

**Fire and Police Pension Association of Colorado
Investment Committee
January 25, 2018**

Agenda

- 11:00 Call to Order
- 11:00 Minutes Approval
October 16, October 26, October 30 and December 5, 2017
- 11:00 Market Update – *Cambridge Associates*
- Cambridge Onboarding Update
- Future Projects and Meeting Calendar
- Incentive Compensation Program
- 1:00 Adjourn

**Fire and Police Pension Association of Colorado
Investment Committee
January 25, 2018**

**FPPA Offices
5290 DTC Pkwy
Greenwood Village, CO 80111**

Investment Committee Members Present: Chair Dave Bomberger, Todd Bower, Tyson Worrell, and Guy Torres.

Other Board Members Present: Karen Frame

Staff Members Present: Dan Slack, Scott Simon (via phone), Kevin Lindahl, Claud Cloete, Dale Martin, Sean Ross, Jessica Hsu, and Karen Moore.

Others Present: Brian M. McDonnell, Global Head of Pension Practice and Managing Director, and Diana Gibson, Managing Director, Cambridge Associates.

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 11:21 a.m., Mr. Bomberger called the meeting to order.

Mr. Torres moved to approve the minutes from the October 16, October 26, October 30 and December 5, 2017, meetings. Mr. Bower seconded the motion. The motion passed.

The Committee approved the minutes from the October 16, October 26, October 30 and December 5, 2017, meetings.

Market Update

Mr. McDonnell presented the Market Update. Q4 ended on a high note with high returns. Japan and European markets outperformed the US market but only due to the impact from the currency translation.

2017 was the first year that ACWI was up every month since its inception. GDP growth forecasts have been positive across the board. This was the first time since the global financial crisis in 2008 that every major economy was growing together.

IT stocks outperformed the broader sector, with a historic run. IT is on the verge of becoming the biggest sector in the global equity markets.

Global equity valuations were elevated, with very elevated US valuations pulling up the average.

Cambridge Onboarding Update

Mr. McDonnell and Ms. Gibson reviewed onboarding status and meetings between staff and Cambridge.

Ms. Gibson reviewed Cambridge's list of Q1 onboarding priorities for the Board's input. Those priorities included: asset-liability study and asset allocation review, Investment Policy Statement refresh (including benchmarking), global equity asset class structure review, small cap implementation, long/short equity review, and 2018 private investment pipeline.

Overall systems onboarding is on schedule. A few, typical access issues through Box and Optica have been, or are currently being, addressed. Marketable and Hedge Fund release letters have been completed. Current marketable investments have been completed in Asset Tracker.

Future Projects and Meeting Calendar

Mr. Simon discussed calendaring future meetings and possibly having the committee meetings prior to the Board meetings. This will be proposed to the Board at the March meeting.

Messrs. Cloete, Martin, and Ross and Ms. Hsu left the meeting.

Incentive Compensation Program

Mr. Simon provided a brief history on the investment staff incentive compensation program and reviewed his observations of the McLagan Incentive Plan Design Study and FPPA's current incentive compensation program.

Some of FPPA's incentive targets are below the peer study. Mr. Simon believes those are still appropriate since, compared to peers included in the study, our plan is smaller and staff is not internally managing stocks and bonds on a day-to-day basis.

Mr. Simon stressed the importance of the program for recruitment but also discussed whether the incentive assists with retention.

Mr. Simon did propose the following changes to the incentive plan:

- Include the performance of the applicable team's asset class performance (along with the total fund performance) in the quantitative component of the incentive.

- Increasing the weight to quantitative measures and reducing the qualitative weight.

Mr. Simon also proposed the committee consider eliminating the deferral or moving to a vesting schedule.

Mr. Simon looked to the committee on whether to include operations staff in the incentive plan. Originally, Mr. Simon did not intend to exclude operations staff from the incentive plan but the Board decided that, since some staff outside of department performed similar duties and were not included in an incentive plan, it was not appropriate. Per the McLagan study, organizations that did include the director of investment operations into their incentive plan tended to be larger companies, with internal management.

Mr. McDonnell and Ms. Gibson provided their opinions on the incentive plan. Mr. McDonnell did agree that the committee will benefit from revisiting the quantitative portion of the incentive plan, including asset class performance. The committee decided to consider the incentive plan in July, subsequent to the actuarial work for 2018 and the upcoming underlying plans review.

At 12:49 p.m., Chair Bomberger declared the meeting adjourned.