

Fire & Police Pension Association
Board of Directors Meeting Agenda

October 26, 2017
7:30 a.m.

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

- a) Conflicts disclosure

7:35 a.m. Consent Calendar. *Nick Nuanes, Chair*

- a) Approval of September 28, 2017, Board meeting minutes.
- b) Dillon Police Certification of Compliance for the FPPA Defined Benefit System.
- c) Edgewater Police Certification of Compliance for the FPPA Defined Benefit System.

7:40 a.m. Proposed 2018 budget presentation.

- a) Budget Committee report. *Sue Morgan, Chair of Budget Committee*
- b) Staff Presentation. *Dan Slack, Kim Collins, Elaine Gorton*

8:40 a.m. Break

8:55 a.m. Investment report.

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

9:25 a.m. Sheriff Office participation in FPPA. *Kevin Lindahl*

9:45 a.m. Staff report.

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Pension Reform Commission. *Kevin Lindahl*
- d) Other matters

10:15 a.m. Chair's report. *Nick Nuanes, Chair*

- a) Resolution honoring Jack Blumenthal.
- b) Evaluation of the Public Safety Employees Pension & Benefits Conference & Accredited Fiduciary Program. *Pam Feely*
- c) Evaluation of the Public Safety Employees Pension & Benefits Conference. *Sue Morgan*
- d) Appointment of Audit Committee member.
- e) Other matters.

10:30 a.m. Adjournment.

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
October 26, 2017

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

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

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

Others Present: Ryan Lobdell, Neil Rue, Tad Fergusson and Gabe Ayoroa, Pension Consulting Alliance; Sheriff Sean Smith, La Plata County; and Sheriff Steve Nowlin, Montezuma County.

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.

Call to Order

At 7:28 a.m., Chair Nuanes called the meeting to order.

Chair Nuanes called for any potential conflicts of interest for discussion.

Messrs. Torres and Bomberger disclosed a potential conflict regarding the Wells Fargo litigation and will recuse themselves from any related discussions. Mr. Torres also disclosed a conflict with the investment consultant search and will recuse himself from those discussions.

Consent Calendar

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

- Approval of September 28, 2017, Board meeting minutes.
- Dillon Police Certification of Compliance for the FPPA Defined Benefit System.
- Edgewater Police Certification of Compliance for the FPPA Defined Benefit System.

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

Guests from Pension Consulting Alliance introduced themselves. Mr. Slack

introduced FPPA's new Chief Benefits Officer, Chip Weule.

Proposed 2018 budget presentation

Budget Committee report

Ms. Morgan presented the proposed 2018 budget for the Board's consideration and thanked staff for the work on the proposed budget.

Staff Presentation

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 reviewed what is considered revenue under the guidance of the Governmental Accounting Standards Board.

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

At 8:02 a.m., Sheriffs Steve Nowlin (Montezuma County) and Sean Smith (La Plata County) joined the meeting.

Ms. Collins continued with the presentation. Staff will add additional information to slide 39, which compares FPPA plans to its peers. Chair Nuanes thanked the Budget Committee and staff for their work.

Chair Nuanes moved up the agenda item on Sheriff Office participation in FPPA to follow the break, since the Sheriffs scheduled to attend were present.

At 8:25 a.m., Chair Nuanes called for a break.

Sheriff Office participation in FPPA

At 8:37 a.m., the meeting reconvened. Mr. Lindahl provided summary of the issues that staff is facing in determining who from sheriffs' offices should be included in FPPA plans and who should be excluded.

In order to participate in FPPA, county employees must have "duties (which) are directly involved with the provision of law enforcement or fire protection as certified by the county." FPPA statutes are not specific enough to account for the variation in the personnel roles and administration of each of the state's sheriff offices.

Messrs. Bower and Worrell provided their opinions that sheriff's office employees who have the applicable training or certification and police powers, should be

allowed to participate in FPPA plans. The Board discussed the importance of FPPA's consideration of who is included in FPPA plans. The Board also discussed that administrative staff may have the opportunity to participate in CCOERA and the intent of the FPPA statute may not have been to include administrative staff in FPPA.

The Board and staff determined that the question to be considered by the Board is who is eligible to participate in FPPA plans, not who is considered a peace officer. The Board and staff also discussed the fiduciary duty of the Board to the current members of the plan, which does include growing the plan's membership when appropriate.

Sheriffs Nowlin and Smith provided comment. Sheriff Nowlin explained that deputies may be either POST certified or not POST certified. The Sheriffs believe that all of their employees perform a law enforcement function. In addition, Sheriff Smith pointed out that the county Sheriff departments are the fire wardens for each county, they are responsible for county wild fires. Sheriff Smith explained that his office is funded by the county but that all employment and disciplinary decisions are made within the Sheriff's office.

Mr. Lindahl read the applicable governing language to the Board: "Any employer that covers members under Social Security, including a county that covers salary employees under Social Security whose duties are directly involved with the provision of law enforcement or fire protection as certified by the county."

Sheriff Nowlin confirmed that Montezuma County has already signed a resolution approving its participation in FPPA.

The Board discussed the possibility of too broad authority being given to the counties in determination of who is performing law enforcement, which could lead to that determination being applied too broadly. The Board also discussed whether there could be any impact on actuarial valuations.

Mr. Lindahl will provide a proposal to the Board for discussion and possible for decision at the December Board meeting.

At 9:55 a.m., Sheriffs Nowlin and Smith left the meeting. Chair Nuanes called for a break.

Investment report

At 10:04 a.m., the meeting reconvened and Mr. Simon commenced his presentation of the Investment report. Ms. Hsu and Messrs. Bronson and Martin joined the meeting.

Review of September performance and managers

Mr. Simon provided the economic recap and fund performance for September 2017.

Total Fund performance (net of fees) was +0.95% in September and 10.05% YTD. Implementation benchmark performance was +9.24% YTD. Net Investible Assets for the Total Fund were \$4.7 billion as of September 30, 2017.

Portfolio Update:

- Global Public Equity: Portfolio performance slightly exceeded its benchmark for the month adding to its outperformance YTD. Manager outperformance YTD is partially offset by currency hedging losses. US Small Cap and Driehaus had strong performance for the month. The emerging markets portfolio was slightly down in-line with its benchmark, but still has strong outperformance YTD.
- Equity Long/Short: The portfolio lagged its benchmark for the month but is still outperforming YTD. Hitchwood and Sachem Head were the largest detractors.
- Fixed Income: The portfolio edged its benchmark for the month and YTD. Manulife and Prudential were the largest contributors.
- Managed Futures: The portfolio lagged its benchmark for the month but is closer on a YTD basis. Winton was the only manager for the month which exceeded benchmark performance. Overall the class has still faced a difficult year of performance.
- Absolute Return: The portfolio slightly lagged its benchmark for the month and YTD. Hutchin Hill and Autonomy were detractors.
- Illiquid Alternatives: Some positive performance as the 2Q valuations have been reported. 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.
- Hudson Bay (Absolute Return). Staff approved a \$30M investment in Hudson Bay Cap Structure Arbitrage Enhanced Fund LP. Hudson Bay is \$2.6B multi-strategy hedge fund firm. FPPA will participate in a carve-out of the firm's event-oriented capital structure arbitrage focused on North American corporate convertible debt.

Mr. Simon presented the results of FPPA's participation in the annual CEM survey. The Board discussed the free survey results and determined that the results were not meaningful to FPPA, given the assumptions applied to FPPA in the survey.

Investment Committee Report

Mr. Bomberger updated the Board on the Investment Consultant search. The Investment Committee (IC) will be interviewing consultants this week and next

week. The IC will complete interviews and on-site diligence and will make a recommendation to the Board at the December Board meeting. Mr. Torres recused himself from any discussions on the Investment Consultant search.

Staff Report

Executive Director Report

At 10:29 a.m., Mr. Slack provided an update on the Pension Reform Commission.

Mr. Slack asked the Board if it would like staff to continue to provide the material included in the Staff Report with the Board materials. The Board provided direction to staff on the matter. Staff will be providing information on the administrative approvals and the investment manager meetings/calls list in the Resource Center of Diligent Boards as directed by the Board.

General Counsel Report

At 10:49 a.m., Mr. Lindahl presented the litigation report and asked if any members had questions on the report. A judgment lien was entered against Mr. Dolan, it appears that FPPA is the first lien holder on his home.

Pension Reform Commission

Mr. Lindahl provided an update on the Pension Reform Commission. There was much discussion on disability legislation. All of our proposed bills will be sponsored and introduced in the 2018 legislative session.

Chair's Report

Chair's Report

Mr. Bomberger moved to approve the Resolution honoring Jack Blumenthal. Mr. Bower seconded the motion. The motion passed.

Ms. Feely provided her evaluation of the Public Safety Employees Pension and Benefits Conference and Accredited Fiduciary Program.

Ms. Morgan provided her evaluation of the Public Safety Employees Pension and Benefits Conference.

Mr. Lindahl discussed the matter of a member stating that Mr. Sutherland has a conflict with our hearing officers, as Mr. Sutherland previously had a business relationship with the hearing officers. Staff is now disclosing this business relationship to members before the hearing officer process. The Board discussed how this potential conflict can be best addressed. Staff will propose options to the Board at a future Board meeting.

The appointment of Audit Committee members will take place at a future Board meeting.

At 12:11 a.m., Chair Nuanes declared the meeting adjourned.