system.

Mr. Bomberger moved the Board approve an increase in the Asset Based Fees budget by an annual amount of \$75,000 for the purchase of the CAISSA total fund risk management system. Mr. Bower seconded the motion. The motion passed.

Mr. Bomberger moved the board approve the proposed amendment to the Investment Committee Charter to provide for the appointment of up to 4 members and that 2 voting members shall constitute a quorum. Mr. Stanton seconded the motion. The motion passed.

### Fixed Income Review

The structure of the fixed income portfolio was evaluated by the Investment Staff. Mr. Bronson delivered a comprehensive update on FPPA's Fixed Income portfolio along with proposed implementation steps.

Mr. Bomberger moved the Board terminate the unconstrained fixed income mandate with Goldman Sachs. Mr. Bower seconded the motion. The motion passed.

At 9:58 a.m., Chair Feely called for a break. Messrs. Martin, Bronson, Bryant and Ms. Hsu left the meeting and Mr. Cooley disconnected from the call.

At 10:10 a.m., the meeting reconvened and Mr. Clayton joined the meeting.

## **Staff Report**

### *Executive Director Report*

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

An article on public pension buyouts was brought to the Board's attention by Ms. Morgan and the information will be added to the Diligent Board packet under post-meeting material.

Mr. Slack updated the Board on the recent Self-Directed Plans Committee meeting. Minutes from this September 7<sup>th</sup> meeting will be included in the October Board packet.

FPPA recently submitted an application to Rocky Mountain Performance Excellence (RMPEX) for an organizational review. Verification of this application includes seven RMPEX examiners visiting and 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 we believe this will provide external validation and a list of opportunities for improvement going forward.

The Pension Reform Commission (PRC) met on September 26<sup>th</sup>, at which time staff presented both an update on FPPA and proposed legislation as presented to the Board in July 2016. Mr. Slack provided an annual update on the status and activities of FPPA. Mr. Simon reported on investment issues related to FPPA over the last year, and Mr. Lindahl reviewed the legislative issues that FPPA would like to see addressed in the coming session.

Prior to and during the PRC meeting, Senator John Cooke, Chairman of the PRC, asked whether state oversight of FPPA through the PRC was still appropriate, and whether FPPA and its members and employers would be better served if FPPA was made more independent. Mr. Slack advised Senator Cooke and the PRC that he would take this issue to the FPPA board for a policy discussion. Mr. Clayton, Lombard and Clayton, added that Senator Cooke brought up this matter earlier in the year when he was selected Chair of the PRC. Mr. Lindahl added that while it may be perceived as an extra meeting, the PRC does provide FPPA with a forum to raise issues and obtain support from both House and Senate legislators, which aids in the hearings in both houses when FPPA's bill(s) are presented.

FPPA's legal department will prepare a document listing the pros and cons of having this oversight committee and will present it to the Board at the October meeting.

Mr. Slack also noted that Senator Jones stated during the PRC meeting that the Louisville Fire Protection District, which is a combination of paid and volunteer, is aware the State Auditor's office is undertaking a Volunteer Study and that Louisville FPD is satisfied with the status quo. Mr. Slack will also provide this information to the Office of the State Auditor.

The Legislative Audit Committee is meeting on Monday, October 3<sup>rd</sup>, at which time the State Auditor will release the Volunteer Study to the Committee and the study will become a public document. A second meeting of the PRC will be held on November 9<sup>th</sup> to review the Volunteer Study. With regard to volunteer plans, staff will provide options for the FPPA Board to consider at the October 27<sup>th</sup> board meeting.

At 11:00 a.m., Mr. Clayton left the meeting.

Mr. Slack reviewed the updated strategic plan, which now has a background and statement of purpose and specifically reflects use of the Board scorecard.

Mr. Slack invited the Board to attend the Annual Employer Seminar to be held on October 5<sup>th</sup> at the Inverness Hotel & Conference Center. The afternoon speaker's presentation will focus on communicating with multiple generations.

#### Legal Report

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

#### Policy for review of possible preexisting conditions

Ms. McGrail and Mr. Lindahl reviewed the proposed changes to FPPA's Preexisting Conditions Policy.

Ms. Morgan moved the Board adopt the Policy for Review of Possible Preexisting Conditions as amended. Mr. Bomberger seconded the motion. The motion passed.

#### Proposed 2017 proposed Board meeting dates

Mr. Slack reviewed the 2017 proposed Board and Committee meeting dates.

Mr. Bomberger moved the Board approve the 2017 meeting dates. Vice Chair Nuanes seconded the motion. The motion passed.

### **Chairman's Report**

Vice Chair Nuanes presented an update from the recent Audit Committee meeting.

Ms. Morgan gave the board an update from the Ad Hoc Compensation Committee. The compensation survey has been reviewed and sent out to twenty benchmark organizations which should be returned to Gallagher Benefit Services by October 14<sup>th</sup> for compilation.

At 11:18 a.m., Mr. Bower moved to adjourn the meeting. Mr. Stanton seconded the motion. The meeting adjourned.