

***Fire & Police Pension Association
Board of Directors Meeting Agenda***

July 27, 2017
7:30 a.m.

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

Conflicts disclosure

7:30 a.m. Consent Calendar

- a) Approval of June 7-9, 2017 Board meeting minutes.
- b) Milliken FPD Resolution to Disaffiliate Volunteer Firefighter Pension Plan
- c) Town of LaSalle Old Hire Police Pension Plan amendment.
- d) City of Edgewater Resolution regarding Entry of Police into Defined Benefit System
- e) Town of Bow Mar Old Hire Police Pension Fund request for Idle Funds Distribution (no remaining beneficiaries)
- f) City of Thornton Fire Department Certification of Compliance
- g) City of Thornton Police Department Certification of Compliance
- h) Town of Dillon Partial Entry Resolution

7:35 a.m. Appellate Review Hearing—Russell Benzel

8:15 a.m. Break

8:25 a.m. Appellate Review Hearing—William Wallace

9:10 a.m. Break

9:25 a.m. Legislative Update: End of Session Review. *Kevin Lindahl; Tony Lombard, Bill Clayton, Lombard & Clayton*

9:45 a.m. 2018 Potential Legislation. *Kevin Lindahl*

10:15 a.m. Break

10:30 a.m. Investment report.

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

11:15 a.m. Notice of Rulemaking Hearing. *Kevin Lindahl*

11:30 a.m. Staff reports.

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
 - o FPPA v. Wells Fargo *et al* – Settlement Authority
- c) Colorado Springs New Hire Pension Plans – contribution rates, SRA, COLA. *Kim Collins*

12:15 p.m. Chair's report. *Nick Nuanes, Vice Chair*

- a) Evaluation of Loft Investments Forum. *Nick Nuanes*
- b) Evaluation of Global Future of Retirement Conference. *Jack Blumenthal*
- c) Evaluation of Global Future of Retirement Conference. *Todd Bower*
- d) Items for future discussion.

12:30 p.m. Adjournment

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
July 27, 2017

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

Board Members Present: Vice Chair Nick Nuanes, Jack Blumenthal, Dave Bomberger, Tammy Hitchens, Sue Morgan, Guy Torres, and Todd Bower.

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Scott Simon, Elaine Gorton, Beth Hemenway, Ben Colussy, Mike Sutherland, and Karen Moore.

Others Present: Ryan Lobdell, Pension Consulting Alliance; Russ Benzel; Ryan Sheppard; William Wallace; and John Newsome.

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.

At 7:29 a.m., Vice Chair Nuanes called the meeting to order.

Mr. Benzel and Mr. Sheppard joined the meeting.

Vice Chair Nuanes called for any potential conflicts for discussion. Mr. Bomberger disclosed a potential conflict with the Benzel hearing. Mr. Bomberger's employer, Pinnacol Assurance, was a worker's compensation carrier regarding Mr. Benzel's disability claim. Mr. Bomberger also disclosed a potential conflict with the Wells Fargo litigation case; a named defendant in this litigation is a personal friend's spouse. Mr. Bomberger will recuse himself from the Benzel hearing and any discussions regarding the Wells Fargo litigation.

Mr. Blumenthal and Mr. Torres also disclosed potential conflicts regarding the Wells Fargo litigation and will recuse themselves from any discussions.

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

- a) Approval of June 7-9, 2017 Board meeting minutes.
- b) Milliken FPD Resolution to Disaffiliate Volunteer Firefighter Pension Plan.
- c) Town of LaSalle Old Hire Police Pension Plan amendment.
- d) City of Edgewater Resolution regarding Entry of Police into Defined Benefit System.
- e) Town of Bow Mar Old Hire Police Pension Fund request for Idle Funds Distribution (no remaining beneficiaries).
- f) City of Thornton Fire Department Certification of Compliance.
- g) City of Thornton Police Department Certification of Compliance.

h) Town of Dillon Partial Entry Resolution.

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

At 7:31 a.m., Mr. Bomberger left the meeting.

Appellate Review Hearing—Russell Benzel

Mr. Lindahl reviewed Mr. Benzel's permanent occupational disability benefit case, provided the hearing officer's recommendation, and explained the procedures for the appellate review hearing.

At 7:38 a.m., the hearing commenced. Mr. Benzel presented his argument, objecting to Hearing Officer Kanan's recommendation.

Mr. Colussy joined the hearing.

Mr. Sutherland defended the FPPA Hearing Officer's recommendation, providing the hearing officer's rationale for the recommendation.

Mr. Benzel provided rebuttal to Mr. Sutherland's arguments.

The Board and Staff discussed the decisions available. Mr. Slack presented his opinion, to the Board.

Mr. Bower moved that the Board go into executive session to receive legal advice from Mr. Lindahl regarding procedural issues and the legal options available to the Board, as allowed under C.R.S. Section 24-6-402(4)(b). Ms. Hitchens seconded the motion. The motion passed. In response to the executive session, Mr. Slack, Ms. Collins, Mr. Simon, Ms. Gorton, Ms. Hemenway, Mr. Ben Colussy, Mr. Lobdell, Mr. Benzel, and Mr. Sheppard left the meeting.

At 8:07 a.m., the Board convened into executive session.

At 8:16 a.m., Mr. Blumenthal moved that the Board return to its regular meeting. Vice Chair Nuanes seconded the motion. The motion passed.

At 8:18 a.m., the Board returned to regular session. Mr. Slack, Ms. Collins, Mr. Simon, Ms. Gorton, Ms. Hemenway, Mr. Ben Colussy, Mr. Lobdell, Mr. Benzel, and Mr. Sheppard rejoined the meeting. Vice Chair Nuanes declared that no motions were made and no actions were taken during the executive session.

Vice Chair Nuanes asked for a motion on this hearing. Mr. Torres moved to set aside the written Findings, Conclusions, and Recommendation of Hearing Officer Kanan regarding the matter of Russell Benzel because the written findings are not supported by the evidence. Mr. Bower seconded the motion. In discussion of the motion, Mr. Bower and Mr. Torres asserted that the complete body of evidence that

was considered by the Hearing Officer supports a finding that Mr. Benzel's disabling condition is the result of his work-related injury.

Mr. Torres moved to amend the motion to include the granting of On-Duty status. Mr. Bower seconded the motion. The motion passed. Mr. Benzel was granted On-duty status retroactive to when the benefit began.

At 8:20 a.m., Vice Chair Nuanes concluded the hearing and called for a break. Mr. Benzel and Mr. Sheppard left the meeting.

Appellate Review Hearing—William Wallace

At 8:27 a.m., the meeting reconvened. Mr. Newsome and Mr. Wallace joined the meeting.

Mr. Lindahl reviewed Mr. Wallace's occupational disability benefit case, provided the Hearing Officer's recommendation, and explained the procedures for the appellate review hearing.

Mr. Newsome presented his argument, objecting to Hearing Officer Kanan's recommendation.

Mr. Sutherland defended the FPPA Hearing Officer's recommendation. Mr. Sutherland presented the undisputed facts in this case and argued that the Board should affirm the Hearing Officer's recommendation of off-duty status.

Mr. Newsome provided rebuttal to Mr. Sutherland's argument. Mr. Wallace spoke about his injury.

Mr. Sutherland argued that a denial of on-duty status prevailed when looking at the evidence as a whole and that, per Colorado law, the Board should not substitute its judgment over that of the Hearing Officer when considering medical evidence.

Mr. Newsome argued to the Board that the snow shoveling event was not an isolated event. The injury was in the same location as the previous injury and, as warned by doctors, his back gave out.

The Board asked questions of Mr. Newsome. Vice Chair Nuanes asked for any motions.

Mr. Bower moved to affirm the written Findings, Conclusions, and Recommendation of Hearing Officer Kanan regarding the matter of the William Wallace. Mr. Torres seconded the motion. Mr. Bower commented that, although he sympathizes with the adverse conditions that our members are subject to, he did not see support in the evidence on record to provide for on-duty status.

Vice Chair Nuanes called for a vote. The motion passed. The Board adopted the findings and recommendation of the Hearing Officer that denied on-duty status.

At 8:55 a.m., the hearing was concluded. Vice Chair Nuanes called for a break.

Investment report

At 9:06 a.m., Mr. Lobdell joined the meeting. Mr. Simon commenced his presentation of the Investment report.

Review of June performance and managers

Mr. Simon provided the economic recap and fund performance for June 2017. Total Fund performance (net of fees) was +0.32% in June and 6.45% YTD. Implementation benchmark performance was +5.83% YTD. Net Investible Assets for the Total Fund was \$4.55 billion as of June 30, 2017.

Investment Activity:

- Long/Short Equity Rebalancing. FPPA will redeem \$8 million and \$4 million from AKO and Southpoint, respectively, effective September 30. Both managers have experienced strong relative performance for the year and are currently the largest positions in the long/short equity portfolio. The redemptions will resize the positions and allow for a potential funding of a new manager. Separately, FPPA has elected to move half of its investment in Hitchwood to a quarterly redemption share class from its current annual redemption share class.
- Russell 2000 (US Small Cap Equity). FPPA currently utilizes both futures and swaps to create our approximately \$130 million passive exposure to the Russell 2000. FPPA recently rolled \$30 million exposure into a new 1-year swap at LIBOR -30 bps. The swap market for this contract has seen some compression since we entered into our initial swap (Sept 2016) at LIBOR -76 bps.
- Managed Futures. Staff approved a full redemption (\$28.5 million) from Systematica Blue Trend effective July 31. The redemption is based on portfolio construction considerations. Winton is being further evaluated on recent relative outperformance, its fit within our portfolio and some recent organizational changes. The redemptions will resize positions and allow for a potential funding of a new manager.
- Petroleum Equity – Alpha Petroleum (Real Assets). Staff approved a \$5 million commitment to Alpha Petroleum Holdco, an offshore oil and gas redevelopment asset located in the North Sea. FPPA was given the opportunity to participate through its existing manager relationship, Petroleum Equity.
- Capital Partners (Private Capital). Staff approved an aggregate (fund and co-investment) \$40 million commitment to Capital Partners Private Equity

Income Fund III, L.P., a \$600 million fund that will invest in lower middle market buyout opportunities. This is FPPA's seconding investment with Capital Partners having committed an aggregate \$30 million (fund and co-investment) to Fund II.

The Board and Staff discussed EnerVest Ltd., a private equity firm focused on energy. FPPA's investments in two of their funds are performing poorly given the drop in energy prices combined with the leverage utilized by the funds.

Mr. Simon announced to the Board the following restructure of the Investment Department: Austin Cooley assumed a newly created position of Director of Asset Allocation and Research, Ben Bronson assumed the role of Director of Liquid Strategies, and Jessica Hsu was promoted to Sr. Investment Analyst. To conform with this restructure, the make-up of the Internal Investment Committee, as outlined in the Investment Policy Statement, is proposed for amendment to include the Director of Illiquid Alternatives, the Director of Liquid Strategies, and the Director of Asset Allocation and Research, to the committee.

Mr. Bomberger provided the Investment Committee Report.

Mr. Bomberger moved to approve the Investment Policy Statement amendment that updates the members of the Internal Investment Committee to conform to the Investment Department's restructure. The motion was approved unanimously.

Mr. Lobdell, Pension Consulting Alliance, provided an update on changes at PCA. Mr. Lobdell, along with Neil Rue, will be providing PCA's services, formerly provided by Mr. Lobdell and John Linder. Mr. Lobdell asked for any questions on the July PCA Investment Market Risk Metrics.

Mr. Simon provided an update on the Board investment consultant RFP. The RFP will be released within the next two weeks, which is on track for a year-end discussion. A survey will be sent out to the Board requesting input on what the Board desires from the investment consultant, and it will also provide for other comments or issues to note.

Mr. Simon notified the Board that FPPA received the award of Small Public Plan of the Year from Institutional Investor. The award is determined by nominations and voting by peers and fund managers.

Legislative Update: End of Session Review

Tony Lombard and Bill Clayton, Lombard & Clayton, updated the Board on the past legislative session. Messrs. Lombard and Clayton informed Board of the positive feedback they have received on FPPA's performance from State legislators and inquiries from legislators as to why the legislature is providing oversight of FPPA.

Mr. Lindahl informed the Board that legislative oversight has benefited FPPA by providing an annual platform before both legislative houses and by providing bill sponsorship by oversight committee members with, typically, bi-partisan support.

Mr. Lombard provided an update on Colorado PERA and possible PERA legislation, state legislators up on term-limits, and possible legislative races. Mr. Lombard and the Board also discussed a current campaign to eliminate defined benefit plans.

The Board discussed the pros and cons of oversight, including the potential impact on the plan by political appointments.

At 10:15 a.m., Vice Chair Nuanes called for a break.

2018 Potential Legislation

At 10:28 a.m., the meeting reconvened. Mr. Lindahl presented possible legislation to be proposed by FPPA.

Mr. Lindahl reviewed the first piece of legislation which would allow departments to affiliate with FPPA for all new firefighters and police officers without requiring a vote of existing members and without requiring existing members be given the option of joining FPPA. Mr. Blumenthal requested a list of pros and cons on the legislation.

Mr. Lindahl reviewed the second piece of legislation, regarding health history forms. The legislation would allow staff to collect the form electronically, eliminating a paper form. The Board and staff discussed the matter, including that there are no HIPAA concerns raised by this legislation.

Mr. Lombard and Mr. Clayton do not foresee any opposition to these pieces of legislation. The Board directed Mr. Lindahl to proceed in drafting the potential legislation.

Mr. Lombard and Mr. Clayton left the meeting.

Notice of Rulemaking Hearing

Mr. Lindahl reviewed the requirements for authority to issue the notice of rulemaking hearing and explained the notification process.

Ms. Morgan moved the Board to direct the publication of the Notice of Rulemaking Hearing. Ms. Hitchens seconded the motion. The motion passed unanimously.

Staff Reports

Executive Director Report

Mr. Slack provided an update on the Chief Benefits Officer search. The search firm is interviewing candidates now, and Mr. Slack will meet with the search firm next week.

Staff and GRS are completing an analysis on the value of the reentry process for members in the defined benefit plan.

Mr. Slack updated the Board on the completed office construction that came in under budget. Mr. Slack notified the Board of a flood in the break room, caused by a loose pipe fitting. The insurance adjusters and plumber's insurance adjusters have visited and inspected the damage. The plumber's insurance may be responsible for the damage.

Mr. Slack requested permission to attend the Milken Institute summit in London. Mr. Bomberger moved the Board to approve Mr. Slack's attendance. Mr. Bower seconded that motion. The motion passed.

Mr. Slack notified the Board that he has been nominated to the board of Leave No Trace, a Colorado-based non-profit educational organization geared toward enjoying the environment responsibly. Mr. Slack does not foresee any conflicts with his work for FPPA.

General Counsel Report

Mr. Lindahl presented the litigation report. FPPA received settlement payment in Dolan matter. Mr. Lindahl is working to get the case dismissed with prejudice.

Ms. Hitchens moved the Board to adjourn into executive session and receive legal advice from our Legal Counsel and to discuss FPPA's position relative to negotiations, including the development of strategies and instructing negotiators, regarding the mediation in the Wells Fargo Litigation as allowed under Section 24-6-402(4)(b) and (e) of the Colorado Revised Statutes. Mr. Bower seconded the motion. The motion passed.

In response to the executive session, Mr. Blumenthal, Mr. Torres, Mr. Bomberger, Ms. Gorton, Ms. Hemenway, Mr. Colussy, and Mr. Lobdell left the meeting.

At 10:55 a.m., the Board convened into executive session.

At 11:06 a.m., Ms. Morgan moved to adjourn executive session. Ms. Hitchens seconded that motion. The motion was passed.

Mr. Bower left the meeting.

At 11:08 a.m., the Board reconvened into regular session. Vice Chair Nuanes declared that no motions were made and no actions were taken during the executive session.

Colorado Springs New Hire Pension Plans – contribution rates, SRA, COLA

Ms. Collins discussed the Colorado Springs New Hire Pension Plan for Police Component Contribution Rate. Mr. Bomberger moved the Board to set the Colorado Springs New Hire Pension Plan for Police Component annual required contribution at \$9,479,498, effective January 1, 2018. Of this amount, the members of the plan will contribute 8.0% of basic salary and the employer will remit the remainder. Ms. Morgan seconded the motion. The motion passed.

Ms. Collins discussed the Colorado Springs New Hire Pension Plan for Police Component Stabilization Reserve Account Contribution Rate. Ms. Morgan moved the Board to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Police Component at 0%, effective January 1, 2018, through December 31, 2018. Mr. Torres seconded the motion. The motion passed.

Ms. Collins discussed the Cost-of-Living-Adjustment (COLA) for the Colorado Springs New Hire Pension Plan for Police Component. The average annual CPI-W as of December 31, 2016 was 1.0%. FPPA will implement the COLA for retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Police Component at 1.0%, effective October 1, 2017, through September 30, 2018. No Board action was required.

Ms. Collins discussed the Colorado Springs New Hire Pension Plan for Fire Component Contribution Rate. Ms. Hitchens moved the Board to set the Colorado Springs New Hire Pension Plan for Fire Component contribution at \$4,981,787, effective January 1, 2018. Of this amount, the members of the plan will contribute 10% of basic salary and the employer will remit the remainder. Mr. Bomberger seconded that motion. The motion passed.

Ms. Collins discussed the Colorado Springs New Hire Pension Plan for Fire Component Stabilization Reserve Account Contribution Rate. Mr. Blumenthal moved the Board to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Fire Component at 0%, effective January 1, 2018, through December 31, 2018. Mr. Torres seconded the motion. The motion passed.

Ms. Collins discussed the Cost-of-Living-Adjustment (COLA) for the Colorado Springs New Hire Pension Plan for Fire Component. The average annual CPI-W as of December 31, 2016 was 1.0%. FPPA will implement the COLA for retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Fire Component at 1.0%, effective October 1, 2017, through September 30, 2018. No Board action was required.

Chair's Report

Vice Chair Nuanes thanked everyone for their work on the appellate hearings and provided his evaluation of attendance at The Loft Investors Forum.

Mr. Blumenthal provided his evaluation of attendance at the Global Future of Retirement conference.

At 11:27 a.m., Vice Chair Nuanes declared the meeting adjourned.