

Fire & Police Pension Association
Board of Directors Meeting Agenda

December 13, 2018
10:00 a.m.

- 10:00 a.m.** Call to Order. *Dave Bomberger, Chair*
- 10:00 a.m.** Consent Calendar. *Dave Bomberger, Chair*
- a) Approval of November 8, 2018, Board meeting minutes.
 - b) South Adams County FPD Old Hire Fire Pension Plan amendment: permanent 3% cost-of-living adjustment effective each January 1st beginning January 1, 2019
- 10:05 a.m.** Closed Plans. *Dan Slack*
- 10:20 a.m.** Cambridge Market Update. *Brian McDonnell, Cambridge Associates*
- 10:35 a.m.** Investment report.
- a) Review of November performance and managers. *Scott Simon*
 - b) Investment Committee Report. *Guy Torres, Chair of Investment Committee*
- 10:50 a.m.** Break
- 11:00 a.m.** Appellate Review Hearing — Matthew Kosak
- 11:15 a.m.** 2018 Budget Approval. *Kim Collins*
- 11:30 a.m.** Wells Fargo Litigation update. *Nicholas Diamand and Lydia Lee, Leif Cabraser Heimann & Bernstein*

11:45 a.m. Break for lunch

12:15 p.m. Staff report.

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Approval of “Board hire” contracts. *Kevin Lindahl & Chip Weule*
 - Medical Advisor
 - Hearing officers
 - AndCo
- d) Other matters

1:00 p.m. Statewide Plans Task Force update. *Todd Bower & Pam Feely, Co-Chairs*

1:15 p.m. Chair’s report. *Dave Bomberger, Chair*

- a) Evaluation of NCPERS Public Safety Conference. *Todd Bower*
- b) Other matters

1:30 p.m. Adjournment.

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
December 13, 2018

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

Board Members Present: 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, Michael Sutherland, Austin Cooley, and Karen Moore.

Others Present: Diana Gibson, Dwight Keysor, Alex Pekker, Cambridge Associates (CA); Nicholas Diamand and Lydia Lee, Leif Cabraser Heimann & Bernstein; and Steven Miller.

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.

Call to Order

At 10:02 a.m., Chair Bomberger called the meeting to order.

Consent Agenda

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

- Approval of November 8, 2018, Board meeting and educational session minutes.
- South Adams County FPD Old Hire Fire Pension Plan amendment: permanent 3% cost-of-living adjustment, effective each January 1st beginning January 1, 2019.

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

Closed Plans

Mr. Slack provided an update on staff, CA, and GRS's work in determining a de-risking strategy for the closed plans. Mr. Slack presented the recommended timeline for the asset allocation study, which has GRS presenting its proposed funding policy at the January Board meeting. The funding policy may require proposed legislation. Staff will propose a communication strategy to the Board at the January meeting.

Mr. Cooley updated the Board on the reallocation issues and tasks that are being considered.

The Board approved staff's recommended timeline:

1. Allocation of closed plans groups 1 and 2 on or after April 1, with implementation on July 1 also being acceptable.
2. The Investment Committee (IC) will meet in February to discuss capital market expectations and asset allocation proposals for closed plans groups 1 and 2.
3. The IC will meet prior to the Board meeting in March, so any recommendations can be made to the full Board prior to April 1.

Cambridge Market Update

Ms. Gibson presented the market update. Markets rallied at the end of November. ACWI, US, emerging markets, and bonds were up. EAFE and oil-related assets fell. Equity performance for the year has still been driven by technology stocks.

After two corrections, global stocks are now down moderately on the year. These types of corrections are relatively normal.

US earnings accelerated from Q1 to Q2 to Q3 due to the tax cuts. However, 2019 earnings per share growth projections are down from 2018.

Investment Report

Review of October performance and managers

At 10:37 a.m., Mr. Simon provided the total fund performance for October 2018. Total Fund performance (net of fees) was **-3.36% in October (+.70% YTD)**. Performance of the Implementation Benchmark is -0.92%. Net Investible Assets for the Total Fund was \$4.9 billion as of October 31, 2018.

Portfolio Update:

- Global Public Equity: portfolio performance was in-line with its benchmark for the month and continues to be ahead YTD. US Equity continues to significantly outperform Non-US equity. Given the strengthening of the US dollar, the currency overlay program continues to add value.
- Long/Short Equity: The portfolio performance was in-line with its benchmark for the month and continues to be ahead YTD. Anchor Bolt is the primary detractor of performance YTD.
- Fixed Income: The portfolio performance was slightly ahead of its benchmark for the month and continues to be ahead YTD. Prudential is the primary contributor YTD.

- Managed Futures: The portfolio performance exceeded its benchmark for the month and YTD. Winton continues to have a solid year of relative performance.
- Absolute Return: The portfolio performance exceeded its benchmark for the month and YTD. Both AQR funds are the primary detractors YTD.
- Private Markets: The portfolio strategies (private capital, real assets and real estate) performed well for the quarter. 3Q implementation benchmarks have yet to be received, but are expected to reduce the magnitude of outperformance.

Mr. Simon updated the Board on asset allocation targets and illiquid alternatives investment commitments.

Investment Committee Report

Mr. Torres updated the Board on the IC's past two meetings. At the November 8 IC meeting, the Committee received an overview of two potential secondary transactions. The Committee directed staff to propose amendments to the Investment Policy Statement (IPS) to make the investment review process of secondary market transactions consistent with the rest of the IPS.

Mr. Torres also updated the Board on the morning's IC meeting, where the Committee discussed real assets (focusing on infrastructure strategies), reviewed the absolute return portfolio, and reviewed the closed plans asset allocation.

Mr. Simon provided an update on recent investment activities and Cambridge's contributions.

At 10:50 a.m., Chair Bomberger called for a break. Ms. Gibson and Messrs. Pekker, Keysor, and Cooley left the meeting.

Appellate Review Hearing – Matthew Kosak

At 11:00 a.m., the meeting reconvened. Mr. Lindahl reviewed Mr. Kosak's disability application case, provided the hearing officer's recommendation on remand, and explained the procedures for the appellate review hearing. Ms. Hitchens, Finance Director of the employer of Mr. Kosak, recused herself from the hearing and left the room. Mr. Kosak did not attend the hearing.

At 11:03 a.m., Ms. Frame moved that the Board go into executive session to receive legal advice from our General Counsel regarding Matthew Kosak's appeal, as allowed under Section 24-6-402(4)(b) of the Colorado Revised Statutes. Mr. Torres seconded the motion. The motion passed. Mr. Sutherland and Ms. Gorton left the meeting.

At 11:05 a.m., the Board convened into executive session.

At 11:21 a.m., Ms. Feely moved that the Board return to its regular meeting. Mr.

Bower seconded the motion. The motion passed. The Board returned to its regular meeting. Chair Bomberger declared that no motions were made and no actions were taken during the executive session.

Mr. Sutherland and Mses. Gorton and Hitchens returned to the meeting.

The Board discussed the Hearing Officer's recommendation upon remand. Mr. Torres moved the Board to affirm the written Findings, Conclusions, and Recommendation on Remand of Hearing Officer Kanan regarding the matter of Matthew Kosak. Ms. Feely seconded the motion. Ms. Hitchens was recused. The motion passed 6-1, with Ms. Frame voting against the Hearing Officer's recommendation.

2019 Budget Approval

At 11:23 a.m., the meeting reconvened. Ms. Collins highlighted the updates made to the 2019 proposed budget since the November presentation.

Ms. Feely moved the Board to approve the 2019 budget, as presented. Ms. Morgan seconded the motion. The motion passed.

Mr. Diamand and Ms. Lee joined the meeting.

Wells Fargo Litigation Update

At 11:31 a.m., Ms. Hitchens moved the Board to adjourn into Executive Session to receive legal advice related to the Wells Fargo litigation as allowed under Section 24-6-402 (4)(b) of the Colorado Revised Statutes. Mr. Bower seconded the motion. The motion passed.

Mr. Torres recused himself and left the meeting. Mr. Miller also left the meeting. The Board entered into executive session.

Ms. Feely moved that the Board return to its regular meeting. Ms. Morgan seconded the motion. The motion passed.

At 11:52 a.m., the Board returned to its regular meeting. Messrs. Miller and Torres returned to the meeting. Chair Bomberger declared that no motions were made and no actions were taken during executive session.

Ms. Feely moved the Board to authorize Kevin B. Lindahl to take actions including settlement of claims on behalf of the Fire and Police Pension Association within the parameters set during the Board's Executive Session. Ms. Hitchens seconded the motion. Chair Bomberger abstained from the vote and Mr. Torres was recused. The motion passed.

Mr. Diamand and Ms. Lee left the meeting.

Staff Report

Executive Director Report

Mr. Slack announced that the 2019 Cambridge Trustees conference will be held on October 21-22 in Boston. Mr. Slack recapped the concepts discussed during staff's leadership dialogue held in November.

Mr. Weule updated the Board on reentry and affiliation and noted the two videos in our 5 Things to Know series, linked in the Executive Staff Memo.

Ms. Collins announced that FPPA will be going live, within the next couple of weeks, with the new member onboarding process in the employer and member account portals.

General Counsel Report

Mr. Lindahl notified the Board that proposed legislation regarding sheriffs exiting CCOERA will be proposed at the upcoming legislative session. FPPA is not directly involved with the legislation.

Ms. Hitchens also noted a related proposed bill to watch.

At 12:03 p.m., Chair Bomberger called for a break for lunch.

Approval of "Board hire" contracts

At 12:30 p.m., the meeting reconvened.

Medical Advisor

Mr. Weule recommended the Board renew the medical advisors' contracts.

Ms. Feely moved the Board to approve the amendments extending the agreements with Dr. Ramaswamy and Dr. Scott as FPPA Medical Advisors. Ms. Morgan seconded the motion. The motion passed.

Ms. Feely moved the Board to approve the amendments extending the agreements appointing Stacey J. Tarler and Thomas L. Kanan as Hearing Officers and to approve the agreements appointing Randie Thomason and Eric Moutz as Hearing Officers. Mr. Torres seconded the motion. The motion passed.

AndCo

Mr. Simon provided an update on the review of investment consultant services for the self-directed plans. Staff is satisfied with AndCo's consulting services in investments and benefits administration.

Statewide Plans Task Force update

Mr. Bower and Ms. Feely provided an update on the Statewide Plans Task Force (Task Force) meetings held on November 19 and 26. The Board discussed possible dates for the January meeting.

Task Force members are not compensated for their time, this is a volunteer position. Ms. Feely moved to approve the reimbursement of reasonable travel expenses for task force members. Ms. Hitchens seconded the motion. The motion passed.

Chair's Report

At 12:48 p.m., Mr. Bower provided an evaluation of the NCPERS Public Safety Conference.

At 12:51 p.m., Chair Bomberger declared the meeting adjourned.