

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

January 25, 2018  
7:30 a.m.

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

- a) Conflicts disclosure

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

- a) Approval of December 14, 2017, Board meeting minutes
- b) Approval of January 10, 2018, Special Board meeting minutes
- c) Approval of Resolution 2018-01 - Posting Notice
- d) Approval of Resolution 2018-02 - Authority of Executive Director
- e) Fountain Police Partial Entry Resolution, requesting coverage under the FPPA Defined Benefit System

**7:35 a.m.** Investment report

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

**8:05 a.m.** 2018 Legislative session preview. *Kevin Lindahl; Tony Lombard and Bill Clayton, Lombard & Clayton.*

**8:50 a.m.** Break

**9:05 a.m.** Staff report

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Discuss potential litigation. *Kevin Lindahl (executive session)*
- d) Conflict of interest form. *Dan Slack*

**9:35 a.m.** Chair's report. *Nick Nuanes, Chair*

- a) Evaluation of Executive Director (**executive session-Board Members only**)
- b) Evaluation of Executive Director (**executive session, including Executive Director**)
- c) Items for future discussion

**10:50 a.m.** Adjournment

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**January 25, 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 (via phone), Elaine Gorton, Ben Bronson, Mike Sutherland, and Karen Moore.

**Others Present:** Brian M. McDonnell, Global Head of Pension Practice and Managing Director, and Diana Gibson, Managing Director, Cambridge Associates; Bill Clayton, Lombard and Clayton; and Sgt. Tracy Thompson, Greenwood Village Police Department.

*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 7:31 a.m., Chair Nuanes called the meeting to order.

Chair Nuanes asked for a moment of silence for the fallen Adams County and Douglas County sheriffs' deputies.

Chair Nuanes introduced new Board member Karen Frame. Ms. Frame discussed her prior professional experience as Chief Compliance Officer at Century Link Investment Management.

Chair Nuanes called for any potential conflicts of interest for discussion.

Mr. Torres disclosed a potential conflict regarding the Wells Fargo litigation and will recuse himself from any related discussions. Mr. Lindahl indicated that there would be no discussion during today's meeting regarding the Wells Fargo litigation that would pose a conflict.

**Consent Calendar**

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

- Approval of December 14, 2017, Board meeting minutes.
- Approval of January 10, 2018, Special Board meeting minutes.
- Approval of Resolution 2018-01 - Posting Notice.

- Approval of Resolution 2018-02 - Authority of Executive Director.
- Fountain Police Partial Entry Resolution, requesting coverage under the FPPA Defined Benefit System.

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

### Investment report

At 7:35 a.m., Mr. Simon commenced his presentation of the Investment report.

#### Review of December performance and managers

Total Fund **preliminary** performance (net of fees) was +0.81% in December and +14.01% YTD. All Implementation Benchmark components were not yet available. Although through November YTD, the Total Fund was exceeding the Implementation Benchmark by 1.21% (13.09% vs. 11.88%). Net Investible Assets for the Total Fund were \$4.8 billion as of December 31, 2017.

Portfolio Update:

- Global Public Equity: The portfolio had a solid year with a slight outperformance of its benchmark. Manager outperformance was partially offset by currency hedging losses. Global, Non-US and Emerging Markets strategies all contributed. US Equity was the only laggard given the inclusion of the MLP exposure along with the underweight to mid-cap equities.
- Long/Short Equity: The portfolio had a solid year with a slight outperformance of its benchmark. Given the lower beta construct of the class, long/short equity significantly lagged the performance of long only public equity.
- Fixed Income: The portfolio had a solid year with a slight outperformance of its benchmark. All managers contributed.
- Managed Futures: The portfolio had a strong December and finish to what was overall a difficult year for the class. Long equities and commodities were the primary contributors for these strategies.
- Absolute Return: The portfolio lagged its implementation benchmark for the year, although was solidly ahead of its policy benchmark.
- Private Markets: While the private capital and real estate portfolios produced solid performance relative to their implementation benchmarks for the year, the overall portfolio lagged given the poor performance of the real assets portfolio. The long-term policy benchmark of public equity +200 bps significantly outperformed the portfolio over the last year.

Mr. Simon reviewed the Internal Investment Committee's (IIC) recent approvals: Commitments in Periscope Equity I, L.P., Energy Innovation Capital I, LP, and BroadRiver III, L.P. The IIC also approved reentering securities lending and engaging BNY Mellon, our custodian bank, for these services. FPPA is negotiating the securities lending services in conjunction with the custodial services contract that will be renewed in February.

### Investment Committee

Mr. Simon updated the board on the Investment Committee (IC). The IC has not met since the last Board meeting. The agenda for today's meeting includes discussing Cambridge onboarding, calendaring meetings, and discussing the confirmatory asset liability study. Cambridge will be running their own assumptions and models in review of our current target allocations.

Mr. Simon highlighted three compliance reports that were included in the meeting materials. No exceptions were found, and there were no necessary policy changes.

Mr. Simon reviewed the illiquid private markets portfolio year-end valuations adjustment.

A post-meeting memorandum regarding the CEM survey has been included in the October 2017 Board meeting materials.

Self-directed Plans' performance for the period ending December 31, 2017, was normal.

### **Staff Report**

Chair Nuanes proceeded to the Staff Report as the meeting was running a few minutes ahead of schedule, and Lombard & Clayton had not yet arrived.

### Executive Director Report

At 8:00 a.m., Mr. Slack updated the Board on the Denver Metro Chamber of Commerce Legislative preview breakfast. Colorado PERA was the very first subject discussed by the executive director of the chamber in her introductory remarks and by the Republican legislative leaders. Based on the remarks made by the Republican and Democratic legislative leaders, it appears there is a large gap to bridge with respect to any pension reform efforts in the Colorado legislature in 2018.

Mr. Slack also mentioned a visit from David Burritt, the President & Chief Executive Officer of United States Steel Corporation, as part of the corporation's investor relations initiative. They discussed their desire for long-term investors such as pension funds and issues related to the management of defined benefit pension plans.

At 8:03 a.m., Mr. Clayton joined the meeting. Mr. Slack continued with the staff report.

Employers have slowly provided the signed 457 deferred compensation multi-employer plan documents. Staff has had to follow-up with the employers to encourage the submission of these documents.

Mr. Slack directed the Board to the Conflict of Interest Disclosure forms included in the meeting materials. Per Board policy, staff and Board members complete the form annually. The Board was asked to provide their completed forms to Ms. Moore.

Mr. Slack highlighted the investment returns section of the 2017 Q3 Board Scorecard.

Mr. Slack directed the Board to the special invitation from Council of Institutional Investors to its board educational program, Pension Fund Trustee Training – Fiduciary Fitness.

Mr. Slack discussed the survey results of the 2017 holiday reception. The Board was in favor of continuing to hold the event on the Friday after the December Board meeting, as opposed to the same day of the December Board meeting, but is in favor of finding another venue.

### **2018 Legislative session preview**

At 8:15 a.m., Mr. Lindahl and Mr. Clayton, Lombard & Clayton, updated the Board on the 2018 legislative session. FPPA's two bills are receiving more scrutiny this year. The reentry bill was passed out of the house by vote of 62-1. The SWD&D bill is receiving more scrutiny. They have spent a lot of time explaining and educating legislators on the differences between FPPA and PERA. Legislators have also discussed including PERA in the Pension Reform Commission hearings.

Mr. Clayton updated the Board on the political climate during this legislative session.

Confirmation appointments of Karen Frame and Sue Morgan to the FPPA Board are scheduled for Wednesday, January 31.

Mr. Clayton left the meeting.

### **Staff Report**

At 8:44 a.m., we returned to the Staff report.

#### **General Counsel Report**

Mr. Lindahl provided his update on FPPA legislation. The SWD&D bill has received

some resistance, but the support of our members and employers has helped. Mr. Lindahl discussed strategy should this bill continue to meet resistance. Staff is preparing to receive the health history forms electronically.

Mr. Lindahl presented the litigation report and provided an update on the Wells Fargo and the Canadian Dollar Rate litigation cases.

At 8:52 a.m., Chair Nuanes called for a break.

#### Discuss potential litigation

At 9:08 a.m., the meeting reconvened, and Mr. Bomberger moved the Board to adjourn into executive session to discuss and receive legal advice from Legal Counsel regarding potential litigation as allowed under Section 24-6-402 (4)(b) of the Colorado Revised Statutes.

Ms. Hitchens seconded the motion. The motion passed. Sgt. Thompson, Messrs. Bronson and Sutherland, and Ms. Gorton left the meeting. The Board convened into executive session.

Mr. Bomberger moved to return to executive session. Ms. Hitchens seconded the motion. The motion passed.

The Board returned to regular session. Chair Nuanes declared that no motions were made and no actions were taken during executive session.

### **Chair's Report**

#### Chair's remarks

Chair Nuanes reminded the Board to complete the conflict of interest forms.

#### Evaluation of Executive Director (executive session - Board Members only)

Ms. Feely moved the Board to adjourn into executive session to discuss personnel matters as allowed under Section 24-6-402 (4)(f) of the Colorado Revised Statutes. Mr. Torres seconded the motion. The motion passed. Messrs. Slack, Lindahl, and Weule; Meses. Collins, Gorton, and Moore; and Sgt. Thompson left the meeting. Mr. Simon was disconnected from the conference call line.

#### Evaluation of Executive Director (executive session, including Executive Director)

Mr. Slack joined the executive session.

Mr. Bomberger moved that the Board exit executive session and return to its regular meeting. Ms. Feely seconded the motion. The motion passed.

The Board returned to regular session. Mr. Lindahl and Meses. Gorton and Moore

rejoined the meeting. Chair Nuanes declared that no action was taken during the executive session and no motions were made.

Mr. Bomberger moved to adjust Mr. Slack's compensation by increasing his salary by 3.5%, to double his automobile and cell phone allowances, to award him 100% of the qualitative portion of his incentive compensation for 2017 performance. As a part of the motion, the percentage of annual incentive compensation was increased to 30% for 2018 forward. Mr. Torres seconded the motion. The motion passed.

At 11:14 a.m., Mr. Nuanes adjourned the meeting.