

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

September 27, 2018  
7:30 a.m.

**7:30 a.m.** Call to Order

**7:35 a.m.** Consent Calendar

- a) Approval of August 30, 2018, Board meeting minutes
- b) Fort Morgan Old Hire Police Pension Plan amendment, ad hoc 2% cost-of-living adjustment effective 1/1/2018 and again on 1/1/2019

**7:40 a.m.** Hearing Regarding Amendments to Rules and Regulations. *Michael Sutherland, FPPA Benefits Counsel*

- a) FPPA Rules and Regulations and Statewide Hybrid Plan Regulations, Resolution No. 2018-05
- b) Statewide Money Purchase Plan Document, Resolution No. 2018-06
- c) Statewide Hybrid Plan Document, Resolution No. 2018-07
- d) Colorado Springs New Hire Pension Plan Rules and Regulations, Resolution No. 2018-08
- e) FPPA Multi-Employer Deferred Compensation Plan, Resolution No. 2018-09

**8:30 a.m.** Break

**8:40 a.m.** Garcia Hamilton. *Gilbert Garcia, CFA, Managing Partner and Portfolio Manager, and Ruby Dang, Director of Marketing and Client Services*

**9:10 a.m.** Cambridge Market Update. *Brian McDonnell, Cambridge Associates*

**9:25 a.m.** Investment report. *Scott Simon*

- a) Review of August performance and managers
- b) Investment Committee Report
- c) Sudan Divestment Compliance

**9:40 a.m.** Actuarial experience study presentation. *Joe Newton and Dana Woolfrey, GRS*

**10:40 a.m.** Break

**10:50 a.m.** Audit Committee Report. *Chair Tammy Hitchens*

- a) Update re September 18 meeting

**11:05 a.m.** Staff report

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Other matters

**11:20 a.m.** Chair's report

- a) Chair's remarks
- b) Other matters

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

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**September 27, 2018**

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

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

**Staff Members Present:** Dan Slack, Chip Weule, Kevin Lindahl, Scott Simon, Mike Sutherland, Gina Witsell, and Karen Moore.

**Others Present:** Holly Faddis, Stevens-Koenig Court Reporting; Brian M. McDonnell and Alex Pekker, Cambridge Associates (CA); Joe Newton and Dana Woolfrey, GRS; and Gilbert Garcia and Ruby Dang, Garcia Hamilton.

*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 Bomberger called the meeting to order.

**Consent Calendar**

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

- Approval of August 30, 2018, Board meeting minutes.
- Fort Morgan Old Hire Police Pension Plan amendment, ad hoc 2% cost-of-living adjustment effective 1/1/2018 and again on 1/1/2019.

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

**Hearing Regarding Amendments to Rules and Regulations**

At 7:30 a.m., Chair Bomberger began the public hearing regarding amendments to the rules and regulations and to the plan documents.

Mr. Sutherland presented the proposed amendments to the rules and regulations and to the plan documents as follows:

- FPPA Rules and Regulations and Statewide Hybrid Plan Regulations, Resolution No. 2018-05.
- Statewide Money Purchase Plan Document, Resolution No. 2018-06.
- Statewide Hybrid Plan Document, Resolution No. 2018-07.

- Colorado Springs New Hire Pension Plan Rules and Regulations, Resolution No. 2018-08.
- FPPA Multi-Employer Deferred Compensation Plan, Resolution No. 2018-09.

Mr. Bower moved to amend the rules to reflect the Deputy Executive Director position in the organization and, in places where authority is granted to the Executive Director, to recognize that if the Executive Director could not act, the Deputy Executive Director would have authority to act in the Executive Director's place. Ms. Feely seconded the motion. The motion passed.

Mr. Sutherland and Mr. Lindahl addressed questions from the Board. Since additional amendments have been approved, time will be allowed for public comment as prescribed by the rules.

Ms. Hitchens moved the Board to amend the proposed rule amendments, as follows: 1) at page 120, paragraph (f)(2), to remove the last sentence of the paragraph that reads: "A Member is deemed to be temporarily acting in a higher rank if the appointment to the rank is anticipated to last less than six months." since this sentence is redundant; and 2) at page 120, paragraph (k), to add "FPPA" to the Defined Benefit System definition. Mr. Bower seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Feely moved the Board to adopt Resolution 2018-05, which sets forth amendments to the FPPA Rules and Regulations and the Statewide Hybrid Plan Regulations, including the amendments made by the Board today. Mr. Bower seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Feely moved the Board to adopt Resolution 2018-06, which sets forth amendments to the Statewide Money Purchase Plan Document. Mr. Nuanes seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Feely moved the Board to adopt Resolution 2018-07, which sets forth amendments to the Statewide Hybrid Plan Document. Ms. Morgan seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Feely moved that the Board adopt Resolution 2018-08, which sets forth amendments to the Colorado Springs New Hire Pension Plan Rules and Regulations. Ms. Hitchens seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Feely moved that the Board adopt Resolution 2018-09, which sets forth amendments to the FPPA Multi-Employer Deferred Compensation Plan. Ms. Morgan seconded the motion. The motion passed.

At 8:32 a.m., Chair Bomberger closed the public hearing and called for a break. Mses. Witsell and Faddis left the meeting.

### **Garcia Hamilton**

At 8:44 a.m., the meeting reconvened. Mses. Hsu and Smith and Messrs. Bronson and Martin joined the meeting. Ms. Hsu introduced Gilbert Garcia and Ruby Dang from Garcia Hamilton, one of FPPA's fixed income managers, who began their presentation.

The presentation ended. Mses. Hsu and Dang and Mr. Garcia left the meeting.

### **Cambridge Market Update**

Mr. McDonnell presented the September 2018 market update. The market saw little change in August in comparison to the rest of the year. Tech stocks did recover in August. Global equity returns were decent. Earnings projections remain strong. Mr. McDonnell highlighted emerging markets currencies and their effect on the market.

### **Investment Report**

#### *Review of August performance and managers*

At 9:32 a.m., Mr. Simon began his presentation on August performance and managers.

Total Fund performance (net of fees) was **+.51% in August (+3.39% YTD)**. Performance of the Implementation Benchmark YTD was +2.86%. Net Investible Assets for the Total Fund was \$5.1 billion as of August 31, 2018.

Portfolio Update:

- Global Public Equity: The 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 exceeded 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 slightly lagged its benchmark for the month and is now behind YTD. Manulife and Prudential were detractors for the month.
- Managed Futures: The portfolio performance lagged its benchmark for the month and is in-line YTD. AHL and Graham are the largest detractors.
- Absolute Return: The portfolio performance lagged its benchmark for the

month and continues to lag YTD. Autonomy Global Macro had a poor month and both AQR funds are the primary detractors YTD.

- Private Markets: The portfolio strategies (private capital, real assets and real estate) are in-line with their benchmarks YTD. The ILPA implementation benchmarks for 2Q are incorporated.

The asset allocation reflects the targets reaffirmed in July 2018. Absolute Return remains slightly underweight. The underweight in Global Equity and overweight to cash was only temporary and corrected upon on the funding of DE Shaw at the beginning of September.

The Internal Investment Committee (IIC) approved a \$70M commitment to BNY Mellon S&P 600 fund, \$70M investment in Kaboutier International SMID-Cap Equity, and \$20M investment in Blue Torch Credit Opportunities Fund.

#### Investment Committee Report

The Investment Committee (IC) will meet following the Board Meeting. Agenda topics include: Emerging Markets, Fixed Income Review, and Closed Plan Review.

#### Sudan Divestment Compliance

FPPA is in compliance with the Sudan Divestment legislation and staff will continue to report on this every six months.

#### Other matters

Mr. Simon explained the review undertaken and considerations made by staff when a manager underperforms.

The Board discussed communications received regarding an investment made by Endeavour Capital, a private equity manager. Mr. Simon indicated that staff is aware of the communication and the Board does not need to provide a formal response.

Ms. Woolfrey and Messrs. Cooley and Newton joined the meeting.

### **Actuarial experience study presentation**

Mr. Newton presented the experience study final recommendations. Return expectations continue to decline and rates of disability are increasing.

GRS recommends FPPA 1) decrease nominal investment return assumption to no more than 7.25% and 2) increase rates of disability for members in defined benefit programs.

A more comprehensive study is currently underway to examine the appropriate asset allocation and funding policy for the old hire plans, but an assumption close to the

6.75% shorter-term expectation is likely the most appropriate.

The Statewide Death & Disability (SWD&D Plan) Plan, Statewide Hybrid Plan, Colorado Springs New Hire Plan, and Volunteers have a longer duration than the Old Hire plans but shorter than Statewide Defined Benefit Plan. Consideration should be given as to whether 7.25% return assumption would be appropriate for these plans, or a lower number.

Mr. Newton and Ms. Woolfrey reviewed the actuarial impact of lowering the assumption to 7.25% and 7.0%.

Ms. Woolfrey highlighted the actuarial experience factors that the Board can consider. GRS recommends adjusting interest rate, salary, and mortality assumptions to reflect funding assumptions adopted by the Board. GRS recommends leaving current risk margins as they are until major variables are confirmed (employer contributions, FPPA plan structure), with the exception of the SWD&D Plan. For the SWD&D Plan, GRS recommends adjusting risk margin concurrent with whatever interest rate change is adopted such that members do not receive increased benefits from the plan.

Based on the recommendations of GRS, Ms. Feely moved the Board to 1) lower the investment return assumption for all plans administered by FPPA to **7.0%** per annum, subject to further study of plans, 2) increase the assumed rate of disability for members in the defined benefit plans, and 3) adopt the additional recommendations regarding changes in assumptions made by GRS. Ms. Morgan seconded the motion. The motion passed.

GRS left the meeting, as did Meses. Smith and Feely and Messrs. Martin, Bronson, and Cooley.

### **Audit Committee Report**

Ms. Hitchens provided an update on the September 18 Audit Committee meeting. The Committee met with Eide Bailly, who had discovered that some of the census data reviewed during the internal audits was dated. As consequence, staff requested updated data from three employers. The Committee reviewed GASB pronouncements and internal audit reports. The Committee also approved the internal audit plan for 2019.

### **Staff Report**

#### *Executive Director Report*

At 11:04 a.m., Mr. Slack asked for input on topics for the November educational session. The Board and staff discussed possible topics.

A slide show from staff's participation in the Colorado 9/11 Memorial Stair Climb was played.

General Counsel Report

At 11:15 am, Ms. Morgan moved the Board to enter into executive session to receive legal advice from legal counsel regarding the Wells Fargo litigation as allowed under section 24-6-402(4)(b) of the Colorado Revised Statutes.

In response to the executive session, Messrs. McDonnell and Torres left the meeting. At 11:16 a.m., the Board convened into executive session.

Mr. Worrell moved that the Board to return to its regular meeting. Mr. Nuanes seconded the motion. The motion passed.

At 11:27 a.m., The Board returned to its regular meeting. Mr. Bomberger declared that no motions were made and no actions were taken during executive session.

Messrs. McDonnell, Pekker, and Torres returned to the meeting.

**Chair's Report**

Chair's remarks

Mr. Bower provided an update on the Statewide Plans Task Force and distributed a handout of possible task force members.

Chair Bomberger thanked staff for listening to his colleague speak about Pinnacol Assurance's foundation that provides scholarships to students whose parents have been injured or killed on-the-job.

Other Business

Ms. Hitchens had questions regarding the employee benefits and salaries listed in the August statement of expense. Mr. Slack will email the Board responses to these questions.

At 11:37 a.m., Chair Bomberger declared the meeting adjourned.