

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

July 25, 2019  
7:30 a.m.

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

**7:30 a.m.** Consent Calendar

- a) Approval of June 6-7, 2019, Board meeting minutes
- b) Idle funds distribution for Loveland Old Hire Fire pension plan
- c) Idle funds distribution for Sterling Old Hire Police pension plan

**7:35 a.m.** Market Update. *Cambridge Associates*

**7:45 a.m.** Investment Report

- a) Review of May performance and managers. *Scott Simon*
- b) Investment Committee report. *Guy Torres, Chair of Investment Committee*
- c) Update on investment pool implementation. *Staff*
- d) Investment Policy Statement (recommended changes). *Scott Simon*

**8:15 a.m.** Disability Application Process. *Chip Weule*

**9:00 a.m.** Break

**9:15 a.m.** Notice of Rulemaking Hearing. *Mike Sutherland*

**9:30 a.m.** Legislative Update: End of Session Review. *Lombard & Clayton*

**9:50 a.m.** Break

**10:05 a.m.** Proposed 2020 Legislation. *Kevin Lindahl*

**11:05 a.m.** Affiliating Social Security Employers. *Kim Collins*

**11:25 a.m.** Break

**11:40 a.m.** Staff Reports

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Colorado Springs New Hire Pension Plans – contribution rates, SRA, COLA. *Kim Collins*

**12:10 p.m.** Chair's Report. *Dave Bomberger, Chair*

- a) Evaluation of IFEBP 2019 Trustees Institute. *Nick Nuanes*
- b) Items for future discussion.
- c) Board Retreat evaluation. *Dan Slack*

**12:25 p.m.** Adjournment

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**July 25, 2019**

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

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

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

**Others Present:** Brian McDonnell and Stuart Cameron, Cambridge Associates (CA); Tony Lombard and Bill Clayton, Lombard & Clayton.

*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**

Mr. Bower moved to consider the June 6-7, 2019, Board meeting minutes outside the Consent Calendar. Ms. Feely seconded the motion. The motion passed.

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

- Idle funds distribution for Loveland Old Hire Fire pension plan.
- Idle funds distribution for Sterling Old Hire Police pension plan.

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

Mr. Bower requested that the minutes from the June 6-7, 2019, Board meeting be amended to include his discussion on staff's unannounced proposal made at the July 2018 board meeting.

Mr. Torres moved to amend the June 6-7, 2019, Board meeting minutes to reflect Mr. Bower's discussion that staff brought a proposal to the Board at the July 26, 2018, Board meeting that was not listed on the agenda and that Mr. Bower's 4%

proposal was made after this unannounced staff proposal was presented. Ms. Feely seconded the motion. The motion passed.

### **Market Update**

Mr. McDonnell presented the market update providing Q2 highlights. The market recovered in June from the losses incurred in May. Earnings growth has slowed and emerging markets has lagged. Mr. McDonnell discussed the economic expansion, signs of manufacturing slow down, and global equity valuations.

Mr. McDonnell also announced that Diana Gibson has left CA to join a long-time client of Cambridge.

### **Investment Report**

#### *Review of June performance and managers*

At 7:46 a.m., Mr. Simon provided the total fund performance for June 2019. Total Fund performance (net of fees) was +3.45 in June (+9.03% YTD). Performance of the Implementation Benchmark YTD was +7.45%. Net Investible Assets for the Total Fund is \$5.3 billion.

#### Portfolio Update:

- Global Public Equity: The portfolio performance was in-line with its benchmark for the month but still lags YTD. Managers lagging their benchmarks YTD include Allianz, DE Shaw, Neumeier and Numeric.
- Long-Short Equity: The portfolio performance is ahead of its benchmark for the month and YTD. Most managers are outperforming with Hitchwood being the primary detractor. Yiheng had a difficult month (China specific).
- Fixed Income: The portfolio performance is slightly ahead of its benchmark for the month and 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. Flat performance YTD is primarily from the roll-off of the year-*end* valuation adjustment.

### Investment Committee Report

Mr. Torres highlighted the following topics discussed at the June 5 Investment Committee (IC) meeting. The IC discussed the phasing-in of co-investing and the Board's feedback for staff to leverage Cambridge's research and to increase deal size. The Investment Policy Statement (IPS) will be amended accordingly. The IC discussed the issues and challenges for implementing ESG and the governance of Internal Investment Committee (IIC).

Mr. Slack provided an update on the July IIC meeting. The IIC met to discuss how to meet the Board and IC's expectations. The IIC came up with action items and will bring its recommendation to the IC at the September IC meeting.

Mr. Simon discussed ESG. Unless legislatively mandated, the risk return policy will lead decisions. Mr. Simon will provide a statement on ESG to the Board for consideration. Mr. Bomberger provided an article on ESG that will be added to the post meeting material of the Board packet.

### Investment Policy Statement (recommended changes)

Mr. Simon discussed the recommended amendments to the Investment Policy Statement (IPS) to implement the co-investments selection process. The Board requested stronger wording be included in the IPS for this process. Mr. Simon will circulate proposed changes.

### Update on investment pool implementation

At 8:14 a.m., Mr. Simon provided an update on the investment pool implementation. Mr. Lindahl provided an update on the positive meetings and discussions with employers.

Mr. Simon updated the board on recent investment activities with Blackstone, North Sky, Hitchwood, and Payden.

### **Disability Application Process**

At 8:25 a.m., Mr. Bronson left the meeting. Mr. Weule presented the Statewide Death and Disability (SWD&D) Plan Disability and Survivor Benefits. Mr. Weule distributed the disability application packet, highlighting recent updates and explaining the application and appeals process. Mr. Sutherland explained the process should any deadlines be missed and explained considerations made by the Death and Disability Review Committee (DDRC). Mr. Torres suggested codifying any exceptions to the application deadlines.

At 9:34 a.m., Chair Bomberger called for a break.

### **Notice of Rulemaking Hearing**

At 9:49 a.m., the meeting reconvened. Messrs. Lombard and Clayton joined the meeting. Mr. Sutherland reviewed the notice of rule-making hearing, highlighting that staff will be presenting a plan document for the Statewide Defined Benefit Plan.

At 9:51 a.m., Ms. Feely moved the Board to direct the publication of the Notice of Proposed Plan Document Adoption, Rule-making and Plan Amendments. Ms. Morgan seconded the motion. The motion passed.

### **Legislative Update: End of Session Review**

At 9:52 a.m., Messrs. Lombard and Clayton updated the Board on the past legislative session and on the Pension Review Commission Subcommittee. FPPA did not run any legislation this past session but did work with the sheriff's departments on language included in SB19-106 and SB19-260, which provided a path for sheriff's departments to participate in FPPA in order to ensure the proposed legislation worked with the FPPA plans. The bills had bipartisan sponsorship and were signed into law.

### **Proposed 2020 Legislation**

At 10:04 a.m., Mr. Lindahl presented the proposed 2020 legislation. The Pension Review Commission is scheduled to meet on September 9<sup>th</sup> and October 21<sup>st</sup>. The second meeting will include the presentation of proposed legislation.

Mr. Lindahl reviewed proposed Bill A that would require a 4% employer increase over 8 years to the SWDB plan. The bill would also incorporate the plan amendment implemented by the member election increasing the member contribution by 4% into the statute. The Board and staff discussed the proposed bill and the intent of the Statewide Plans Task Force.

At 10:33 a.m., Ms. Feely moved the Board to recommend to the Pension Review Commission the introduction of Bill A regarding an increase in employer contribution by 4%, to be implemented over 8 years, with no change in the statutory base level of benefit and to reflect that rollbacks are no longer mandatory before the Board has authority to adjust contribution rates. Mr. Bower seconded the motion. The motion passed.

Mr. Lindahl reviewed proposed Bill B that would convert the SRA accounts to defined contribution accounts. The Board discussed the proposed bill.

At 10:37 a.m., Ms. Feely moved the Board to recommend to the Pension Review Commission the introduction of Bill B regarding the conversion of SRA accounts to defined contribution accounts and include additional language allowing the conversion of re-entry SRA accounts to defined contribution accounts. Mr. Bower seconded the motion. The motion passed.

At 11:02 a.m., Chair Bomberger called for a break.

At 11:12 a.m., the meeting reconvened. The Board considered and discussed Bill C, that provides 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. The employer contribution would be implemented subsequent to other employer contribution increases.

Ms. Feely moved the Board to recommend to the Pension Review Commission the introduction of Bill C providing for normal retirement based on the Rule of 80 beginning at age 50. Mr. Bower seconded the motion. The motion passed.

The Board considered and discussed Bill D that would establish a contribution rate of 3.0% in 2021 for the Statewide Death and Disability 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.

At 11:17 a.m., Ms. Feely moved the Board to recommend to the Pension Review Commission the introduction of Bill D granting authority to the FPPA Board to adjust required contributions to the Statewide Death and Disability Plan by 0.2% of salary every year and seek state funding for costs created by members participating prior to January 1, 1997. Mr. Bower seconded the motion. The motion passed.

The Board considered and discussed Bill E that would allow the Board to adopt a funding policy for the Old Hire Plan.

At 11:18 a.m., Ms. Feely moved the Board to recommend to the Pension Review Commission the introduction of Bill E authorizing the FPPA Board to establish the funding policy for Old Hire Plans. Mr. Bower seconded the motion. The motion passed.

At 11:19 a.m., Ms. Hitchens moved the Board to direct staff to provide proposed legislation that would eliminate the Board's authority to allocate contributions to the separate retirement account for consideration at the next Board meeting. Ms. Frame seconded the motion. The motion failed.

### **Affiliating Social Security Employers**

At 11:20 a.m., Messrs. Lombard and Clayton left the meeting.

Ms. Woolfrey joined the meeting via phone and presented GRS' memo on the Statewide Death & Disability Plan (SWD&D Plan) coverage for Social Security members of the Statewide Defined Benefit Plan or Statewide Hybrid Plan. Ms. Woolfrey also discussed the issues and recommendations for affiliating sheriff groups as outlined in GRS' second memo. Messrs. Lindahl and Weule presented staff's recommendations regarding Social Security employers entering FPPA to the Board for consideration. GRS and staff recommend that Statewide Defined Benefit Supplemental Social Security Plan affiliating groups not be allowed to participate in

the SWD&D Plan.

At 11:33 a.m., Mr. Nuanes moved the Board to include in the recommendation to the Pension Review Commission captioned Bill D, a further recommendation that departments participating in the Supplemental Social Security Plan no longer have the option at affiliation to participate in the Statewide Death & Disability Plan and to put a moratorium on entering this plan until the legislation is considered. Ms. Feely seconded the motion. The motion passed.

The Board directed staff to place a moratorium on Social Security employers affiliating into the Statewide Defined Benefit Supplemental Social Security Plan from including benefits under the SWD&D Plan until Bill D is approved at the Legislature.

Staff provided its recommendation that future new hires, but not current actives, of Social Security employers affiliating into the Statewide Defined Benefit or Statewide Hybrid Plan be allowed to participate in the SWD&D Plan. The Board directed staff to proceed in drafting rules implementing this recommendation for the Board's consideration.

The Board proceeded through the scheduled break.

### **Staff Report**

#### **Executive Director Report**

At 11:37 a.m., Ms. Woolfrey disconnected from the conference line. Mr. Slack proposed, and the Board agreed, to schedule an Investment Committee meeting at 7:30 a.m. September 26<sup>th</sup> with the Board meeting following at 10:30 a.m.

#### **Q2 Board Scorecard**

The Q2 Board Scorecard will be provided at the August meeting since peer investment data is not yet available.

Mr. Slack announced that he will be on vacation from July 29 through August 9.

#### **General Counsel Report**

Mr. Lindahl provided an update on the Wells Fargo settlement. The final hearing to approve the settlement is on August 1.

At 11:42 a.m., Ms. Feely moved the Board to adjourn into executive session to discuss and receive legal advice from Legal Counsel regarding the Canadian Dollar litigation as allowed under Section 24-6-402 (4)(b) of the Colorado Revised Statutes. Ms. Morgan seconded the motion. The motion passed.

At 11:43 a.m., the Board convened into executive session.



At 11:45 a.m., Ms. Morgan moved that the Board to return to its regular meeting. Ms. Feely 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.

Colorado Springs New Hire Pension Plans – contribution rates, SRA, COLA

Ms. Collins presented GRS' recommendations on contribution rates, SRA, and COLAs for the Colorado Springs New Hire Pension Plans.

At 11:46 a.m., Ms. Feely moved the Board to set the Colorado Springs New Hire Pension Plan for Police Component annual required contribution at \$11,420,163, effective January 1, 2020. Of this amount, the members of the plan will contribute 8.0% of basic salary and the employer will remit the remainder. Ms. Morgan seconded the motion. The motion passed.

At 11:47 a.m., Ms. Morgan moved the Board to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Police Component at 0%, effective January 1, 2020, through December 31, 2020. Ms. Feely seconded the motion. The motion passed.

Ms. Collins provided an informational item from the memo. Per the plan document, FPPA will implement the cost-of-living adjustment (COLA) for certain retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Police Component at 2.5%, effective October 1, 2019, through September 30, 2020. No Board action is required.

At 11:48 a.m., Ms. Morgan moved the Board to set the Colorado Springs New Hire Pension Plan for Fire Component contribution at \$5,560,716 effective January 1, 2020. Of this amount, the members of the plan will contribute 10% of basic salary and the employer will remit the remainder. Mr. Nuanes seconded the motion. The motion passed.

At 11:49 a.m., Mr. Nuanes moved the Board to set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Fire Component at 0%, effective January 1, 2020, through December 31, 2020. Ms. Feely seconded the motion. The motion passed.

Ms. Collins provided an informational item from the memo. Per the plan document, FPPA will implement the COLA for certain retirees and beneficiaries of the Colorado Springs New Hire Pension Plan for Fire Component at 2.5%, effective October 1, 2019, through September 30, 2020. No Board action is required.

**Chair's Report**

Evaluation of IFEBP 2019 Trustees Institute

Mr. Nuanes provided his evaluation of the International Foundation of Employee

Benefit Plans 2019 Trustees Institute.

Items for future discussion

Ms. Feely requested staff to reconsider lifting the moratorium on volunteer firefighter plans affiliating with FPPA. Staff will provide a report and recommendation on this at the August meeting.

Board Retreat evaluation

Mr. Slack reviewed the evaluation of the Board retreat. The results were positive. Chair Bomberger recommended a venue to consider.

Mr. Slack and Chair Bomberger will request a meeting with governor's office to discuss the importance of longevity of our Board due to the complexities of the plan.

In August, Ms. Gorton will present on employee engagement and compensation.

Ms. Hitchens asked several questions on the legal and consulting fees in the financial reports. Messrs. Lindahl and Simon provided information.

At 12:07 p.m., Chair Bomberger declared the meeting adjourned.