

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

August 29, 2019
7:30 a.m.

- 7:30 a.m.** Call to Order. *Dave Bomberger, Chair*
- 7:35 a.m.** Consent Calendar. *Dave Bomberger, Chair*
- a) Approval of July 25, 2019, Board meeting minutes.
- 7:40 a.m.** Market Update. *Brian McDonnell, Cambridge Associates*
- 8:00 a.m.** Investment report.
- a) Review of July performance and managers. *Ben Bronson*
 - b) Investment Policy Statement changes. *Dan Slack*
- 8:25 a.m.** Proposed 2020 legislation. *Kevin Lindahl*
- 9:30 a.m.** Break
- 9:45 a.m.** Staff reports.
- a) Executive Director Report. *Dan Slack*
 - b) 2Q board scorecard. *Dan Slack*
 - c) General Counsel Report. *Kevin Lindahl*
 - d) Compensation overview and employee engagement survey results.
Elaine Gorton
 - e) Review of volunteer plan affiliation moratorium. *Staff*
- 11:00 a.m.** Break
- 11:15 a.m.** Recommended Investment Return Assumptions for the Glide-Path Pool and the Short-Term Pool. *Joe Newton, GRS Consulting*

11:35 a.m. Statewide Death & Disability Plan funding analysis. *Dana Woolfrey, GRS Consulting*

12:05 p.m. Chair's report. *Dave Bomberger, Chair*

- a) Chair's remarks. *Dave Bomberger*
- b) Proposed 2020 Board meeting dates. *Dan Slack*
- c) Committee appointments, effective September 1. *Dave Bomberger*
- d) Items for future discussion.

12:30 p.m. Adjournment.

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
August 29, 2019

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

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

Staff Members Present: Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Ben Bronson, Elaine Gorton, Karen Moore, Michael Sutherland, and Steven Miller.

Others Present: Bill Clayton, Lombard & Clayton; Brian McDonnell, Cambridge Associates (CA).

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 7:30 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 July 25, 2019, Board meeting minutes.

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

Market Update

Mr. McDonnell presented the market update. Mr. McDonnell highlighted the unsustainable double digit returns prior to August, discussed the deceleration of earnings in the US compared to the rest of the world, reviewed forecasted G4 policy rates, and compared growth versus value.

Investment Report

Review of July performance and managers

At 7:40 a.m., Mr. Bronson provided the total fund performance for July 2019. Total

Fund performance (net of fees) was +0.43% in July (+9.50% YTD). Performance of the Implementation Benchmark YTD was +8.76%. Net Investible Assets for the Total Fund is \$5.4 billion.

Portfolio Update:

- Global Public Equity: The portfolio performance was in line with its benchmark YTD. Managers lagging their benchmarks YTD include Allianz, DE Shaw, Neumeier and Numeric.
- Long-Short Equity: The portfolio performance lagged its benchmark for the month but is solidly ahead YTD. Most managers are outperforming with Hitchwood being the primary detractor. Yiheng (China-specific) had a difficult month.
- Fixed Income: The portfolio performance is slightly lagging its benchmark YTD. Prudential is the primary detractor for underperformance.
- Managed Futures: The portfolio performance is in line with its benchmark YTD. Outperformance of Graham and Key Trend are being offset by underperformance of AHL and Winton. Winton was terminated at the end of May to accommodate the new pool allocations.
- Absolute Return: The portfolio performance is lagging its benchmark YTD. Both AQR strategies are the primary detractors. Aggregate AQR exposure was reduced by \$28 million at the end of June.
- Private Markets: The portfolio strategies (private capital, real assets and real estate) performed well for 2018. YTD relative performance has yet to include 1Q benchmarks.

Investment Committee Report

The Investment Committee (IC) has not met since the last Board meeting. The next IC meeting is scheduled for September 26th.

Investment Policy Statement changes

Mr. Slack presented the amendments to the Investment Policy Statement (IPS) as discussed at the last Board meeting.

At 7:48 a.m., Mr. Bower moved to amend the IPS as presented. Ms. Morgan seconded the motion. The motion passed.

Mr. Slack updated the Board on recent staff changes at our investment consultant, Cambridge Associates. Due to those staff changes, Cambridge has assigned Jill Shaw and Joe Marena to support FPPA's private markets team and liquid strategies team,

respectively. Staff continues to receive strong support from the team at Cambridge assigned to FPPA.

Proposed 2020 Legislation

At 7:53 a.m., Mr. Lindahl presented the proposed 2020 legislation.

Mr. Lindahl reviewed the updates to proposed Bill A as discussed at the previous Board meeting. Per the Board's instructions, the minimum benefit level for rollbacks will remain at 2% in the statutes. The Board and staff discussed the proposed approval required of members and employers for future member contribution rate increases. Ms. Morgan noted a correction that Mr. Lindahl will update on page 67 that referenced the "employer" instead of "employee."

Mr. Lindahl noted that there have been no changes since the previous Board meeting to proposed Bill B that would convert the SRA accounts to defined contribution accounts.

Mr. Lindahl noted that there have been no changes since the previous Board meeting to Bill C that would provide for a normal retirement as early as age 50 if a member's combined years of service and age equals 80, with a corresponding 1% increase to the employer contributions.

Bill D was discussed later in the meeting after GRS' presentation.

Mr. Lindahl noted that there have been no changes since the previous Board meeting to Bill E that would allow the Board to adopt a funding policy for the Old Hire Plan.

Mr. Slack briefed the Board on his discussions with Mike Frainier, Colorado Professional Fire Fighters, regarding the structure of the proposed legislation. The Board, Staff, and Mr. Clayton discussed the benefits of including all the proposed legislation into one or more bills.

At 8:44 a.m., Mr. Bower moved to combine all the proposed legislation into one bill. Mr. Torres seconded the motion. The motion passed.

At 8:44 a.m., Chair Bomberger called for a break. Mr. Clayton left the meeting.

Staff Report

Executive Director Report

At 9:00 a.m., the meeting reconvened and Mr. Slack provided highlights from the staff report. Staff is working on the 2020 budget and updating disaster recovery practices. Mr. Weule provided an update on the August 15 Self-Directed Plans Committee meeting. Ms. Collins provided an update on the Fidelity conference that both she and Mr. Weule attended.

Q2 Board Scorecard

Mr. Slack reviewed the 2Q Board scorecard, noting the flagged targets. FPPA will be seeking legislation to assist in addressing these targets.

General Counsel Report

At 9:10 a.m., Mr. Lindahl provided an update on the Wells Fargo settlement. The final settlement hearing was held on August 1, 2019. We await the final settlement order from the Court.

The appeal filed in the Canadian dollar rate litigation was withdrawn via stipulation and was accepted by the Court. The case is now closed.

Compensation overview and employee engagement survey results

At 9:12 a.m., Ms. Gorton presented the FPPA Compensation Philosophy and 2019 Employee Engagement Survey Results. Ms. Gorton covered FPPA's compensation philosophy and guiding principles, along with comparing staff's compensation to the market, steps to attract and retain top talent, and salary and incentive review.

Review volunteer plan affiliation moratorium

At the July 25, 2019 Board meeting, Vice Chair Feely asked staff to report to the board on the feasibility and desirability of lifting the moratorium on volunteer firefighter pension plan affiliations, implemented in June 2016. Ms. Collins presented the pros and cons in removing the moratorium, as outlined in staff's memo. Staff and Cambridge are reviewing the current allocation of these plans. Currently, these plans are allocated in the long term pool. The Board will reconsider the moratorium after the appropriate allocation of these plans is determined.

Chair Bomberger proceeded to the Chair's report since the meeting was ahead of schedule and the next scheduled presenter was not yet in attendance.

Chair's report

Chair's remarks

Chair Bomberger and Mr. Slack met with Governor Polis's staff and stressed the importance of longevity on the FPPA Board, especially with Mr. Bower and Ms. Feely spearheading the pending proposed 2020 legislation.

Current Board members will continue to serve until any new appointments are made.

Proposed 2020 Board meeting dates

The Board considered the proposed 2020 Board meeting dates. Due to conflicts with the proposed June dates, the Board considered other dates.

Ms. Feely moved to approve the proposed meeting dates with the amendment to schedule the June meeting on June 8 through June 10. Ms. Morgan seconded the motion. The motion passed.

Committee appointments, effective September 1

Chair Bomberger announced committee appointments, effective September 1.

Dave Bomberger, Todd Bower, Karen Frame, Guy Torres, and Tyson Worrell will serve on the Investment Committee (IC). The IC will elect its chair at the September 26 meeting.

Karen Frame, Pam Feely, and Sue Morgan will serve on the Budget Committee, with Ms. Frame as the Chair.

Tammy Hitchens, Dave Bomberger, Karen Frame, and Sue Morgan will serve on the Audit Committee, with Ms. Hitchens as the Chair.

At 10:08 a.m., Chair Bomberger called for a break to allow time for Dana Woolfrey, GRS, to arrive.

**Recommended Investment Return Assumptions
for the Glide-Path Pool and the Short-Term Pool**

At 10:22 a.m., the meeting reconvened, Mr. Newton joined the conference line, and Ms. Woolfrey joined the meeting. Mr. Newton presented GRS' Recommendation for Investment Return Assumption for Glide-path Pool (GPP) and Short-term Pool (STP). Mr. Newton reviewed the current conditions of the pools. Based on the new proposed portfolios and current capital market assumptions, GRS recommends the investment return assumption, and thus the discount rate, for units participating in these pools be set at 6.5% and 4.5% for the GPP and STP, respectively.

Messrs. Bronson and McDonnell concurred with the recommendation.

At 10:29 a.m., Ms. Feely moved that the Board adopt a 4.5% return assumption on the STP and a 6.5% return assumption for the GPP, as recommended by GRS, effective 1/1/2020. Ms. Morgan seconded the motion. The motion passed.

Statewide Death & Disability Plan funding analysis

Ms. Woolfrey presented the GRS analysis on the sufficiency of the State's 1997 lump sum appropriation to the Statewide Death and Disability Plan (SWD&D Plan) based on actual plan experience to date and current assumptions to determine liabilities. The lump sum was expected to provide future benefits for members hired before 1997. GRS' analysis estimates a funding shortfall of \$51 million based on actual experience through January 1, 2019, and using assumptions consistent with the actuarial valuation as of January 1, 2019. This amount will continue to grow with

interest from January 1, 2019. Using 7% interest from this date, the estimated funding shortfall grows to \$54 million as of January 1, 2020 and \$58 million as of January 1, 2021.

Mr. Lindahl reviewed his memo regarding the funding of the SWD&D plan with regard to proposed legislation. Bill D would establish a contribution rate of 3.0% in 2021 for the SWD&D Plan and allow the Board to adjust the contribution rate up to 0.2% every year thereafter. It also seeks state assistance in the amount of the unfunded liability attributable to members who were in the plan prior to January 1, 1997. Mr. Lindahl reviewed the funded status probability under the current funding and proposed legislative funding.

At 10:52 a.m., Mr. Newton disconnected.

Staff answered Ms. Feely's question on the financials.

At 10:54 a.m., Ms. Feely moved to adjourn the meeting. Mr. Bower seconded the motion. The motion passed.

The meeting was adjourned.