

**Fire and Police Pension Association of Colorado
Investment Committee
April 26, 2018**

Agenda

The Investment Committee meeting will commence immediately following the adjournment of the April 26 Board meeting. Times listed below are estimates only. Actual times may vary.

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| 12:00 | Call to Order |
| 12:00 | Minutes Approval – January 25, 2018 |
| 12:00 | Asset Allocation Review
Strategic Class Assumptions
Interim Asset Allocation Targets
Underlying Plans Review Update |
| 1:15 | Investment Policy Statement Observations
Benchmarking |
| 1:45 | Break |
| 2:00 | Global Equity Overview
Active Extension |
| 3:00 | Commitment Pacing / Liquidity Analysis |
| 3:15 | Life Settlements |
| 3:30 | Program Updates
Currency Hedging
Securities Lending |
| 4:00 | Adjourn |
- Future Meeting Topics
- Private Markets Review (June)
 - Long/Short Review (June)
 - Incentive Comp Plan

**Fire and Police Pension Association of Colorado
Investment Committee
April 26, 2018**

FPPA Offices
5290 DTC Pkwy
Greenwood Village, CO 80111

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

Staff Members Present: Dan Slack, Scott Simon, Kevin Lindahl, Austin Cooley, Ben Bronson, Claud Cloete, Dale Martin, Jessica Hsu, Karen Moore, and Sean Ross.

Others Present: Brian M. McDonnell - Global Head of Pension Practice and Managing Director, Diana Gibson - Managing Director, Alex Pekker - Senior Investment Director, and Dwight Keysor - 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 10:03 a.m., Mr. Bomberger called the meeting to order.

Mr. Bower moved to approve the minutes from the January 25, 2018, meeting. Mr. Torres seconded the motion. The motion passed.

Mr. McDonnell introduced Alex Pekker, Senior Investment Director, and Dwight Keysor, Managing Director, Cambridge Associates.

**Asset Allocation Review, Strategic Class Assumptions,
Interim Asset Allocation Targets, Underlying Plans Review Update**

Mr. Simon provided background on previous asset liability studies and reviewed the asset liability timeline.

Mr. Pekker presented the Asset Allocation Study completed by Cambridge, which was a high-level review of the structure of the assets and liabilities of the plans overseen by FPPA. Cambridge will be completing a more comprehensive analysis next year. Cambridge is not recommending any reallocation at this time.

Mr. Cooley reviewed FPPA's interim and long-term targets and Cambridge's expectations. Mr. Cooley distributed a 2018 Capital Markets Expectations/Strategic Class Assumptions handout and reviewed the 10-year strategic class assumptions, comparing FPPA's draft 2018 assumptions with Cambridge's 2018 assumptions. Mr. Cooley explained how the assumptions were derived.

Mr. Slack updated the Committee on the underlying plans review. Staff has been working with GRS to identify risk tolerances and objectives of the underlying plans. Staff and GRS are considering appropriate asset allocations given risk tolerances, including the risk/return profile of Statewide Defined Benefit Plan and potential de-risking of closed plans. This information will be discussed at the June strategic planning meeting.

Investment Policy Statement Observations, Benchmarking

Mr. Simon provided a background the Investment Policy Statement (IPS) and areas of the IPS that can be simplified. Staff is reviewing the benchmarks and working with Cambridge to bring recommendations to the Board at the June Board meeting.

Ms. Gibson reviewed Cambridge's observations on the IPS and highlighted areas for improvement. Ms. Gibson reviewed FPPA's implementation, policy, and reference benchmarks. Ms. Gibson reviewed the purpose, Cambridge's preferred attributes, and different approaches of benchmarks. Ms. Gibson then reviewed FPPA's current policy benchmarks and possible alternatives.

Ms. Gibson discussed hedge fund benchmarking and noted that some of Cambridge's clients evaluate this at a total program level (combining long/short equity and absolute return) rather than by individual component. Cambridge recommended FPPA implement separate benchmarks for each major component of the private markets allocation and provided alternative benchmarks to consider for this purpose. Cambridge will be looking at benchmarks during their review of each asset class in the upcoming year.

Global Equity Overview, Active Extension

At 11:48 a.m., Mr. Cloete joined the meeting and Mr. Bronson presented the FPPA Global Equity (GPE) Annual Review. Mr. Bronson presented the equity research findings, portfolio management framework goals and guidelines, next steps and potential actions.

Mr. Bronson presented on Active Extension (AE), defining the term, reviewing the theory and portfolio function, and reviewing considerations and historical issues. Mr. McDonnell and Ms. Gibson provided their experience with AE. Mr. Bronson highlighted the following preferences to AE: the differentiated alpha engine, breadth of underlying investment universe, short forecasting and alpha liability, portfolio construction expertise, robust infrastructure, and live data and track record.

The Committee discussed AE and what further steps are needed. Mr. Slack provided the Internal Investment Committee's insight. Staff will bring an AE manager to present to the Committee for more education.

Commitment Pacing/Liquidity Analysis

At 1:18 a.m., Mr. Simon provided an intro into commitment pacing. Mr. Martin

presented the 2018 Commitment Pacing Recommendation, reviewing the annual process, analysis, and recommended \$250-350 million pacing plan.

Mr. Bower moved to approve the \$250-350 million 2018 Commitment Pacing Plan. Mr. Worrell seconded the motion. The motion passed.

Life Settlements

At 1:30 p.m., Mr. Cloete presented on BroadRiver III, L.P. and life settlements investments. Mr. Keysor provided his confidence with this particular manager. The manager is very thoughtful in its due-diligence of policies prior to purchase. The Committee expressed comfort in the increased regulation of life settlements and vetting that has been completed.

Program Updates

At 1:52 p.m., Mr. Bryant presented the program updates, highlighting foreign exchange currency exposures, our current currency hedging approach, and the actual performance compared to the passive hedge benchmark. The following, related program changes have been made to currency hedging: 1) Addition of private markets currency exposures to the overlay program, 2) diversification of currency overlay managers, 3) removal of the BNP Paribas notional limit of \$750 million, managing overlays based on the actual exposures that are reset monthly or quarterly, and 4) moving currency overlays to the total fund consolidation for reporting purposes.

Mr. Bryant provided background on securities lending and presented the following program changes: 1) Re-engaged BNY Mellon for securities lending, targeting an average volume-on-loan of \$225 million and annual net revenue of \$700,000, 2) acceptance of non-cash collateral in addition to cash collateral, 3) limiting credit risk exposure through dual indemnifications: borrower indemnification and term repurchase indemnification, 4) limiting market risk exposure on cash collateral reinvestment guidelines: term repos with no more than 190-day maturity and term repos with more than 7 days maturity must be less than 40% of the total portfolio, and 5) restricting non-cash collateral to specific classifications: equity security baskets, OECD government debt obligations, and investment grade corporate bonds.

Mr. Simon reviewed future meeting topics.

At 2:07 p.m., Chair Bomberger declared the meeting adjourned.