

Fire & Police Pension Association
Board of Directors Meeting Agenda

December 14, 2017
7:30 a.m.

7:30 a.m. Call to Order. *Nick Nuanes, Chair*

- a) Conflicts disclosure

7:30 a.m. Service recognition of Jack Blumenthal

7:45 a.m. Consent Calendar. *Nick Nuanes, Chair*

- a) Approval of October 26, 2017, Board meeting minutes.
- b) Approval of November 9, 2017, Board meeting minutes.
- c) Montrose Police Partial Entry Resolution

7:50a.m. Investment report.

- a) Review of November performance and managers. *Scott Simon*
- b) Investment Committee Report. *David Bomberger, Chair of Investment Committee*

8:50 a.m. Investment Consultant Recommendation. *Dave Bomberger, Chair of the Investment Committee; Scott Simon; Brian McDonnell, Managing Director and Global Head of Pension Practice, Cambridge Associates; Chris Shepler, Senior Director, Cambridge Associates*

9:50 a.m. Break

10:05 a.m. 2018 Budget Approval. *Kim Collins*

10:20 a.m. Staff report.

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Montezuma Sheriff affiliation. *Kevin Lindahl & Chip Weule*
- d) Approval of “Board hire” contracts. *Kevin Lindahl & Chip Weule*
 - Medical Advisor
 - Hearing officers
 - AndCo
- e) Other matters

11:20 a.m. Chair’s report. *Nick Nuanes, Chair*

- a) Appointment of Audit Committee member

11:35 a.m. Adjournment.

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
December 14, 2017

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

Board Members Present: Chair Nick Nuanes, Vice Chair Dave Bomberger, Guy Torres, Pam Feely, Todd Bower, Tammy Hitchens, Tyson Worrell, and Sue Morgan.

Staff Members Present: Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Scott Simon, Elaine Gorton, Ben Bronson, Beth Hemenway, Dale Martin, Mike Sutherland, and Karen Moore.

Others Present: Brian McDonnell, Managing Director and Global Head of Pension Practice, and Chris Shepler, Senior Director, Cambridge Associates; Jack Blumenthal.

Notice of this meeting and a copy of the agenda were posted at 5290 DTC Parkway, Suite 100, Greenwood Village, CO 80111, and on the FPPA website, at least twenty-four hours prior to the meeting.

At 7:28 a.m., Chair Nuanes called the meeting to order. Chair Nuanes called for any potential conflicts of interest for discussion.

Mr. Torres disclosed a potential conflict regarding the Wells Fargo litigation and the Investment Consultant search and will recuse himself from any related discussions.

Service recognition of Jack Blumenthal

Chair Nuanes presented Mr. Blumenthal with an engraved plaque of Resolution 2017-09 thanking him for his services as a FPPA Board Member.

Mr. Blumenthal left the meeting.

Chair Nuanes congratulated Pam Feely on acquiring the NCPERS Accredited Fiduciary certification.

Consent Calendar

Chair Nuanes called for a motion to approve the following Consent Calendar:

- Approval of October 26, 2017, Board meeting minutes.
- Approval of November 9, 2017, Board meeting minutes.
- Montrose Police Partial Entry Resolution.

Ms. Feely moved to approve this Consent Calendar without discussion. Mr. Bomberger seconded the motion. The motion passed.

Investment report

At 8:40 a.m., Mr. Simon commenced his presentation of the Investment report.

Review of October performance and managers

Mr. Simon provided the economic recap and fund performance for October 2017. Total Fund performance (net of fees) was +1.32% in October and 11.51% YTD. Implementation benchmark performance was +10.95% YTD. Net Investible Assets for the Total Fund were \$4.7 billion as of October 31, 2017.

Portfolio Update:

- Global Public Equity: Portfolio performance matched its benchmark for the month and is still outperforming YTD. Manager outperformance YTD is partially offset by currency hedging losses. The Global Equity strategies collectively had a strong month. US Equity underperformed from its exposure to Kayne MLPs. The emerging markets portfolio lagged its benchmark for the month, but still has strong outperformance YTD.
- Equity Long/Short: The portfolio had a solid month, adding to its outperformance of its benchmark YTD. AKO and Hitchwood were the largest contributors.
- Fixed Income: The portfolio and benchmark were flat for the month. The portfolio is still slightly ahead of its benchmark YTD.
- Managed Futures: The portfolio had a strong month and is now exceeding its benchmark YTD. Long equities and commodities were the primary contributors for these strategies. Overall the class has still faced a difficult year of performance.
- Absolute Return: The portfolio slightly lagged its benchmark for the month and YTD. Pharo Macro and Autonomy were the primary detractors.
- Private Markets: ILPA benchmarks for 2Q have been reported. Valuations for 3Q are starting to come in. The portfolio still lags the implementation benchmark given the poor performance of the real assets portfolio. The policy benchmark of public equity +200 bps continues to significantly outperform the portfolio over the last year.

Mr. Simon reviewed the RVK peer survey.

At 7:47 a.m., Mr. Martin joined the meeting.

Investment Consultant Recommendation

Mr. Bomberger updated the Board on the Investment Consultant search and provided a recap of the due diligence completed during the search. The Investment Committee (IC) reviewed candidate responses and determined five firms to interview. The IC completed interviews and performed on-site diligence of three firms: NEPC, Maketa, and Cambridge. Investment staff also conducted several meetings with Cambridge. The IC recommends engaging Cambridge for the general consulting role, private markets and illiquid strategies, while maintaining AndCo for consulting on the self-directed plans. Mr. Bomberger indicated that expected costs are lower than if FPPA hired three different consultants for the three areas. Cambridge is also reviewing the manager fees currently being charged to FPPA, which should result in lower fees.

Staff provided their opinions in support of the IC's recommendation to engage Cambridge.

At 8:08 a.m., Brian McDonnell and Chris Shepler joined the meeting and commenced their overview of Cambridge Associates.

At 8:34 a.m., Messrs. McDonnell and Shepler left the meeting.

Mr. Bomberger moved the Board to approve the recommendation of the Investment Committee to engage Cambridge Associates as FPPA's investment consultant, subject to final negotiation and legal review of the contract for services. Ms. Feely seconded the motion. Mr. Torres recused himself from the vote. The motion passed.

At 8:41 a.m., Chair Nuanes called for a break.

2018 Budget Approval

At 8:56 a.m., the meeting reconvened. Ms. Collins reviewed the memo in the Board packet highlighting the updates to the 2018 proposed budget since the October presentation.

Ms. Morgan moved the Board to approve the 2018 budget as presented. Ms. Hitchens seconded the motion. The motion passed.

Staff Report

Executive Director Report

Mr. Slack highlighted the new streamlined staff report format and updated the Board on the frequency in which meeting materials will be archived in Diligent Boards.

Mr. Slack provided an update on the proposed federal tax bill and FPPA's position

on the unrelated business income tax. Current versions of the tax bill include language requiring entities like FPPA to pay this tax, which would be a tax on certain FPPA investments. Mr. Slack sent a letter to the each member of the Colorado congressional delegation stating FPPA's opposition to this tax. FPPA will continue to monitor the bill.

Mr. Slack provided an update on the Self-Directed Plans Committee (SDPC) and asked the Board if they had any subjects they would like discussed at the self-directed plans review meeting. Ms. Hitchens suggested an update on compliance with policies and procedures.

Mr. Slack congratulated Ms. Collins and Operations and Investments staff on receiving the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

Mr. Slack discussed the passing of PERA Executive Director Greg Smith and pending PERA legislation.

The Board requested that succession planning at FPPA be discussed at the January board meeting.

Mr. Slack notified the Board that the Denver Metro Chamber of Commerce (Chamber) contacted him for comment on the proposed PERA legislation and stressed the importance of the Chamber having accurate information and understanding of how pension plans work. The Board provided Mr. Slack permission to speak with the Chamber. However, since the Board does not currently hold an official position on the PERA legislation, Mr. Slack will be representing his own opinion, not that of FPPA.

Mr. Slack announced an invitation to the Board for dinner with Baillie Gifford on Tuesday, December 19.

General Counsel Report

At 9:25 a.m., Mr. Lindahl presented the litigation report.

Sheriff Offices

Mr. Lindahl provided an update on the Sheriff Office affiliation.

Ms. Feely moved the Board to approve the following policy with regard to participation of Sheriff Offices in FPPA plans:

"The FPPA statutory definition of "member" be interpreted to include all personnel employed by a Sheriff and expected to work 1600 hours or more in a calendar year who are directly involved with the provision of law enforcement or fire protection as certified by the county except that

personnel whose position does not require passage of a fitness for duty test shall not be eligible for participation in the SWD&D plan.”

Mr. Bower seconded the motion. The motion passed.

Approval of “Board hire” contracts

Medical Advisor

Ms. Morgan moved the Board to reappoint Dr. Clarence Henke as the FPPA Medical Advisor and further move approval of the contract extension for his services. Mr. Bomberger seconded the motion. The motion passed.

Mr. Weule also discussed acquiring a back-up medical advisor. The Board agreed and directed staff to proceed in acquiring a back-up medical advisor.

Hearing Officer

Ms. Feely moved the Board to reappoint Stacy J. Tarler as FPPA’s hearing officer and further move approval of the contract extension for her services. Mr. Torres seconded the motion. Mr. Lindahl commented on Ms. Tarler’s compensation and staff’s satisfaction with her work at FPPA. The motion passed.

Mr. Lindahl commented on Mr. Kanan’s compensation and staff’s satisfaction with his work at FPPA. Ms. Feely moved the Board to reappoint Thomas Kanan as FPPA’s hearing officer and further move approval of the contract extension for his services. Mr. Torres seconded the motion. The motion passed.

AndCo

Mr. Slack provided an update on the review of investment consultant services for the self-directed Plans. Staff is satisfied with AndCo’s consulting services in investments and benefits administration. The SDPC recommends continuing services with AndCo.

The Board and staff discussed the benefit services provided by Fidelity.

Chair’s Report

Chair’s remarks

Chair Nuanes appointed Ms. Hitchens to the Audit Committee.

At 9:48 a.m., Mr. Nuanes adjourned the meeting.