

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

April 26, 2018  
7:30 a.m.

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

**7:30 a.m.** Consent Calendar. *Nick Nuanes, Chair*

- a) Approval of March 8, 2018, Board meeting minutes
- b) City of Littleton Police Department Partial Entry Resolution

**7:35 a.m.** Appellate Review Hearing - Kevin Sweet

**8:15 a.m.** Investment report

- a) Review of February and March performance and managers. *Scott Simon*
- b) Sudan Divestment semi-annual review. *Scott Simon*
- c) Investment Committee Report. *David Bomberger, Chair of Investment Committee*

**8:45 a.m.** Break

**9:00 a.m.** Staff report

- a) Executive Director Report. *Dan Slack*
- b) Q1 Board Scorecard. *Dan Slack*
- c) General Counsel Report. *Kevin Lindahl*
- d) Medical Advisor status update. *Chip Weule*

**9:45 a.m.** Canadian Dollar Offered Rate litigation. *Nicole Lavallee, Patrick Egan, Berman Tabacco (executive session)*

**10:30 a.m.** Break

**10:45 a.m.** Chair's report. *Nick Nuanes, Chair*

- a) Investment Committee charter revisions. *Dan Slack*
- b) Discussion of board self-evaluation.
- c) Designated meals.
- d) Items for future discussion.

**11:30 a.m.** Adjournment

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**April 26, 2018**

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

**Board Members Present:** Chair Nick Nuanes, Vice Chair Dave Bomberger, Guy Torres, Karen Frame, Pam Feely, Sue Morgan, Tammy Hitchens, Todd Bower, and Tyson Worrell.

**Staff Members Present:** Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Scott Simon, Elaine Gorton, Mike Sutherland, Austin Cooley, and Karen Moore.

**Others Present:** Brian M. McDonnell, Diana Gibson, and Alex Pekker, Cambridge Associates; Nicole Lavalley and Patrick Egan, Berman Tabacco.

*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., Chair Nuanes called the meeting to order.

**Consent Calendar**

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

- Approval of March 8, 2018, Board meeting minutes
- City of Littleton Police Department Partial Entry Resolution

Ms. Feely moved to approve this Consent Calendar. Mr. Torres seconded the motion. The motion passed.

The Board called Mr. Kevin Sweet as he requested to attend the Appellate Review Hearing via phone, but he was not available. The Board proceeded to the Investment Report.

**Investment Report**

At 7:33 a.m., Mr. McDonnell provided the Cambridge Associates Q1 2018 market update. Q1 equity returns were negative, given volatility in February and March. MLPs declined significantly. Higher interest rates in the US have led to volatility in both stocks and bonds. After historically low volatility in 2017, Q1 saw a spike to more normal levels. Valuations remain high, particularly across US stocks.

At 7:44 a.m., the Board was not able to reach Mr. Sweet, again, so the Board

proceeded with the Investment Report.

Review of February and March performance and managers

Mr. Simon began his presentation on February and March performance and managers.

Total Fund performance (net of fees) was **-0.31% in March** (+0.14% YTD). Performance of the Implementation Benchmark YTD was -0.45%. Net Investible Assets for the Total Fund was \$4.9 billion as of March 31, 2018.

Portfolio Update:

- **Global Public Equity:** The portfolio is outperforming its benchmark on a YTD basis. Positive relative contribution came from our global equity managers, EDHEC and Walter Scott. There was a slight drag in US equity performance given the dedicated exposure to MLPs.
- **Long/Short Equity:** Given the lower beta construct of the class, long/short equity outperformed long only equity. The portfolio lagged its hedge fund benchmark, with the primary detractors being Anchor Bolt and Sachem Head.
- **Fixed Income:** Although performance was negative, the portfolio was ahead of its benchmark YTD, with positive relative contribution coming from Prudential.
- **Managed Futures:** On the heels of strong performance in January, gains were erased over the next two months with a strong reversal of equities and increased volatility. Graham is the biggest detractor YTD.
- **Absolute Return:** The portfolio is off to a good start for the year with strong performance relative to its benchmark. Strong performance from our global macro funds are the largest contributors.
- **Private Markets:** The portfolio had slight positive performance for the month. Performance is expected to be flat as the year-end valuation adjustments roll off. We have now received 4Q 2017 valuations. The long-term policy benchmark of public equity +200 bps has significantly outperformed the portfolio over the last year.

Mr. Simon highlighted the Internal Investment Committee's (IIC) recent commitment approvals: €20M commitment to Incus Capital European Private Credit Fund III, €20M commitment to Three Hills Capital Solutions III, \$25M commitment to Questa Capital Partners I, \$100M notional currency overlay mandate (2% volatility target) with Mesirow Financial Currency Management, and full redemptions from MKP Capital (global macro; \$30.6M) and Arrowgrass Capital (merger arbitrage; \$20.5M).

### Investment Committee

An Investment Committee (IC) meeting will be held following the Board meeting. The IC has a full agenda and will have an update following the IC meeting.

Mr. Simon provided an update on the custodial bank contract with BNY Mellon. The contract was renewed, with a slight reduction in fees for the custodial bank services. In addition to these services, BNY Mellon will be providing securities lending services this year.

### Sudan Divestment semi-annual review

Mr. Simon reviewed FPPA's continued compliance with House Bill 07-1184, requiring all public pension funds in the state of Colorado to divest from companies with active business operations in Sudan.

### **Appellate Review Hearing – Kevin Sweet**

At 7:57 a.m., the Board called Mr. Sweet who joined the meeting via phone. Mr. Lindahl reviewed Mr. Sweet's occupational disability benefit case, presented the Executive Director's recommendation to set aside the Hearing Officer's recommendation, and explained the procedures for the appellate review hearing.

At 8:01 a.m., the hearing commenced. Mr. Sweet presented his argument, objecting to Hearing Officer Tarlar's recommendation.

At 8:04 a.m., Mr. Sutherland presented the Executive Director's recommendation to set aside the FPPA Hearing Officer's recommendation. The Chief Benefits Officer agreed with the Executive Director's recommendation.

Mr. Sweet had no questions.

At 8:05 a.m., Ms. Hitchens moved the Board of Directors to set aside the written Findings, Conclusions, and Recommendation of Hearing Officer Tarler regarding the matter of Kevin Sweet on the grounds that certain written findings are not supported by the evidence and that the recommendation is not supported by applicable law. Ms. Hitchens further moved that the Board adopt the findings and conclusions recommended by the Executive Director in this matter and determine that the monthly base salary to be used in the calculation of his disability benefit include the 3% salary increase awarded as of January 1, 2017. Mr. Bower seconded the motion. The motion passed.

Mr. Sweet had no questions and confirmed understanding of the decision.

At 8:07 a.m., the call was disconnected and the hearing ended.

## Staff Report

### Executive Director Report

At 8:07 a.m., Mr. Slack began the staff report. The Board confirmed that it would like an off-duty sheriff to provide security at the Board strategic planning meeting.

Mr. Slack announced the NCPERS Certificate of Transparency was awarded to FPPA for its participation in the 2017 NCPERS Public Retirement Systems Study.

Staff has been busy working on the June strategic planning meeting and internal and external audits.

### Q1 Board Scorecard

Mr. Slack highlighted Q1 investment returns and reminded the Board that these numbers are unaudited.

Mr. Slack provided the Board with staffing updates. A network security engineer has been hired and will start May 7. The employee engagement survey will go out to staff on May 7.

Mr. Weule will share the plan-specific educational videos online and at on-site visits. FPPA has also reached out to both employers and members for input on the reentry process.

### General Counsel Report

Mr. Lindahl updated the Board on FPPA and PERA legislation. Both of FPPA's bills were signed into law. The Board discussed the proposed PERA legislation.

At 8:24 a.m., Mr. Bomberger moved to enter into executive session to receive legal advice from our Legal Counsel regarding hearing officers, as allowed under section 24-6-402(4)(b) of the Colorado Revised Statutes. Ms. Feely seconded the motion. The motion passed.

Mr. Gibson and Messrs. McDonnell, Pekker, and Sutherland left the meeting. The Board entered into executive session.

At 8:27 a.m., Ms. Feely moved to return to regular session. Mr. Bomberger seconded the motion. That motion passed. The Board returned to its regular meeting. Chair Nuanes declared that no motions were made and no actions were taken during executive session.

Ms. Gibson and Messrs. McDonnell, Pekker, and Sutherland returned to the meeting.

### Medical Advisor status update

Mr. Weule provided an update on the medical advisor search. Staff would like to have two medical advisers so that workflow is not hindered if one medical advisor is unavailable. Staff believes Dr. Annu Ramaswamy and Dr. Douglas Scott are qualified to replace Dr. Henke and serve as co-medical advisors.

Ms. Feely moved the Board to appoint Dr. Annu Ramaswamy and Dr. Douglas Scott as medical advisors to FPPA. Mr. Torres seconded the motion. The motion passed.

### **Chair's Report**

Chair Nuanes reconfirmed the following Board Committee assignments for the record:

The Investment Committee is comprised of Dave Bomberger, Todd Bower, Karen Frame, Guy Torres, and Tyson Worrell. The Audit Committee is comprised of Pam Feely, Tammy Hitchens, and Nick Nuanes. The Budget Committee is comprised of Sue Morgan and Karen Frame.

#### **Investment Committee charter revisions**

Mr. Nuanes highlighted the substantive revisions to the IC charter.

At 8:34 a.m., Mr. Bomberger moved to approve the proposed IC charter revisions. Ms. Feely seconded the motion. The motion passed.

#### **Discussion of board self-evaluation**

Ms. Moore will be distributing the Board self-evaluation survey that will be made available via Survey Monkey.

#### **Designated meals**

Mr. Slack directed the Board to the memo designating dinner meals at the 2018 Board retreat of June 6-8, 2018, as specially designated meals pursuant to the Board's meals policy.

#### **Items for future discussion**

The Board and staff discussed the June meeting agenda. The Investment Committee will meet Wednesday, June 6 in the afternoon. The Board's self-evaluation will be on the agenda for Thursday morning.

At 8:47 a.m., Chair Nuanes called for a break.

### **Canadian Dollar Offered Rate litigation**

At 8:55 a.m., the meeting reconvened. Mr. Cooley joined the meeting.

Nicole Lavallee and Patrick Egan, Berman Tabacco counsel, joined the meeting and introduced themselves.

Ms. Feely moved the Board to adjourn into Executive Session to receive legal advice from our Legal Counsel regarding the Canadian Dollar Offered Rate litigation as allowed under Section 24-6-402(4)(b) of the Colorado Revised Statutes. Ms. Morgan seconded the motion. The motion passed.

Ms. Gibson and Messrs. McDonnell and Pekker left the meeting. The Board entered into executive session.

Ms. Feely moved the Board to return to regular session. Mr. Bomberger seconded the motion. The motion passed.

At 9:40 a.m., the Board returned to regular session. Chair Nuanes declared that no motions were made and no actions were taken.

At 9:43 a.m., Ms. Feely moved to adjourn the meeting. Mr. Bomberger seconded the motion. Chair Nuanes declared the meeting adjourned.