

Fire & Police Pension Association
Board Meeting Agenda

March 2, 2017
7:30 a.m.

- 7:30 a.m. Call to Order**
Conflicts disclosure
- 7:30 a.m. Consent agenda**
Approval of minutes of January 26, 2017
- 7:35 a.m. Appellate Review Hearing—In the Matter of the Estate of Jeffrey DiPaolo**
- 8:00 a.m. Investment Report**
a) Review of January 2017 performance. *Presenter: Scott Simon*
b) Review of Investment Managers. *Presenter: Scott Simon*
- 8:20 a.m. Portfolio & Capital Markets Review—Q4 2016.** *Presenters: John Linder, Ryan Lobdell, PCA*
- 8:40 a.m. Break**
- 8:55 a.m. 2017 Asset Liability Study update.** *Presenter: Scott Simon*
- 9:05 a.m. History and Future of Benefit Adjustments in the Statewide Defined Benefit Plan.** *Presenter: Dan Slack*
- 9:45 a.m. Break**
- 10:00 a.m. Self-Directed Plans Annual Review.** *Presenters: Suzanne Rogers, Ed Chen, Fidelity; Mike Fleiner, AndCo*

11:30 a.m. Lunch

12:00 p.m. Staff Reports

- a) Executive Director report. *Presenter: Dan Slack*
June retreat venue
- b) Legal report. *Presenter: Kevin Lindahl*
Support for Amicus Brief in *CalPERS v. ANZ Securities*
- c) Budget variance report. *Presenter: Kim Collins*
- d) Communications and Social Media Update. *Presenter: Gina McGrail*
- e) 2017 Supplemental Actuarial Studies. *Presenter: Gina McGrail*

12:30 p.m. Chair's Report

- a) Evaluation of NCPERS conference.
- b) Items for future discussion.

12:45 p.m. Adjournment

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
March 2, 2017**

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

Board Members present: Chair Pam Feely, Todd Bower, Dave Bomberger, Manuel Esquibel, Sue Morgan, Guy Torres, and Tyson Worrell

Board Members not present: Vice Chair Nick Nuanes and Jack Blumenthal

Staff Members present: Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon, Elaine Gorton, Ben Colussy, Beth Hemenway, Jacquette Tara, Mike Sutherland, Austin Cooley.

Others present: John Linder, Ryan Lobdell, Pension Consulting Alliance; Annette Bidart, Mike Fleiner, AndCo Consulting; Suzanne Rogers, Ed Chen, Fidelity; Greg DiPaolo, Dana DiPaolo, Preston Branaugh, and Shannon Little

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 Feely called the meeting to order and asked the Board if anyone had any conflicts to discuss today. Hearing none Chair Feely approved the consent agenda.

Consent agenda items approved:

- January 26, 2017 Board minutes

At 7:32 a.m., Messrs. DiPaolo, Branaugh and Little, and Ms. DiPaolo, joined the meeting.

Estate of Jeffrey DiPaolo Review

Mr. Lindahl reviewed the Board's direction at its last meeting that legal counsel draft a proposed motion for the Board to consider regarding the DiPaolo administrative review.

At 7:42 a.m., Mr. Bomberger moved that the Board adjourn into executive session to seek legal advice pursuant to C.R.S. Section 24-6-402(4)(b). Mr. Worrell seconded the motion. The motion passed. Messrs. Sutherland, Bronson, Cooley, Linder, Lobdell, DiPaolo, Branaugh, Little, and Ms. McGrail and Ms. DiPaolo left the meeting.

At 7:58 a.m., Mr. Bomberger moved that the Board return to its regular meeting. Mr. Bower seconded the motion. The motion passed. Chair Feely declared that no action was taken during the executive session and no motions were made. Ms. McGrail, Messrs. Sutherland, Bronson, Cooley, Linder, Lobdell, DiPaolo, Branaugh, Little, and Ms. DiPaolo joined the meeting.

At 8:01 a.m., Mr. Bower moved the Board of Directors to adopt the written Findings, Conclusions, and Recommendation of Hearing Officer Tarler regarding the matter of the Estate of Jeffrey DiPaolo and make the additional findings outlined in the memorandum of March 2, 2017, to the Board from General Counsel, specifically pages 2 and 3. Mr. Bomberger seconded the motion.

Chair Feely requested a roll call vote.

Mr. Bomberger - aye
Mr. Esquibel - aye
Mr. Bower - aye
Mr. Torres - aye
Mr. Worrell - aye
Ms. Morgan - aye

Chair Feely announced the ayes have it and the motion passed.

At 8:02 a.m., Chair Feely called for a break and Messrs. DiPaolo, Branaugh, Little, and Ms. DiPaolo left the meeting.

At 8:08 a.m., the meeting reconvened and Messrs. Colussy, Cooley, Bronson, Linder, and Lobdell joined the meeting.

Investment Report

Monthly Investment Report

Mr. Simon presented the economic recap and fund performance for January 2017. Emerging market stocks took the lead in January, bolstered by a strong showing of currencies, including the Brazilian real, the Mexican peso and the South African rand. The MSCI Emerging Market Index gained 5.5% on the month. The S&P 500 produced returns of 1.9%, as strong earnings from the major technology companies offset lackluster GDP growth in the fourth quarter.

Total Fund performance (net of fees) was +1.46% in January, versus the implementation benchmark of +1.26%. Final 2016 performance for the Total Fund was 5.51% versus the implementation benchmark of 6.13%. Net Investible Assets for the Total Fund are estimated at \$4.3 billion as of January 31.

Mr. Simon presented a Securities Lending update. Deutsche Bank, the manager for this portfolio, has been in the headlines recently and staff continues to monitor the

situation. To reduce risk to the portfolio, staff recommends an immediate termination of the program.

Mr. Bomberger added that Executive Director Slack and Pension Consulting Alliance support this recommendation.

Mr. Simon is waiting on a written response from consultant RVK regarding their survey showing FPPA with higher investment management costs compared to our peers. RVK has concluded that FPPA's costs are in fact comparable or lower, and their response supporting this will be added to a future Board packet when received.

Mr. Simon addressed another question asked by the Board regarding a recent annual compliance report and a cost number for one of the brokers. Staff has researched this and believes the costs reported are reasonable. This particular broker services FPPA's overlay account and the futures contracts and other instruments traded are higher cost than more mainstream securities transactions.

Asset Allocation

FPPA is near the upper range of equity exposure and staff is acting to rebalance the exposure.

Investment Committee Update

Mr. Bomberger updated the Board on the matters discussed at the Investment Committee quarterly meeting.

- Asset Liability Study
 - Overview of the process
 - Capital Market Assumptions
 - Risk Tolerance Discussion
 - Example Portfolios
- Liquidity Analysis
- New Risk Management System – CAISSA Implementation Update
- Annual Updates / Approvals
 - Implementation Benchmarks
 - Commitment Pacing
 - Year-End Alternative Valuation Adjustment
- Investment Consulting (memo included in the Board packet)
- Economic Assumptions Review Proposal (memo included in the Board packet)

RFP for Investment Consultant

Mr. Bomberger moved that the Board proceed with an Investment Consulting RFP as discussed in the memorandum in the Board packet. Mr. Bower seconded the motion. Mr. Torres recused himself. The motion passed.

Mr. Bomberger moved that the Board approve the Executive Director's recommendation to engage Gabriel Roeder Smith & Company (GRS) to conduct a

review of macroeconomic assumptions. Mr. Bower seconded the motion. Mr. Slack noted that the study should be able to be paid for within the retainer hours already a part of the contract with GRS. The motion passed.

Mr. Simon noted recent manager hires: Citadel Advisors, a multi-strategy hedge-fund (\$35 million); and Rosemawr Capital L.P., investing in primary and secondary municipal bonds (\$20 million).

Implementation Benchmark Review

Mr. Linder and Mr. Lobdell, Pension Consulting Alliance (PCA), stated that after reviewing the construction and calculation of the Implementation Benchmark through December 2016, PCA believes that the Implementation Benchmark has been constructed reasonably and accurately. They verified the performance calculated by BNY Mellon of 6.13% for 2016 and believe its use as a short-term measure of relative performance is prudent.

Portfolio & Capital Markets Review

Mr. Linder reviewed FPPA's 4Q 2016 portfolio performance, comparing FPPA's performance to FPPA's benchmarks and to the median public fund. As of December 31, 2016, the Total Fund had an aggregate value of \$4.3 billion. During the latest quarter, the portfolio increased by \$15.1 million, inclusive of cash flows and investment results. Over the latest one year, the portfolio increased by \$117.5 million.

Risk Metrics

Mr. Linder reviewed the Investment Market Risk Metrics, discussing credit spreads, equity valuations, and the cap rate on core real estate. Mr. Linder also noted that the market sentiment indicator remains solidly green.

At 9:15 a.m., Chair Feely called for a break.

At 9:27 a.m., the meeting reconvened and Ms. Hemenway joined the meeting.

At 9:35 a.m., Mr. Fleiner, Ms. Bidart, Ms. Rogers, and Mr. Chen joined the meeting.

At 9:47 a.m., Mr. Newton joined the meeting via teleconference call.

2017 Asset Liability Study Update

Mr. Simon reminded the Board that the purpose of the asset liability study is to develop appropriate investment allocation policy targets and ranges which are expected to achieve the long-term performance objectives relative to the liability and liquidity needs of the Fund and the overall risk tolerance of the Board.

Mr. Simon guided the Board through the portfolio's performance based on its risk tolerance, trade off, complexity and implementation, its funded status and how it affects the ability to pay benefits and COLAs.

Mr. Linder explained PCA's process when calculating capital market assumptions.

History and Future of Benefit Adjustments in the Statewide Defined Benefit Plan

Mr. Slack discussed the structure, governance, and overview of the Statewide Defined Benefit Plan. Staff suggests a range of projected outcomes is a conservative and realistic approach to discussing projected adjustments. The Board agreed with the recommendation.

At 10:23 a.m., Chair Feely called for a break and Mr. Newton left the call.
At 10:35 a.m., the meeting reconvened.

Self-Directed Plans Annual Review

Fidelity market overview and recordkeeping review

Mr. Chen, Fidelity, reviewed total members and total assets within the Statewide Hybrid Plan, the DROP Plan, the Statewide Money Purchase Plan, the SRA, and the Deferred Compensation Plan, as well as a summary of combined plan statistics for 4Q 2016.

Ms. Rogers, Fidelity, discussed the Department of Labor (DOL) Fiduciary Rule, a summary of the plan statistics, and key accomplishments.

Bidart & Ross Acquisition

Mr. Fleiner, AndCo, updated the Board on Bidart & Ross' acquisition by The Bogdahn Group and the subsequent rebranding as AndCo Consulting.

Updates to the Plan

Ms. Bidart, AndCo, gave an overall market review for 4Q 2016. Broad asset class returns were mixed for the 4th quarter. Domestic equity indices posted positive performance for the quarter, while broad international equity and fixed income benchmarks were negative for the period. The quarter's investment cycle was dominated first by the U.S. presidential election, and then by the largely anticipated Federal Reserve (Fed) interest rate hike in December. The uncertainty that drove equity returns lower during the first half of the quarter gave way to a string of positive macroeconomic data and a Trump victory that drove equity benchmarks, particularly in the U.S., higher through the remainder of the quarter.

Fund Performance review

Mr. Fleiner, AndCo, delivered the investment fund performance review for 4Q 2016 and 1Q 2017. At the end of January, total plan assets were over \$381 million. FPPA replaced the Target Dates Funds back in July 2016, and removed the Deutsche Bank Alternative Allocation Plus Fund due to poor performance and significant changes to their management team.

At 11:42 a.m., Chair Feely called for a break. Mr. Simon, Ms. Rogers, Mr. Chen, Ms. Bidart, and Mr. Fleiner left the meeting.

At 12:08 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.

Mr. Slack reviewed two possible venues for the 2017 June Board retreat. The Board determined to hold the annual Board Retreat at The Pines Lodge in Beaver Creek.

Mr. Slack continued, discussing the letter to Council of Institutional Investors (CII), regarding Proposed Multi-Class Structure for post-IPO Snap Inc.

Having returned from the National Association of State Retirement Administrators (NASRA), as well as the semi-annual meeting of the Council of Institutional Investors, Mr. Slack highlighted the presentations given at both of those events.

Legal Report

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

FPPA and the City of Birmingham have been named co-lead plaintiffs in the derivative action against Wells Fargo.

Both of FPPA's bills have now passed through both houses, are before the Governor and expected to be signed by mid-March.

Support for Amicus Brief in CalPERS v. ANZ Securities

Mr. Lindahl discussed the issue of "tolling", which concerns the time frame for investors to bring individual claims for recovery of damages under the U.S. securities laws, and whether investors can rely on a class action to protect the timeliness of their claims. FPPA has the opportunity to sign off on an amicus brief in support of an investor-friendly position.

Mr. Slack added that the Council of Institutional Investors encourages members

to sign the amicus brief.

Mr. Bower moved the Board support the Amicus Brief in the CalPERS v. ANZ Securities, Inc., litigation, in favor allowing tolling of claims during class action suits. Ms. Morgan seconded the motion. The motion passed.

Budget Variance Report

Ms. Collins relayed information regarding fiscal year 2016 operating budget variances and explanations.

Mr. Slack supplemented Ms. Collins' discussion by reiterating FPPA's budget philosophy—to budget as closely as possible to expected expenditures, and not to spend funds merely because they had been budgeted.

2017 Supplemental Actuarial Studies

Ms. McGrail discussed the recommended supplemental actuarial studies for the various statewide plans, to be completed as a part of the 2017 valuation process.

Communications and Social Media Update

Ms. McGrail updated the Board on the development of a social media strategy and the planning for an initial rollout that will reach our members through Facebook.

Initial filming is complete and the video is now in the editing phase. Finally, additional videos are being planned, including a short video presentation for the RMPEX banquet in April.

Staff has also been working to develop a dedicated website for those interested in joining FPPA. This site is now live, with information regarding the partial entry process. A soft rollout is taking place as we notify prospective employers about this new resource. As resolutions are filed by individual employers, a customized page will be developed specific to that employer that will provide details on meeting dates, progress, deadlines, etc.

The Board congratulated Ms. McGrail on her retirement and thanked her for 25+ years of service to FPPA, the opportunity to work with her, and expressed their deepest appreciation for her leadership. Ms. McGrail shared her thanks to FPPA for the opportunity to work at FPPA and for the members.

Chairman's Report

Chair Feely shared her evaluation of the NCPERS Legislative conference.

At 12:38 p.m., Mr. Bomberger moved the Board go into executive session to discuss personnel matters as allowed under Section 24-6-402(4)(f), C.R.S. Mr. Bower seconded the motion. The motion passed. Mr. Slack, Mr. Lindahl, Ms. Collins, Ms. McGrail, Ms. Gorton, Ms. Tara left the meeting.

At 12:42 p.m., Mr. Slack joined the executive session.

At 12:55 p.m., Mr. Bomberger moved that the Board return to its regular meeting. Ms. Morgan seconded the motion. The motion passed. Chair Feely declared that no action was taken during the executive session and no motions were made. Mr. Esquibel left the meeting and Ms. Tara joined the meeting.

At 12:57 p.m., Mr. Bomberger moved that Mr. Slack's annual compensation be set at \$300,000 effective January 1, 2017, and in addition that his incentive compensation to be paid in 2017, earned in 2015 and 2016, be set at an amount of \$45,491.67. Ms. Morgan seconded the motion. The motion passed.

At 12:59 p.m., Mr. Bower moved to adjourn the meeting. Mr. Worrell seconded the motion. The meeting adjourned.