

**INVESTMENT POLICY STATEMENT
OF THE
FIRE AND POLICE MEMBERS' SELF-DIRECTED INVESTMENT FUND**

May 11, 2017

Table of Contents

PURPOSE OF THIS DOCUMENT.....	3
STATUTORY AUTHORITY	3
ROLES AND RESPONSIBILITIES	3
OBJECTIVES AND INVESTMENT STRUCTURE.....	5
INVESTMENT OPTION SELECTION.....	6
INVESTMENT OPTION MONITORING AND RETENTION	7
PARTICIPANT COMMUNICAITON	8
COORDINATION WITH PLAN DOCUMENT	9
REPORTING.....	9
ETHICS POLICY AND CONFLICTS DISCLOSURE.....	9
ANNUAL REVIEW AND EXCEPTIONS.....	9

PURPOSE OF THIS DOCUMENT

The Fire and Police Pension Association of Colorado ("FPPA") establishes this Investment Policy Statement ("IPS") to govern the investments of the Fire and Police Members' Self-Directed Investment Fund ("the Fund"). The 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 of the C.R.S., a principal responsibility of the FPPA Board of Directors is the administration of the Fund. The Fund consists of the assets of the following plans (the "Plans"): Statewide Money Purchase Plan, Deferred Compensation Plan, Deferred Retirement Option Plans (DROP), Affiliated Local Money Purchase Plans, Separate Retirement Accounts (SRA) and the Money Purchase Component of the Statewide Hybrid Plan. Members of the Plans may direct their employer and employee contributions, as applicable, to one or more of the investment options offered by the Fund.

The Board shall be the trustee of the Fund and in exercising its full and discretionary authority with respect to the administration of the Fund, the Board shall be governed by the standard and other provisions for trustees set forth in the "Colorado Uniform Prudent Investor Act", Section 15-1-101 of the C.R.S. The Plans are intended to operate as tax-qualified employee benefit plans that comply with all applicable federal laws and regulations.

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 as deemed necessary. In addition, the Board is authorized to hire 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 Administration of the Fund. The Board is responsible for establishing, maintaining and ensuring compliance with policies and objectives; approving the budget of revenue and expenses; approving any service providers, including the Fund custodian / record keeper and any consultants; and approving the Fund structure with respect to the investment options available to participants. The Board may rely upon the diligence and recommendations of the Self-Directed Plans Committee (SDPC) and the FPPA Staff, supported as necessary by the diligence of consultants. The Board may properly delegate implementation functions to the SDPC and the FPPA staff.

Self-Directed Plans Committee: The SDPC is responsible for recommending and demonstrating compliance with the policies and objectives set forth in the Fund and Plan's governing documents and by the Board; recommending a budget of revenue, expenses, and administrative fees on an annual basis; evaluating and recommending any service providers including the Fund custodian / record keeper and any consultants; recommending the Fund structure with respect to the investment options available to participants. While the Board approves the Fund structure, the Board has delegated responsibility to the SDPC for selecting, monitoring and terminating investment fund options. The SDPC is responsible for reviewing information provided by the Fund's service providers, consultant and fund managers and to take actions or conduct investigations that are deemed appropriate. The SDPC is responsible for communicating Fund implementation details to the Board on a regular basis.

The SDPC is accountable to the Board. Standing members of the SDPC will include FPPA's ED, CIO, COO, CBO and General Counsel, or their delegates. The ED. may appoint other FPPA staff to the SDPC. The SDPC will meet as needed but at a minimum on a quarterly basis. Minutes of the SDPC minutes will be maintained and distributed to the Board. The SDPC will operate and make decisions by consensus.

FPPA Staff: The FPPA Staff effectuates the decisions of the Board and the SDPC. The FPPA Staff is responsible for the day-to-day administration of the Fund including interacting with the Plans' participants; preparing or reviewing participant communications; working with the Fund's service providers; monitoring and reporting performance for the fund options; and arranging for other Fund services including the fulfillment of an annual audit, compliance and other necessary regulatory filings.

Consultant: The Board may retain a consultant to provide plan structure and investment advisory services to the Fund. Consulting services could include assistance with the development of policies and objectives; evaluating and recommending the Fund's custodian / record keeper; evaluating and recommending an appropriate Fund structure; selecting and monitoring investment fund options; preparing regular Fund reports for the SDPC and the Board; and attendance at SDPC meetings.

Investment Managers: The investment managers are responsible for making investment decisions consistent with the stated investment objectives of the product they manage, as discussed in the product's prospectus.

Custodian / Record Keeper: The custodian / record keeper is responsible for holding and investing the Plan's assets. This service provider is responsible for maintaining and updating participants' individual account balances as well as information regarding plan contributions, withdrawals, and distributions.

OBJECTIVES AND INVESTMENT STRUCTURE

FPPA's objective is to assist participants to maximize their wealth accumulation for retirement. FPPA will continually evaluate the Fund to seek "best in class" investment options, quality education, superior service, at a reasonable cost.

Investment Structure

The Fund will offer a broad range of investment options with differing return and risk characteristics. It is recognized that the Plan's participants have a variety of investment objectives, time horizons, and risk tolerances. Accordingly, participants are responsible for constructing their own individualized portfolios by allocating their account balances among the Plan's designated investment funds. Participants alone bear the risk of investment results from their selection of investment options and asset mixes.

Plan assets shall be invested in vehicles with shares or interests that are readily liquid and that allow for timely payment to participants and beneficiaries. The Plans will generally utilize mutual funds or other "pooled" investment funds as designated investment vehicles (including collective trust funds, insurance company separate account funds and insurance company general account funds).

The Fund will offer at least one option of the following investment strategies and/or structures:

- a. Stable Value or Money Market Fund: to provide safety of principal.
- b. Bond Fund: to provide current income.
- c. Stock Fund: to provide appreciation potential.
- d. Non-U.S.: to provide exposure to stocks and bonds of non-U.S. issuers.
- e. Index Fund: to provide access to low cost passive investment strategies.
- f. Asset Allocation Fund: to provide a single investment option diversified across several asset classes. These investment vehicles may be structured around the participant's retirement age or broad risk tolerance.
- g. Brokerage Window: to provide flexibility for participants to access investment outside the investment options of the Fund.

The SDPC will review the Fund's investment structure as needed, but at a minimum on an annual basis.

Appendix A to this Policy, as updated from time to time, sets forth the designated investment funds offered under the Plan.

Mapping

FPPA will occasionally transition a legacy plan into the Fund. The legacy plan will have the option to transition its existing investment options into similar investment options of the Fund. The SDPC will conduct an analysis of the investment strategy and characteristics of each legacy fund to determine the best fit (“Mapping”) into one of the existing investment options of the Fund. If no reasonable option exists, legacy assets will be mapped into each participant’s default investment option.

Administration Costs

Administration costs and other expenses will be governed by a separate Self-Directed Plans Expense Policy.

INVESTMENT OPTION SELECTION

The initiation of an investment manager search shall originate with a recommendation from the SDPC. The SDPC will establish selection criteria unique to the desired investment mandate and consistent with the approved Investment Structure of the Fund. The Investment Staff will conduct or oversee the search process, but may delegate specific responsibilities of the due diligence process to the Consultant. The search process will include the flexibility to develop a universe of investment manager candidates through any combination of the following processes or resources: a formal request for proposal (RFP), request for information (RFI), manager databases, placement agents, or references from other institutional investors, consultants or managers. The search process will include a grading mechanism, 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, to potentially include direct discussions with the manager, reference calls and site visits.

The evaluation process will consist of both qualitative and quantitative criteria which will 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 investment options
- 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: the due diligence process will include 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. Management fees and trading costs

Upon the completion of diligence, a written investment memorandum is required detailing the factors considered in recommending the investment manager and summarizing the decision-making process. The final recommendation will be communicated to the Board.

Service Provider Selection Process

The above investment option selection process and criteria may be applied to the selection of service providers, including the custodian / record keeper and any consultants. The SDPC would initiate a recommendation to conduct a search and develop the selection criteria. The SDPC would conduct the due diligence process on firms and make a recommendation. Upon the completion of diligence, a written investment memorandum is required detailing the factors considered in the decision-making process. Recommendations would require Board approval.

INVESTMENT OPTION MONITORING AND RETENTION

The SDPC shall monitor the performance of the investment options as needed but at a minimum on a quarterly basis. The investment options will be compared to their benchmark and peer investment strategy group as identified in Appendix A. The SDPC may consider other comparative benchmarks or measures, as it deems appropriate, when evaluating the investment options.

Monitoring criteria will be utilized that are consistent with those used to select the investment options, such as:

- a. *Historical Performance*: short-term and long-term fund performance will be evaluated relative to benchmarks and peer groups. A fund's annualized performance will generally be considered favorable if its returns consistently exceed its benchmark and fall in the upper half of its peer group.
- b. *Risk-adjusted Returns and Volatility*: long-term Sharpe Ratio & Standard Deviation will be evaluated relative to benchmarks and peer groups. A fund's risk-adjusted performance will generally be considered favorable if its Sharpe ratio exceeds its benchmark and falls in the upper half of its peer group. A fund's volatility will generally be considered favorable if it less than its benchmark and falls in the lower half of its peer group.
- c. *Consistency of investment strategies and investment styles/composition*: a fund's style and composition are evaluated based upon how closely these characteristics adhere to its stated investment objective and how stable the characteristics have been historically. Criteria used to evaluate a fund's style traits may include returns-based style analysis, statistics such as r-squared, and portfolio characteristics such as price/earnings ratio and market capitalization.
- d. *Fund management organization stability, experience, and tenure of key personnel*: these qualitative criteria may include significant changes in firm

ownership and/or structure, loss of one or more key personnel, significant loss of clients and/or changes in assets under management.

- e. *Fees and Expenses*: a fund's fees expense should be reasonable for the strategy and relative to peers.

The SDPC will consider participants' utilization of the Plans designated investment funds, along with the factors listed above, in evaluating whether to add, retain, replace, or eliminate Plan investment funds.

The SDPC will encompass each manager's performance and risk expectations (both quantitative and qualitative) into a single "report card". A manager's report card will measure and aggregate these expectations into a single alert level (Pass, Guarded, Watch). Quantitative and qualitative measures will be updated on a quarterly basis. The SDPC will take the following actions with respect to the varying alert levels.

- a. Pass (Satisfactory): no action required. Continue to monitor the manager per normal processes.
- b. Guarded (Moderate Concern): Conference calls with the manager will be conducted on a monthly basis to discuss their investment portfolio. This process will include setting a time frame for the manager to reasonably correct the concerns.
- c. Watch (Significant Concern): The SDPC will be notified as soon as possible in the case of a Watch status alert. A full review of the manager will be conducted, including a site visit, concluding with a recommendation of whether to retain the manager.

The SDPC will take action when they determine the investment option is no longer suitable for the Fund. An initiative to terminate a manager shall originate with a recommendation from the SDPC. The recommendation should detail the rationale for the termination along with the timing and plan to transition assets to another investment option. The final recommendation will be communicated to the Board.

PARTICIPANT COMMUNICAITON

Plan communication will be provided to participants that: (1) includes sufficient information for participants to make informed investment decisions; and (2) informs participants that they control their own investments. In addition, the SDPC or FPPA Staff may arrange to provide investment education to participants from time to time. The Fund's record keeper may provide investment education services to participants as part of its basic contract through, among other means, classes, seminars, video materials, newsletters, web-based communications and interactive computer programs. At the Committee's discretion education/consulting firms may be contracted to provide additional education and planning services.

COORDINATION WITH PLAN DOCUMENT

If any term or condition of this IPS conflicts with any term or condition in the Plan's documents, the terms and conditions of the Plan will control. The SDPC may utilize the services of qualified staff and retain advisors, as it deems appropriate to maintain compliance with terms and conditions of the Plan.

REPORTING

The FPPA Staff, SDPC, Consultant or Service Provider will provide the following reports and analyses:

- a. Monthly Performance Report: performance of the investment options
- b. Quarterly Report: enhanced performance and risk reporting and overall market commentary
- c. SDPC Meeting Minutes
- d. Annual Report: an annual presentation pertaining to the structure, investment options and costs of the Fund
- e. Website Reporting: appropriate performance and exposure reports posted to the FPPA and Board websites
- f. Board Educational Sessions – individual and group sessions as needed

ETHICS POLICY AND CONFLICTS DISCLOSURE

The Board has adopted and will maintain an appropriate ethics policy which governs the behavior of the FPPA 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 also requires timely disclosure of any conflicts or potential conflicts of interest by Staff and Board members in this regard.

ANNUAL REVIEW AND EXCEPTIONS

The SDPC will review the IPS annually and make specific recommendations as to any amendments the Board should consider. The Board may consider other changes presented by the SDPC at any time in response to changed circumstances, legal requirements or the need for clarification. The SDPC may similarly request that the Board grant a temporary exception to the IPS. The Board will be required to approve the IPS.

FPPA Self Directed Plan Investment Options
May 11, 2017

Investment Strategy/Type	Fund	Ticker	Benchmark
US Large Cap Value	American Beacon Large Value Inst.	AADEX	Russell 1000 Value
US Large Cap Growth	Fidelity Growth Company Fund	FGCKX	Russell 1000 Growth
Mid Cap Growth	Artisan Mid Cap Fund	APHMX	Russell Mid-Cap Growth
Mid Cap Value	John Hancock Disciplined Mid Cap Value Fund	JVMRX	Russell Mid-Cap Value
US Small Cap Value	Dreyfus Boston Company Small Cap Value I	STSVX	Russell 2000 Value Index
US Small Cap Growth	Gabelli Small Cap Growth I	GACIX	Russell 2000
Passive All Cap Domestic Index	Vanguard Total Stock Mkt Idx Inst.	VITSX	MSCI Broad Market Index
Global Equity	American Funds New Perspective Fund	RNPGX	MSCI World
International Blend	Harbor International Inst.	HAINX	MSCI ACWI-ex US
International SC (MC-SC Blend)	Franklin Intl Small Cap Growth Fund	FCAPX	MSCI ACWI ex US SC
Emerging Markets	Oppenheimer Developing Markets Fund	ODVIX	MSCI Emerging Markets
Passive Non-US Index	Vanguard Total International Stock Index Func	VTSGX	MSCI ACWI-ex US
Intermediate Bond	Dodge & Cox Income Fund	DODIX	BC US Agg Bond Index
Passive US Int Bond Index	Vanguard Total Bond Market Index Fund	VBPIX	BC US Agg Bond Index
High Yield Bond	Metropolitan West High Yield Bond Fund	MWHIX	BofA ML US HY Master II Index
Global Bond	Templeton Global Bond Fund	FBNRX	BC Global Aggregate TR USD
Stable Value	Wells Fargo Stable Return Fund	QWNYQ	Ryan 3 Year GIC Index
Money Market	Fidelity Institutional Money Market Government	FIGXX	90 T-Bill
Target Date Funds	Vanguard Institutional Target Retirement Income Func	VITRX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2010 Fund	VIRTX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2015 Fund	VITVX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2020 Fund	VITWX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2025 Fund	VRIVX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2030 Fund	VTTWX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2035 Fund	VITFX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2040 Fund	VIRSX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2045 Fund	VITLX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2050 Fund	VRTLX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2055 Fund	VIVLX	Policy Index
Target Date Funds	Vanguard Institutional Target Retirement 2060 Fund	VILVX	Policy Index