

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

January 24, 2019  
7:30 a.m.

**7:30 a.m.** Call to Order. *Dave Bomberger, Chair*

**7:30 a.m.** Consent Calendar. *Dave Bomberger, Chair*

- a) Approval of December 13, 2018, Board meeting minutes
- b) Approval of Resolution 2019-01 - Posting Notice
- c) Approval of Resolution 2019-02 - Authority of Executive Director
- d) Durango Old Hire Fire Pension Plan amendment, ad hoc \$150 per month cost-of-living adjustment effective 1/1/2018
- e) Durango Old Hire Police Pension Plan amendment, ad hoc \$150 per month cost-of-living adjustment effective 1/1/2018

**7:35 a.m.** Cambridge Market Update. *Brian McDonnell, Cambridge Associates*

**7:55 a.m.** Investment report

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

**8:25 a.m.** Break

**8:40 a.m.** 2019 Legislative session preview. *Kevin Lindahl; Tony Lombard and Bill Clayton, Lombard & Clayton*

**9:10 a.m.** Closed Old Hire Plans Funding Proposal. *Joe Newton, GRS Consulting*

**10:15 a.m.** Break

**10:30 a.m.** Staff report

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Conflict of interest form. *Dan Slack*

**11:00 a.m.** Statewide Plans Task Force update. *Todd Bower & Pam Feely, Co-Chairs*

**11:15 a.m.** Chair's report. *Dave Bomberger, 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

**12:15 p.m.** Adjournment

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**January 24, 2019**

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

**Board Members Present:** Chair Dave Bomberger, Karen Frame, Nick Nuanes, Pam Feely (via phone), 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, Steven Miller, Ahni Smith, Austin Cooley, Ben Bronson, and Karen Moore.

**Others Present:** Brian McDonnell, Cambridge Associates (CA); Joe Newton and Dana Woolfrey, GRS Retirement Consulting.

*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 7:31 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 December 13, 2018, Board meeting minutes
- Approval of Resolution 2019-01 - Posting Notice
- Approval of Resolution 2019-02 - Authority of Executive Director
- Durango Old Hire Fire Pension Plan amendment, ad hoc \$150 per month cost-of-living adjustment effective 1/1/2018
- Durango Old Hire Police Pension Plan amendment, ad hoc \$150 per month cost-of-living adjustment effective 1/1/2018

Mr. Bower moved to approve the Consent Calendar with the exception of the December 13, 2018, minutes. Mr. Nuanes seconded the motion. The motion passed.

Ms. Frame moved to amend the December 13, 2018, Board meeting minutes at page 6 to show the count of 6-1 with Ms. Frame voting 'no' on Mr. Torres' motion to the Board to affirm the written Findings, Conclusions, and Recommendation on Remand of Hearing Officer Kanan regarding the matter of Matthew Kosak. Mr. Bower seconded the motion. The motion passed.

## Cambridge Market Update

Mr. McDonnell presented the market update reviewing asset class performance and provided these highlights. 4Q was the worst quarter for risk assets since 3Q 2011. Bonds protected during the quarter. 2018 was the worst year for global equities since 2008, with many regions in bear market territory. However, more than half of the losses were recovered in January. Volatility turned to normal in 2018. While earnings surged, multiples compressed substantially. Global equity valuations improved significantly. After acceleration in 2017 and 2018, growth and earnings are projected to decelerate in 2019. Much of the US EPS deceleration was due to the tax cuts.

## Investment Report

### Review of December performance and managers

At 7:50 a.m., Mr. Simon provided the total fund performance for December 2018. Total Fund performance **(preliminary)** (net of fees) was **-2.09% in December (-0.86% YTD)**. Performance of the Implementation Benchmark YTD is -2.19%. Net Investible Assets **(preliminary)** for the Total Fund was \$4.9 billion as of December 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 reversed its outperformance trend for the year to underperforming Non-US Equity over the past three months. The currency overlay program added significant value for the majority of the year while the dollar appreciated. Hedging has been reduced more recently as the dollar as depreciated.
- Long/Short Equity: The portfolio performance was ahead of 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 under its benchmark for the month to push it below its benchmark YTD. Manulife was the primary detractor.
- Managed Futures: The portfolio performance slightly lagged its benchmark for the month but was in-line YTD. Graham was the primary detractor.
- 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. The year-end alternatives adjustment has yet to be implemented which will also affect relative performance.

### Investment Committee Report

Mr. Simon updated the Board on the last Investment Committee (IC) meeting held on December 13. CA presented on real assets (focusing on infrastructure strategies), staff reviewed the absolute return portfolio, and staff and CA updated the IC on work completed on the closed plans.

At the next IC meeting in February, closed plans asset allocation, capital market assumptions, and commitment pacing of private markets will be reviewed and there will be a presentation on co-investments.

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

Mr. Simon highlighted the annual activity statements for FPPA's proxy voting, class action claims, and brokerage commissions. Staff reviewed these statements and did not recommend any changes to FPPA's policies or service providers in these areas.

At 8:01, Chair Bomberger called for a break.

### **Staff Report**

#### Executive Director Report

Chair Bomberger proceeded to the staff report, since Mr. Lombard had not yet arrived due to the snowstorm. Mr. Slack announced that FPPA was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting. Mr. Slack thanked the staff for all of their work.

Mr. Slack highlighted the annual memo to staff with the contact information of FPPA's internal and external auditors.

Mr. Slack updated the board on Colorado Senate Bill 18-247, a bill on local government medical benefits in work-related deaths that created a board of directors that includes the Colorado State Treasurer, Executive Director of FPPA, and Colorado Director of Public Safety. Mr. Slack has spoken with the State Treasurer who will be scheduling a meeting of the board. The bill mandates the board to facilitate payment of expenses for medical and dental benefits for dependents of firefighters or police officers who become deceased in the line of duty. Mr. Bower suggested Mr. Slack reach out to the 100 Club who has been working for this same cause.

Messrs. Slack and Lindahl attended the Denver Metro Chamber of Commerce 2019 Annual Legislative Conference. Education, transportation and health care were the main topics of discussion.

Conflict of interest forms have been included in the meeting materials. Completion of the forms are an annual requirement of the Board. Please complete and provide to Ms. Moore.

Mr. Weule noted that the step-by-step guide through the FPPA disability process has been added in the information section of the meeting materials at tab 10.3.

### General Counsel Report

Mr. Lindahl provided a legislative update. HB19-1080 would create free park passes and hunting and fishing licensing to our public safety officers who become occupationally disabled. This bill does not directly impact FPPA, but would help some of our membership.

Mr. Lindahl updated the Board on the Wells Fargo settlement and introduced Steven Miller, the new Investment Counsel.

### **Statewide Plans Task Force update**

Mr. Bower and Ms. Feely provided an update on the Statewide Plans Task Force (task force) meeting held January 7. The task force reviewed more detailed plan information and continued to fact find. Task force members will be providing proposed scenarios to staff for the actuaries to run at the February 8 task force meeting. We also plan on discussing the funding mechanism and how Colorado differs from other states in funding public employees' pensions, continue discussing Statewide Defined Benefit Plan, and also take a good look at the Statewide Death and Disability Plan.

As presenters were stuck in traffic, the Board completed their conflict of interest forms.

At 8:51 a.m., Messrs. Newton and Cooley and Meses. Woolfrey and Smith joined the meeting.

### **Closed Old Hire Plans Funding Proposal**

At 8:52 a.m., Mr. Newton presented the Closed Old Hire Plans Funding Proposal, starting by reviewing the current conditions of the closed Old Hire Plans. In his presentation, Mr. Newton reviewed the plan priorities: to ensure sufficient assets and contributions to pay benefits when due, not intentionally put a higher contribution burden on future years, minimize the total amount of risk to exposure of higher contributions later, and minimize administrative complexities. The Board may also consider the impact on employer contributions over the short term.

Mr. Newton compared a funded ratio policy to a life expectancy policy. Mr. Newton then explained the concept of a goal oriented funding provision, which includes a set goal, such as 100% funded status, and the determination of a trigger for change, such as a defined minimum contribution. Unless the goal has been met or the trigger

has occurred, the contribution will remain the same under this funding approach. Goal oriented funding allows for changes to the discount rates and movement of portfolios without requiring a change in contributions.

At 9:38 a.m., Mr. Lombard joined the meeting.

The Board and staff discussed whether the employers' are required to pay the contributions recommended by FPPA.

Mr. Newton reviewed the impact of various discount rates on 2020 contribution amounts based on current policy and assumptions.

Mr. Newton reviewed next steps. We are not expecting contribution changes until 2021 based on January 1, 2020, valuation reports. The Board will need to decide on investment strategies, portfolios, and assumptions. Final approval is set for March, as well as a determination on whether any changes require legislation.

At 10:06 a.m., Ms. Woolfrey left the meeting, and Chair Bomberger called for a break.

At 10:16 a.m., the meeting reconvened and Mr. Lindahl directed the Board to his memo on the communications plan for the Old Hire Plans asset allocation, distributed earlier in the meeting. As FPPA moves forward with new asset allocations, staff will begin contacting both the employer and the local Old Hire Plan Boards regarding these allocations. Communication will be critical as FPPA departs from the traditional pattern of having one asset allocation for all plans held within the Fire and Police Members' Benefit Investment Fund (the Total Fund). Once the IC makes its recommendation to the Board for asset allocations among the three groups, each plan will be notified of the proposed change in allocation affecting its plan and that the Board will likely take action on the recommendation in early March.

Mr. Lindahl is reviewing GRS' recommendation on contribution changes and determining whether legislation would be required. That legislation, if necessary, would need to be proposed in 2020, in order for the Board to modify the required contribution rate effective 2021.

The Board had proposed FPPA hold town halls and regional meetings, however, staff does not believe this is the most effective way to communicate since the impact is different for each plan. Staff would rather communicate specifics with each department's contact. Ms. Smith and Mr. Lindahl would be the primary FPPA contacts for the employers.

The Board and staff discussed why the Old Hire plans should be derisked and any possible effects of action or inaction on the total fund. Staff also explained how the derisking plan could be gradually implemented.

At 10:55 a.m., Ms. Smith and Messrs. Newton and Cooley left the meeting.

## **2019 Legislative session preview**

At 10:56 a.m., Mr. Lombard updated the Board on the 2019 legislative session, also noting that FPPA will have a new contact at the Governor's Office of Boards and Commission.

At 11:10 a.m., Mr. Lombard left the meeting.

### **Chair's Report**

Chair Bomberger thanked staff for their work in obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Chair Bomberger also notified the Board that new hearing officer, Randie Thompson, is the spouse of Pinnacol's deputy general counsel. Chair Bomberger was not aware of this until recently, but does not see a conflict. Out of an abundance of caution, Chair Bomberger will recuse himself during Ms. Thompson's contract renewal review.

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

Ms. Morgan 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. Nuanes and Mr. Frame seconded the motion. The motion passed. All staff left the meeting, with the exception of Mr. Slack. Mr. Slack later left the executive session.

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

Mr. Slack rejoined the executive session.

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

At 1:23 p.m., the Board returned to its regular meeting. Mr. Lindahl and Ms. Gorton and Moore rejoined the meeting. Chair Bomberger declared that no action was taken during the executive session and no motions were made.

Mr. Bomberger moved that Mr. Slack's compensation be as follows: 2019 annual salary of \$320,000, paid vacation days increased to 30 days from 20 days, 100% of the qualitative bonus under the current plan, 2019 bonus opportunity be increased to 35% from 30%, and monthly car allowance and annual cell phone allowance will remain unchanged. Mr. Bower amended the motion to add that the 10 additional vacation days are eligible for retention banking, if Mr. Slack chooses. Mr. Bower seconded the motion. The motion passed.

At 1:25 p.m., Chair Bomberger declared the meeting adjourned.