INVESTMENT POLICY STATEMENT

OF THE

FIRE AND POLICE MEMBERS' BENEFIT INVESTMENT FUND

July 24, 2017

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PURPOSE OF THIS DOCUMENT

The Fire and Police Pension Association of Colorado (FPPA) establishes this Investment Policy Statement ("IPS") to govern the investment program of the Fire and Police Members' Benefit Investment Fund (the "Fund" or "Total Fund"). This IPS is intended to be consistent with the statutory authority granted to the Board of Directors (the Board) in governing the Fund.

STATUTORY AUTHORITY

FPPA was established in 1980 by the Colorado legislature under Section 31-31-101 of the Colorado Revised Statutes (C.R.S.) to administer a statewide multiple-employer public employee retirement system.

As described in Section 31-31-302, C.R.S., a principal responsibility of the Board is the administration of the Fund. The Fund consists of the assets of the Statewide Defined Benefit Plan, Statewide Death and Disability Plan, the defined benefit component of the Statewide Hybrid Plan, deferred retirement option plan assets (other than self-directed assets), affiliated local government defined benefit plans, and affiliated volunteer firefighter pension plans.

The Board is the trustee of the Fund, and in exercising its full and discretionary authority with respect to the management and investment of fund assets, the Board is governed by the standards and other provisions for trustees set forth in the Colorado Uniform Prudent Investor Act, Section 15-1-101 et seq., C.R.S.

The Board employs staff to fulfill the responsibilities entrusted to it, including an Executive Director (ED), Chief Investment Officer (CIO), General Counsel (GC), Chief Benefits Officer (CBO), Chief Operations Officer (COO), and other support personnel as deemed necessary. In addition, the Board hires outside professional advisors and service providers as required or needed.

ROLES AND RESPONSIBILITIES

Board of Directors: The Board bears the ultimate fiduciary responsibility for the investment of the Fund assets. The Board establishes and maintains investment policies and objectives as set forth herein, approves the Fund investment allocation policy targets, risk tolerance, and the allocation of resources to support the investment program. The Board oversees the implementation of the investment program and relies upon the diligence and recommendations of the CIO, supported as necessary by the diligence of consultants, or the Board delegates those implementation functions to the CIO or an Investment Consultant. The Board ensures compliance with these investment policies and objectives of the Fund and in doing so relies upon reports and recommendations from the FPPA staff, the Board Investment Committee (IC), or the General Consultant to the Board (General Consultant).

Executive Director: The ED is selected by and is accountable to the Board. The Board has given the ED broad authority for planning, organizing, overseeing, and administering the assets of the Fund under policy guidance from the Board. The ED executes all investment related documents. If the ED is unavailable in a timely manner, others delegated that authority by the Board may execute investment contracts.

Chief Investment Officer: The CIO is selected by and accountable to the ED, yet has a direct line of communication with the Board and the IC regarding investment-related issues. The CIO is primarily responsible for the overall design and implementation of the investment program, including portfolio construction and manager selection, within the scope of authority granted by the Board. The Board has delegated authority to the CIO to approve investment manager selection and termination decisions consistent with the investment policies approved by the Board, and subject to concurrence by the Internal Investment Committee. Other responsibilities of the CIO include ongoing monitoring of the investments, oversight of Fund service providers, and keeping the Board, the IC, and the ED apprised of all investment activities and other situations which merit their attention. The Investment Staff supports and is accountable to the CIO.

Internal Investment Committee (IIC): The Internal Investment Committee is composed of the Executive Director (who shall be the chair), the General Counsel, the Chief Investment Officer, the Risk Officer, the Director of Illiquid Alternatives, the Director of Liquid Strategies, and the Director of Asset Allocation and Research. The IIC must concur in all investment manager hires and terminations. In addition, the IIC will generally review staff investment-related recommendations to the Board or its Investment Committee.

Board's Investment Committee: The IC is composed of up to four members of the Board. The IC assists the Board in monitoring the implementation of the investment program and ensuring compliance with the investment policies and objectives of the Fund. The IC will review and concur on the appropriateness of portfolio construction recommendations made by the CIO. The IC will provide regular updates to the Board.

General Consultant to the Board: The General Consultant is selected by the Board to be an independent and unbiased source of investment information and advice. The General Consultant assists the Board in determining policies and objectives for the investment program, monitoring the implementation of the investment program and ensuring compliance with the investment policies and objectives. The General Consultant regularly attends and provides input at the Board and IC meetings. The General Consultant acts as a fiduciary to FPPA.

Investment Consultants to the FPPA Staff: Investment Consultants to the Staff are recommended by the CIO and retained by the Board. The General Consultant can also be an Investment Consultant. The Investment Consultants provide non-discretionary advice for specific investment classes, including guidance on portfolio construction, manager due diligence and the monitoring of existing exposures.

They may also provide administrative support. The FPPA Staff works collaboratively with these consultants on implementing the Board's investment policies and objectives. Investment Consultants provide concurrence opinions on manager recommendations, concurring that the process utilized in making the recommendation was reasonable and prudent. To the extent feasible or appropriate, retained consultants act as fiduciaries to the Board and FPPA.

INVESTMENT OBJECTIVES AND BENCHMARKS

The Board, in developing long-term investment objectives, investment class allocations, and investment guidelines, recognizes that the Fund includes the assets of several different benefit plans, all having a different liability structure. The overall objective of the Fund is to prudently manage the investment needs of all plans participating in the Fund, recognizing that all plans participate in one commingled investment pool.

Over the long-term[1], the performance objective of the Total Fund is to achieve a compound nominal rate of return of 7.5%, net of Fund investment expenses. Consistent with the current actuarial assumptions adopted by the Board, this equates to a 5.0% real investment rate of return. The Board expects the objectives to be fulfilled within the levels of risk that a prudent investor, as defined by statute, would take under similar conditions.

Fund performance (net of fees) is measured against the sum of relevant benchmark returns of each investment class (as may be adjusted for inherent risks within each investment class) multiplied by their target allocation. The General Consultant will verify the appropriateness of the recommended benchmarks. FPPA utilizes the following benchmark framework:

- *Policy Benchmark:* utilized to measure long-term performance relative to the aspirational expectations of each investment class. Investment class benchmarks are specified in Appendix A.

- *Implementation Benchmark:* utilized to measure shorter-term performance relative to implementation decisions of the Investment Staff. These benchmarks are assigned to each investment and weighted by their actual allocation on a monthly basis.

- *Reference Benchmark:* utilized to measure long-term performance relative to a passive and investible portfolio established by the risk tolerance of the Board. The benchmark is weighted 55% to the MSCI ACWI IMI with USA (Gross) Index and 45% to the Barclays U.S. Aggregate Bond Index.

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[1] For guidance, long-term performance can be measured over an investment cycle or typically every 5-7 years.

INVESTMENT ALLOCATION POLICY

Asset/Liability Study: The Board will conduct an asset/liability study as needed but at a minimum every three years. The purpose of the study is to develop appropriate investment allocation targets and ranges which are generally 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. The Board will consider the collective liabilities of all plans in determining a single investment allocation policy for the Fund. The Board relies upon analyses and recommendations from the ED, the CIO, the General Consultant, FPPA's actuary, and any other expert opinion that it determines is advisable. Through this process, the Board may adopt short-term Investment Allocation Policy Targets and Policy Ranges reflecting constraints in implementing these allocations over time.

Portfolio Construction: The CIO recommends the portfolio construction of each investment class. Portfolio construction includes, but is not limited to, target allocations to underlying investment strategies, appropriate performance and risk expectations, commitment pacing, benchmarks and broad investment guidelines for each investment class and any underlying investment strategy. Portfolio construction recommendations must be consistent with the underlying risk and return assumptions used in the asset/liability study framework, the policy allocation ranges established by the Board, and this IPS. The CIO may use the resources of the Investment Staff, the IIC, Investment Consultants, General Consultant, external managers, and any other expert opinion that is advisable in developing these recommendations. The scope of portfolio construction recommendations are verified by the General Consultant. Portfolio construction is reviewed by the IIC and IC through periodic or annual investment class reviews. The IC will concur on the appropriateness of portfolio construction recommendations made by the CIO.

On June 9, 2017, upon the completion of an asset/liability study, the Board adopted the following investment allocation policy targets and ranges:

Investment Class	**Long Term Target**	**Policy Target**	**Policy Range**
Global Public Equity	33.0%	37.0%	+/- 3%
Long/Short Equity	7.0%	9.0%	+/- 3%
Fixed Income	15.0%	15.0%	10%-17%
Absolute Return	9.0%	9.0%	+/- 2%
Managed Futures	4.0%	4.0%	+/- 2%
Strategic Cash	2.0%	2.0%	0.5-3%
Illiquid Alternatives	30.0%	24.0%	+/- 5%

RISK MANAGEMENT

The Board uses an asset/liability study as its primary process to establish the overall risk tolerance for the Fund. In establishing investment allocation policy targets and ranges, the Board considers the historical and expected risks and correlations of investment classes in creating a portfolio which reduces risk through investment diversification. The Board reviews these investment class risk assumptions through the asset/liability study process. The General Consultant also reviews its investment market risk metrics report with the Board on a quarterly basis.

The portfolio construction process further reduces risk through the diversification of investments by strategy, geography and by investment manager. Allocations to investment managers are further diversified by the underlying security-level investments. Through the portfolio construction and manager selection process, the Investment Staff develops quantitative and qualitative risk expectations for the Total Fund, each investment class, and each investment manager. The Investment Staff measures and analyzes these investment risks relative to expectations.

Risk analyses may include, but are not limited to:

a. *Holdings-Based Risk Analyses.* For equity strategies: measuring exposures to industry and sectors, capitalization, countries, financial ratios. For debt strategies; measuring exposures to industry and sectors, duration, yield, coupon, maturity, term spreads and credit quality. For all strategies; compliance with investment guidelines, trading execution risks, leverage, currency, use of derivatives, and counterparty exposures. Holdings-based analyses may produce different investment class allocations relative to measuring allocations at the manager level.

b. *Performance-Based Risk Analyses.* Short-term and long-term performance relative to applicable benchmarks, performance attribution, standard deviation, tracking error, information ratio, Sharpe Ratio, style analyses and peer comparisons.

c. *Qualitative Risk Analyses.* Investment strategy viability under current market conditions, investment process consistency, firm profitability, assets under management growth, product diversification, employee retention and compensation, regulatory and legal risks, client retention and composition, conflicts of interest, compliance with contractual terms and conditions, transparency, reporting, and client service.

d. *Liquidity Analyses.* Liquidity of individual investments and the Total Fund, simulated liquidity conditions under market stresses, and contingency plans under stress scenarios. Liquidity analyses include measuring potential margin requirements for derivative instruments and unfunded obligations for partnership investments.

The Investment Staff also uses factor analyses to measure investment class exposures to broad market risks, including, but not limited to, equity risk premiums, interest rate spreads, credit, liquidity, inflation, beta and alpha exposures, and volatility. The Investment Staff uses these risk analyses in the portfolio construction process and the manager selection and retention processes. Risk exposures are considered in rebalancing transactions and any recommended hedging transactions.

The Investment Staff reconciles security holdings, valuations, and performance between the Fund's investment managers and its custodian bank. Any significant discrepancies are reported to the Board. Any adjustments to valuations as required by accounting rules are disclosed to the Board.

PORTFOLIO REBALANCING POLICY

The Investment Staff monitors the Fund's investment exposures relative to target allocations and ranges on a daily basis. An investment exposure which falls outside of its respective policy range requires the CIO to produce a rebalancing analysis and recommendation. The analysis weighs the risks of the allocation deviations relative to the following considerations in the timing and magnitude of any rebalancing recommendation:

a. costs of rebalancing (direct and indirect trading costs);
b. liquidity of the traded exposures (at both the security and investment vehicle level);
c. market volatility;
d. portfolio construction goals and constraints;
e. manager exposure, specific risks or transaction restrictions;
f. Total Fund liquidity needs (future benefit payments, capital calls, etc.);
g. risk management analyses;
h. the availability of short-term or long-term passive investment vehicles; and
i. the preference to rebalance half-way back to target allocations.

In monitoring the considerations above, the CIO will have the authority to effectuate a rebalancing recommendation with the obligation to report the details of any transactions to the Board at its next meeting.

The conclusion of a rebalancing analysis may result in a recommendation of no action. A no-action recommendation must be accompanied with an anticipated plan and timeframe where the deviation from the asset allocation guidelines will be brought back into compliance.

The Investment Staff uses an Exposure Manager to invest non-strategic cash and effectuate automatic short-term overlay transactions via the use of derivatives contracts. Leverage may be used to create gross exposures up to 6% of the Total Fund while maintaining a net exposure of zero. Deviations from the automatic rebalancing program or the use of net leverage must be approved by the IC. The retention of an Exposure Manager is governed by the manager selection and review criteria.

The Investment Staff may use one or more Currency Managers to manage foreign currency risks across the Total Fund. Currency Managers may employ net leverage through derivative contracts within the market and credit risk limits proposed by Investment Staff and approved by the Board. Derivative contracts may include Forwards, Futures, Swaps, and Options. In some cases, management of foreign currency exposure may include net short U.S. Dollar positions and cross-currency positions. The retention of a Currency Manager is governed by the manager selection and review criteria.

For significant changes to the Fund's investment allocation or investment manager lineup, the Investment Staff may use a Transition Manager to develop and oversee the rebalancing implementation. The retention of a Transition Manager is governed by the manager selection and review criteria.

INVESTMENT LIMITATIONS

Investment limitations for each investment class and investment vehicle are developed through the portfolio construction, manager selection, and manager retention processes and are unique to the performance and risk expectations of the investment class and investment manager.

FPPA uses multiple professional investment management firms to implement the investment program. One common investment structure is a separate account structure, where the underlying security investments are held in the Fund's name at FPPA's custodial bank. Under a separate account structure, FPPA and the investment management firm enter into a form of an investment management agreement which details FPPA's specific expectations of the relationship, including the investment objectives, appropriate benchmarks, expected risks, authority of the manager, investment restrictions, fees, as well as other governance conditions.

A variety of other investment structures are used, depending on the nature of a particular investment strategy. Allowable structures include, but are not limited to, commingled funds, mutual funds, partnerships, limited liability companies, trusts, and funds-of-funds. Assets may be held by an external custodian who is selected and monitored by the external manager or general partner. These other investment vehicles will have their own governing documents.

Each investment's governing documents may detail any limitations as to the investment manager's use of particular securities in gaining or hedging market exposure. In addition to traditional common stock and fixed income securities, investment managers may use derivative instruments including, but not limited to, futures, forward contracts, swaps, structured notes, and options. Additional allowable investments include, but are not limited to, exchange-traded funds (ETFs), American Depository Receipts (ADRs), warrants, rights, convertible bonds, and preferred stock. Leverage, shorting, and currency hedges may be utilized in the implementation of investment strategies in accordance with each manager's specific governing documents.

In lieu of a separate account or fund structure with an investment manager, FPPA may utilize Total Return Swaps to implement strategic allocations. Exposures obtained via Total Return Swaps will be fully collateralized and thus not create leverage at the Total Fund level. Swap exposure with a single counterparty is limited to 5% of the Total Fund. The IC reviews and must concur that the process used in recommending swap exposure is in compliance with Board policies. Details of executed swap exposure will be reported at a subsequent Board meeting

MANAGER SELECTION

The Investment Staff may initiate investment manager research. The Investment Staff conducts or oversees the search process, but may delegate specific responsibilities of the due diligence process to an Investment Consultant. The Investment Staff has the flexibility to develop a universe of investment manager candidates through any combination of the following processes or resources: a formal request for proposals (RFP), a request for information (RFI), manager databases, placement agents, or references from other institutional investors, consultants, or managers. The Investment Staff develops selection criteria unique to the desired investment mandate to evaluate the qualifications of the investment manager candidates. The objective is to narrow the field to a few firms to conduct more in-depth diligence, including direct discussions with the manager, reference calls, background checks and site visits. The Investment Staff will regularly update the IC regarding investment manager research activity.

Factors considered in developing selection criteria and in conducting investment manager due diligence may include, but are not limited to:

a. investment strategy sustainability and process consistency;
b. uniqueness of the investment strategy and process relative to industry peers and existing FPPA investment managers;
c. attribution of past performance;
d. experience and backgrounds of the investment professionals;
e. firm issues: years in business, ownership structure, assets under management growth, product diversification, employee retention and compensation, firm profitability, reputation, regulatory and legal actions;
f. conflicts of interest, including specific disclosure requirements pertaining to arrangements whereby third parties, including placement agents, would benefit from FPPA's investment with the investment manager;
g. client composition and retention;
h. reporting, transparency and client service;
i. environmental, social and governance issues; and
j. management fees and other expenses.

The manager selection process includes a legal review of the manager's governing documents by the General Counsel or external legal counsel, as determined by the

General Counsel, to ensure they are consistent with the expectations of the relationship and FPPA policies. Related to appropriate partnership investments, FPPA endorses the *ILPA Private Equity Principles*.

Upon the completion of diligence, a formal written investment recommendation is prepared detailing the factors considered in recommending the investment manager and summarizing the decision-making process. The IIC will review and must concur in investment recommendations. The investment recommendation must be supported by a concurrence opinion from an Investment Consultant that the process utilized in making the recommendation was reasonable and prudent. The CIO has delegated authority to approve investment manager selection recommendations.

Consultant and Service Provider Selection Process

The above manager selection process and criteria is applied to the selection of Investment Consultants and other related investment service providers. The Board, the Investment Committee, the ED, or the CIO may initiate a recommendation to conduct a search and develop the selection criteria. The ED and the CIO will conduct the due diligence process on firms and make a recommendation to the Board for approval. The IC must review and concur that the process used in making the recommendation complies with this IPS. Recommendations require Board approval.

MANAGER REVIEW AND RETENTION

Liquid Strategies (generally those managers with investment vehicles exhibiting liquidity constraints less than 1 year)

Upon the selection of an investment manager, the Investment Staff will be responsible for developing unique performance and risk expectations specific to that manager and consistent with the manager selection process, portfolio construction of the investment class and the IPS (see Risk Management section for example expectations). The Investment Staff will review these expectations with each manager at a minimum on an annual basis. The Investment Staff will monitor each manager's performance and risk expectations (both quantitative and qualitative) to develop a single manager classification (acceptable, staff concern, heightened alert). Quantitative measures will be updated on a monthly basis. Qualitative measures will be updated on a quarterly basis. The Investment Staff will take the following actions with respect to the varying classification levels.

a. *Acceptable:* No action required. Continue to monitor the manager per normal processes.

b. *Staff Concern:* The Investment Staff will conduct conference calls with the manager on a regular basis to discuss their investment portfolio. The Investment Staff will provide periodic updates to the IIC. This process will include setting a time frame for the manager to reasonably correct the Investment Staff's concerns.

c. *Heightened Alert:* The IIC and the IC will be notified as soon as possible in the case of a heightened alert. The Investment Staff will conduct a full review of the manager concluding with a recommendation of whether to retain the manager.

Minimum monitoring requirements for these managers include reviewing manager reports and correspondence, conducting quarterly conference calls and periodic on-site visits. The Investment Staff prepares reports summarizing conference calls, on-site visits and compliance reviews.

The Investment Staff may initiate a recommendation to terminate a manager. The recommendation should detail the rationale for the termination along with a plan for the timing and target of the redemption proceeds. The IIC will review and concur in termination recommendations. The CIO has delegated authority to approve investment manager termination recommendations.

A similar review and retention process is used for the Investment Consultants and Service Providers.

Illiquid Alternatives (generally those managers with multi-year investment vehicles exhibiting liquidity constraints greater than 1 year)

Upon the selection of an investment manager, the Investment Staff or Investment Consultant is responsible for developing unique performance and risk expectations specific to that manager consistent with the manager selection process, portfolio construction of the investment class, and this IPS (see the Risk Management section for example expectations).

On an annual basis, Investment Staff categorizes these managers into "Legacy" or "Current". Current managers tend to be newer relationships or those managers where the Investment Staff would likely consider participating in the manager's next fund. Legacy managers conversely tend to be older relationships or those managers where the Investment Staff does not anticipate participating in the manager's next fund.

For Current relationships, minimum monitoring requirements for these managers include reviewing manager reports and correspondence, conducting periodic conference calls and on-site visits. For Legacy relationships, minimum monitoring requirements for these managers include reviewing manager reports and correspondence. Conference calls and any on-site visits occur as needed, but with less frequency than for the Current managers. Monitoring requirements may be delegated to or completed concurrently with an Investment Consultant on a per manager basis.

The Investment Staff will periodically review the Illiquid Alternatives portfolio for potential transactions in the secondary market. The Investment Staff may utilize the secondary market as a portfolio management tool to monetize older positions, refine core manager relationships, reallocate portfolio exposures and opportunistically acquire exposures and relationships. The Investment Staff will provide the IC with regular updates throughout any secondary market transaction.

INDIVIDUAL SECURITIES

Primarily through stock distributions, manager terminations and the securities lending portfolio, circumstances arise where FPPA will gain ownership of individual securities without external manager oversight. The CIO will prudently liquidate individual securities upon reasonable research with regard to the price and liquidity of the securities. The CIO has discretion to liquidate exposures of up to and including $10 million. The IC must concur in liquidating exposures above $10 million or, if circumstances warrant, the purchase of individual securities in any amount.

REPORTING

The Investment Staff, Investment Consultants or General Consultant will provide the Board with the following reports and analyses as already detailed throughout this IPS:

a. periodic asset/liability study
b. annual investment class and portfolio construction reviews
c. valuation adjustments (as needed)
d. rebalancing analyses (as needed)
e. annual commitment pacing plan
f. monthly manager reviews
g. Sudan divestment compliance reports
h. annual proxy voting report
i. annual class action claims report
j. annual ethics and conflicts disclosure
k. annual review of this IPS

The Investment Staff, Investment Consultants or General Consultant will provide the Board with the additional following reports and analyses:

a. monthly investment report: economic and market summary, performance of the Fund and individual managers, investment allocation and risk exposures, updates on manager specific issues, informational articles.

b. quarterly report: performance attribution, risk reporting, investment class overviews.

c. Comprehensive Annual Financial Report: financial statements, management discussion, GFOA disclosure requirements.

d. website updates: appropriate performance and exposure reports posted to the FPPA website.

e. cost assessment of the Fund – fees for investment managers, consultants, custodians, Investment Staff and systems.

f. educational sessions – individual and group sessions as needed.

SUDAN DIVESTMENT POLICY

Pursuant to HB 07-1184, enacted by the Colorado General Assembly during the 2007 legislative session, Colorado public pension plans, including FPPA, must take specific action to identify and divest holdings in companies with active business operations in Sudan. The legislation also requires that plans maintain communication with companies having inactive business operations in the Sudan.

The following procedures are used to ensure compliance with this legislative mandate:

a. Identification of scrutinized companies. As permitted by the legislation, FPPA selects research firms or organizations that offer services related to the screening of companies that have business operations in the Sudan, in order to identify "scrutinized companies" as defined in the legislation. Staff conducts a search for such firms as needed and makes a recommendation to the Board. The Board relies on the information and work product obtained from such firms to compile and update a scrutinized companies list as required by the legislation.

b. Engagement. Staff determines and advises the Board of companies on the scrutinized companies list in which the Fund owns direct or indirect holdings. Staff prepares and sends written notices to such companies as prescribed in the legislation.

c. Divestment. If a company, after 90 days following notice by FPPA, continues to have scrutinized active business operations, staff will:

    1. Notify separate account managers directly holding securities of such companies in FPPA's account that they must sell or redeem such securities within the time prescribed by the legislation.

2. Request managers of actively managed commingled funds in which the Fund is invested to consider removing such companies from the fund or create a similar actively managed fund which does not include holdings in such companies. In the event a similar fund is created, staff will review the fund and make a recommendation to the Board regarding investment in the similar fund, consistent with prudent investment standards.

3. Follow the same procedure in paragraph 2 above with respect to passively managed commingled funds in which the Fund is invested. However, if the passively managed fund does not divest or create a similar fund within the time permitted by the legislation, staff will conduct a search for an alternative fund which is in compliance with the legislation and will recommend such fund to the Board for approval.

4. Staff will annually notify its other alternatives managers to avoid participation in securitized companies with active business operations in Sudan and not to undertake investments that would constitute such operations. Due diligence on any new alternatives funds includes criteria to prevent investment in any fund where the offering memorandum or prospectus identifies the purpose of the fund as investing in scrutinized companies with active business operations in Sudan.

d. Reporting. Staff prepares reports as required by the legislation and files copies with all agencies identified in the legislation. Staff submits copies of such reports to the Board.

SECURITIES LENDING POLICY

Securities lending involves the lending of equity and fixed income securities held in the Fund to qualified borrowers who provide collateral (usually in the form of cash or cash equivalents) in exchange for the right to use the securities. Incremental income is generated through the investment of the collateral during the loan period. FPPA contracts with a securities lending agent(s) to manage and administer the securities lending program, including the investment of cash collateral. The selection and monitoring of a securities lending agent(s) is governed by the manager selection and review criteria. The Investment Staff is responsible for developing unique performance and risk expectations specific for the securities lending agent, including collateral requirements and guidelines for the investment of the cash collateral.

PROXY VOTING POLICY

The Board exercises its proxy voting authority, either directly or through other parties to whom it has delegated responsibility for voting proxies, according to its judgment of FPPA's best financial interest.

The Board delegates proxy voting to a proxy voting agent and adopts the desired proxy voting guidelines of the agent. The Investment Staff monitors the Fund's proxy voting activity to ensure votes are cast in a manner consistent with the proxy voting guidelines. Annually, the Investment Staff reviews the proxy voting guidelines for appropriateness and reports to the Board any material additions or changes.

To the extent that the proxy voting guidelines do not address a particular issue, the Board delegates to the CIO the authority to direct the agent on such issues, with the direction to maximize shareholder value for the benefit of the Fund's ultimate beneficiaries. Analysis and judgment should be exercised as circumstances dictate.

CLASS ACTION CLAIMS

From time to time, class action lawsuits are brought against public companies, their directors, or their officers for alleged violations of federal and state securities laws relating to various disclosure obligations and, in many cases, other breaches of fiduciary or other duties. As a fiduciary, the Board believes it is important that FPPA file claims in class action cases where it is a member of the class certified in the case.

FPPA has contracted with its custodian bank to assist it with researching and filing class action claims on behalf of the Fund. Investment Staff reviews the custodian bank's monthly reports showing the status of claims filed on behalf of FPPA. In the case of a denied claim, Investment Staff researches the situation. Staff prepares an annual report summarizing the status of claims reviewed and filed by the bank.

The Board has separately adopted a Securities Litigation Policy which addresses the circumstances under which FPPA would consider seeking lead plaintiff status in class action or other securities litigation cases. That policy is attached as Appendix B.

ETHICS POLICY AND CONFLICTS DISCLOSURE

The Board has adopted and maintains an appropriate ethics policy governing the behavior of Staff and Board members in their interaction with investment management firms, consultants, and others having an interest in the investment or operation of the Fund. The Board requires timely disclosure of any conflicts or potential conflicts of interest by Staff and Board members.

The Investment Staff complies with a Personal Trading Policy which prohibits the use of material nonpublic information. The policy includes a quarterly disclosure of personal investment transactions and an annual attestation to compliance with the policy. The Personal Trading Policy is attached as Appendix C.

The Investment Staff is further governed by the *CFA Institute Code of Ethics and Standards of Professional Conduct*.

ANNUAL REVIEW AND EXCEPTIONS

The Staff reviews this IPS annually and makes specific recommendations as to any amendments the Board should consider. The Board may consider other changes presented by Staff at any time in response to changed circumstances, legal requirements, or the need for clarification. The ED or the CIO may similarly request that the Board grant a temporary exception to this IPS.

The Staff, with the concurrence of the IC, may authorize changes in a manager's investment guidelines or authorize a temporary exception to this IPS. The Staff will notify the Board at its next meeting if such changes are implemented.

Appendix A: Investment Class Portfolio Construction and Guidelines

Global Public Equity: Global public equity investments will be diversified across market capitalization, investment styles and geography, including exposure to domestic equity, international developed equity and emerging markets equity. Investments can be made in specific sectors of the overall market (for example, but not limited to, technology, energy or real estate investment trusts). Investment managers may be utilized with a global focus or for specific regional or country exposures. Non-U.S. investments will include exposure to non-dollar currency risks and returns. The public equity portfolio will contain predominantly long-only strategies, but portfolio construction may include complementary exposure to low volatility and hedged equity strategies.

> *Performance/Risk Objective:* Over the long-term, the aggregate public equity portfolio is expected to exceed the performance of a broadly diversified global equity index, net of fees, while maintaining a similar risk profile. Secondarily, performance is expected to exceed a blended mix of appropriate sub-indices.
>
> *Policy Benchmark:* MSCI ACWI IMI with USA (Gross) Index.
>
> *Active/Passive:* Allocations may be active or passive.

Long/Short Equity: This is a portfolio of Long/Short equity hedge funds. The portfolio may invest in a global opportunity set of funds which may include geographic or sector specialists, activist, and event-driven managers. In general, these funds will predominately invest in equity securities but may invest in credit or distressed securities on a limited basis.

> *Performance/Risk Objective:* Over the long-term, the Long/Short equity portfolio is expected to approximate the performance of a broadly diversified global equity index, net of fees, while pursuing a lower risk profile. Secondarily, performance is expected to exceed a blended mix of appropriate sub-indices.
>
> *Policy Benchmark:* MSCI ACWI IMI with USA (Gross) Index.
>
> *Active/Passive:* Allocations will be within active strategies.

Fixed Income: Fixed income is designed to provide a source of current income, capital preservation and to reduce overall Total Fund risk. Fixed income investments may include government securities, agencies, mortgage-backed securities, asset-backed securities, investment grade and high yield corporate securities, bank loans, collateralized loan obligations, convertible bonds, currencies and derivatives. Exposures may include domestic, international, and emerging markets strategies.

Performance/Risk Objective: Over the long-term, the aggregate fixed income portfolio is expected to exceed the performance of a broadly diversified fixed income index, net of fees, while maintaining a similar risk profile. Secondarily, performance is expected to exceed a blended mix of appropriate sub-indices.

Policy Benchmark: Barclays Capital US Aggregate Bond Index.

Active/Passive: Allocations may be active or passive.

Absolute Return: The absolute return class will target a total rate of return. The portfolio is expected to suffer infrequent losses accompanied by quick recoveries. Strategies within the absolute return class may include hedge fund exposures to global macro, commodities, long/short equity, relative value, arbitrage strategies, event-driven, currency and multi-strategies.

Performance/Risk Objective: Over the long-term, the aggregate absolute return portfolio will target a 4% hurdle above cash, while maintaining a similar risk profile to hedge fund market indices. Secondarily, performance is expected to exceed a blended mix of appropriate sub-indices.

Policy Benchmark: Three-month T-Bills plus 4%.

Active/Passive: Allocations may be active or passive.

Managed Futures: The managed futures class will target a total rate of return and low correlation to traditional asset classes over a market cycle. The portfolio is expected to be volatile and may suffer periods of drawdown. However, these drawdowns should be uncorrelated to the Total Fund. It is expected the managed futures allocation will partially mitigate Total Fund drawdown risk. Managed futures strategies utilize systematic models to capitalize on market movements. Strategies trade in a multitude of markets of bonds, commodities, currency, and equities. Securities traded are primarily futures contracts with a limited use of OTC trades, swaps, and options.

Performance/Risk Objective: Over the long-term, the aggregate managed futures portfolio is expected to exceed the performance of a broadly diversified managed futures index, net of fees, while maintaining a similar risk profile.

Policy Benchmark: Barclays BTOP 50 Index.

Active/Passive: Allocations may be active or passive.

Cash: The cash portfolio is expected to be the primary source of liquidity to fund operational expenses (primarily benefit payments) and short-term investment needs (capital calls, margin requirements). While maintaining appropriate reserves, cash exposures will seek appropriate returns commensurate with other available daily liquidity income investment options. The Investment Staff may use an Exposure Manager to invest non-strategic cash to gain market exposure via the use of derivatives contracts.

Performance/Risk Objective: Over the long-term, the cash portfolio performance is expected to exceed benchmark returns with only minimal additional risk while maintaining a high degree of liquidity.

Policy Benchmark: Three-month T-Bills.

Active/Passive: Allocations may be active or passive.

Illiquid Alternatives: Illiquid alternatives exposures are expected to generate high returns. FPPA will typically obtain exposure to strategies by investing through private limited partnerships, separate account and other similar long-term vehicles. Given the additional illiquidity risks, a premium return over commensurate public strategies is expected. While comprised primarily of private capital exposure, the illiquid alternatives portfolio will provide diversifying exposure through other strategies including but not limited to, real estate and real assets strategies.

Private Capital: Private capital includes equity strategies such as corporate buyout (large, middle market, small), growth capital, venture capital (early stage, late stage), turnaround, special situation, and secondaries amongst others. Private capital includes debt strategies such as direct lending, mezzanine, distressed, and structured credit amongst others.

Real Estate: Real estate strategies include core, value add, opportunistic, and credit amongst others.

Real Assets: Real assets strategies include energy resources, timber, infrastructure, metals & minerals, and agriculture amongst others.

Performance/Risk Objective: Over the long-term, the aggregate illiquid alternatives portfolio is expected to exceed the performance of a broadly diversified global equity index, net of fees. Secondarily, the sub-strategies should have commensurate performance and risks of appropriate peer universe benchmarks.

Policy Benchmark: MSCI ACWI IMI with USA (Gross) Index plus 200 basis points.

Active/Passive: Allocations will be within active strategies.

FIRE AND POLICE PENSION ASSOCIATION
Securities Litigation Policy

The FIRE AND POLICE PENSION ASSOCIATION of Colorado adopts this policy to establish procedures and guidelines for monitoring securities class action lawsuits and participating in such class actions when appropriate to protect FPPA's interests.

Introduction & Purpose

Under the federal Private Securities Litigation Reform Act of 1995, federal courts are required to appoint one or more members of the putative class to serve as the lead plaintiff(s) in securities class action lawsuits. *See 15* U.S.C. **§** 78u-4(a)(3)(B). The Act provides a rebuttable presumption that the lead plaintiff is to be the investor with the largest financial interest in the relief sought by the lawsuit who also desires to serve as the lead plaintiff. *See* 15 U.S.C. **§** 78u-4(a)(3)(B)(iii). Typically, this means that those investors with the largest holdings in the defendant issuer's stock have the right to serve as the lead plaintiff.

Since enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders—particularly institutional shareholders—has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. A fund may have a fiduciary duty to pursue claims involving alleged wrongdoing in which that fund has an investment. By assuming lead plaintiff status, the fund is in a position to insure that any proposed settlements actually benefit the investment in the issuers by the fund and maximize damages for the violation. It may also be in a position to reduce fees paid to attorneys from any settlement, thereby resulting in more return to the investors. Additionally, the fund may be able to influence the terms of any settlement to include changes in management or policies of the issuer that will benefit the fund through better corporate governance.

One of FPPA's objectives in participating in class action securities litigation is to monitor, research and potentially pursue claims against responsible individuals with recoverable assets or insurance within the corporation, responsible third-party professionals who advised the corporation or the directors and officers coverage held by the corporation. Where FPPA is a long-term shareholder, the object of the FPPA's role in litigation will be primarily to improve the situation through communications with management as a shareholder and to seek corporate governance changes rather than sue to merely obtain monetary damages. FPPA does not desire to seek lead plaintiff status, and in some cases where FPPA maintains a large continuing position may, due to a potential conflict between vigorous pursuit of the company and protecting and enhancing the value of our retained holdings, take a passive role or withdraw its support from the class.

Background

In carrying out its fiduciary duties to prudently invest and manage the assets of FPPA**,** FPPA invests in the stock of various public companies. From time to time, class action lawsuits are brought against these companies, their directors, and/or their officers for alleged violations of federal and state securities laws relating to various disclosure obligations and, in many cases, other breaches of fiduciary or other duties. As a shareholder, FPPA is a putative member of the alleged classes (as are most or all of the other shareholders).

In most securities class action lawsuits, several other investors, including many institutional investors with substantially greater investment portfolios than the F, hold more shares in the defendant issuer than FPPA holds and, thus, have a larger financial interest in the relief sought. Accordingly, in most such lawsuits, an investor other than FPPA will have the right to serve as the lead plaintiff. Regardless, FPPA may find itself in a position to assume lead or co-lead plaintiff status and therefore, FPPA has established procedures regarding its interests in class action lawsuits.

FPPA's Procedures

Review of Class Action Filings

The LAW FIRM was selected, after an extensive RFP process and Board approval, to serve as the FPPA's securities litigation counsel, and subsequently entered into a Legal Services Agreement with FPPA to provide the following services:

The firm shall monitor and review the filing of class actions and, if FPPA is a member of the class, determine whether the case would be meritorious and worthy of further investigation.

The firm shall report its findings to FPPA's legal staff with a recommendation as to whether the FPPA should actively monitor the case or seek lead plaintiff status. The legal staff shall consult with both the investments staff and the Chief Executive Officer should a case reach the level of active participation by FPPA.

The firm shall provide information and analysis to assist the FPPA in evaluating options for managing the FPPA's interest in securities matters, as requested.

The firm acknowledges that it acts in a fiduciary capacity toward FPPA when its members render legal services and advice.

Authorization to File Suit

Upon the recommendation of outside counsel, and FPPA staff's concurrence, that FPPA should seek lead or co-lead plaintiff status in a particular class action, the Chief Executive Officer will request the Board's authorization to proceed at the next regularly scheduled meeting. The Chief Executive Officer will schedule a telephone Board meeting if necessary to meet the filing deadline.

Reports to the Board

The legal staff shall provide the Board of Directors with status reports on cases in which FPPA has been granted lead or co-lead plaintiff status to keep the Board appraised of major developments.

FPPA's Policy

Based on the foregoing, it is FPPA's general policy not to actively seek or accept designation as lead or co-lead plaintiff in private securities class action litigation except in those instances where FPPA has a substantial financial interest and designation as lead or co-lead plaintiff is determined to be in the best interest of FPPA.

Approved the 28th day of May, 2003.

FIRE AND POLICE PENSION ASSOCIATION

Edward Lujan, Jr.
Chairman

Fire and Police Pension Association of Colorado
Personal Trading Policy

As guided by the *CFA Institute Code of Ethics and Standards of Professional Conduct*, the FPPA Investment Staff are: prohibited from making personal investments which give rise to actual or potential conflicts of interest with FPPA; prohibited from acting, or causing others to act, on material nonpublic information; and prohibited from prioritizing personal transactions over investment activities of FPPA.

On a quarterly basis, each Investment Staff member will affirm compliance with this policy and disclose all Reportable Personal Investment Transactions for: any personal accounts; any accounts owned by a spouse, domestic partner, minor children or other dependents; and any accounts for which the Investment Staff member has any discretionary investment control.

Reportable Personal Investment Transactions include transactions in common or preferred stocks of companies, public or private; bonds of companies, public or private; derivative instruments directly related to companies; and real estate transactions other than a principal residence. Non-reportable personal investment transactions include mutual funds, exchange traded funds, U.S. Treasuries and Agencies, money market instruments, and municipal bonds.

By acknowledging below, I affirm compliance with the FPPA Personal Trading Policy.

For the Quarter ending ____________________:

I conducted the following Reportable Personal Investment Transactions (statements attached) _______.

I did not conduct any Reportable Personal Investment Transactions _______.

________________________________ ___________________
Signature Date