

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

The Pines Lodge

Beaver Creek

June 5-7, 2019

Wednesday, June 5

1:30 p.m. Investment Committee meeting

5:30 p.m. Adjournment

Thursday, June 6

9:00 a.m. Board self-evaluation

10:00 a.m. Break

10:15 a.m. Board developmental session. *Kris Boesch, facilitator*

12:30 p.m. Lunch

1:30 p.m. Actuarial valuation presentations. *Joe Newton, Dana Woolfrey, GRS Consulting*

2:00 p.m. Statewide Plans Review – Review of Recommendations of the Statewide Plans Task Force. *Pam Feely, Todd Bower, Co-Chairs, Statewide Plans Task Force*

4:00 p.m. Break

4:15 p.m. Sheriffs' offices affiliations. *Kevin Lindahl*

5:00 p.m. Adjournment

Friday, June 7

8:00 a.m. Call to order. *Dave Bomberger, Chair*

Consent Calendar

- a) Approval of April 25, 2019, Board meeting minutes
- b) Idle funds distribution for Cedaredge Old Hire Police pension plan

8:00 a.m. Q1 2019 portfolio review. *Cambridge Associates*

8:20 a.m. Investment report

- a) Review of April performance and managers. *Scott Simon*
- b) Investment Committee report. *Guy Torres, Chair of Investment Committee*
- c) Asset allocation review. *Cambridge Associates and Staff*

9:20 a.m. Break

9:35 a.m. Audit Committee report. *Tammy Hitchens, Chair of Audit Committee*

- a) Review and acceptance of Comprehensive Annual Financial Report for 2018

9:50 a.m. Approval of 2019 benefit adjustments. *Kim Collins*

10:00 a.m. Consideration of potential legislation and rules

- a) Statewide Plans proposed legislation
- b) Old Hire plans legislation
- c) Sheriffs' offices rules

11:00 a.m. Break

11:15 a.m. Staff report

- a) Executive Director report. *Dan Slack*
- b) Q1 2019 board scorecard. *Dan Slack*
- c) Employer and Member survey results. *Chip Weule*
- d) Employee engagement survey results. *Elaine Gorton*
- e) General Counsel report. *Kevin Lindahl*
- f) Board travel policy. *Kim Collins*

12:00 p.m. Chair's report. *Dave Bomberger, Chair*

- a) Evaluation of NACD conference. *Karen Frame*
- b) Election of 2019-2020 Vice Chair
- c) Items for future discussion

12:30 p.m. Adjournment

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
June 6-7, 2019

The Pines Lodge
141 Scott Hill Road
Beaver Creek, CO 81657

Board Members Present on Thursday or Friday:

Chair Dave Bomberger, Nick Nuanes, Guy Torres, Karen Frame, Pam Feely, Tammy Hitchens, Todd Bower, and Tyson Worrell.

Staff Members Present on Thursday or Friday:

Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Scott Simon, Elaine Gorton, Ahni Smith, Beth Hemenway, Mike Sutherland, Steven Miller, and Karen Moore.

Others Present on Thursday or Friday:

Kris Boesch, Choose People; Diana Gibson, Cambridge Associates (CA); Joe Newton and Dana Woolfrey, GRS Retirement Consulting (GRS); and Deputy Brad Porter, Eagle County Sheriff's Office.

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.

Thursday, June 6

At 8:40 a.m., Chair Bomberger called the meeting to order.

Board self-evaluation

The Board proceeded to the self-evaluation with Mes. Boesch and Moore present. Deputy Porter joined the meeting at 8:53 a.m.

At 9:55 a.m., Chair Bomberger called for a break.

Board development session

At 10:15 a.m., the meeting reconvened. Messrs. Lindahl and Slack joined the meeting. Ms. Boesch presented "The Secret Sauce & Making Tough Decisions" and led discussion with the Board and staff.

At 11:55 a.m., Chair Bomberger called for a break.

At 12:06 p.m., the meeting reconvened and the Board continued its development session.

At 12:36 p.m., Chair Bomberger called for a break for lunch. Deputy Porter and Ms. Boesch left the meeting.

Actuarial valuation presentations

At 1:15 p.m., the meeting reconvened. Mses. Collins, Gorton, Hemenway, Smith, and Woolfrey and Messrs. Weule, Miller, Newton, and Sutherland joined the meeting.

Ms. Woolfrey reviewed the Actuarial Valuation Results of the Statewide Defined Benefit (SWDB) Plan as of January 1, 2019. Asset and salary losses prevented expected improvement from the 2018 experience study results. The investment return assumption was reduced from 7.50% to 7.00%. Disability rates for members covered by defined benefit plans increased. The market return was 0.1%, with the smoothed return at 6.1%.

Ms. Woolfrey explained the actuarial contribution requirement, explaining that the plan would be facing rollbacks had the member election not occurred. GRS expects the breakeven COLA to be 0% for the next several years while the plan pays off the unfunded liability.

Ms. Woolfrey reviewed the reentry surcharge, explaining that the surcharge can be lowered to 0.20%.

The plan is expected to be sustainable, eventually providing modest COLAs, if all assumptions are met. However, there is not a lot of room for adverse experience or inflationary COLAs.

Ms. Woolfrey reviewed the Actuarial Valuation Results of the Statewide Death and Disability (SWD&D) Plan as of January 1, 2019. This plan needs immediate modification to either the contribution levels or the benefits, or both. The initial state funding did fully fund the present value of benefits at that time, but it did not cover future benefits and gains and losses, which are financed through contributions on payroll for those hired after January 1997. Ms. Woolfrey reviewed the unfunded liability and ongoing cost of the plan. A lump sum of \$153 million is needed to obtain fully funded status. The current law allows the contribution rate to move only 0.1% per two years. In addition, all future new hires do come with an unfunded liability.

Ms. Woolfrey reviewed the Actuarial Valuation Results of the Statewide Hybrid (SW Hybrid) Plan as of January 1, 2019. This plan functions like a closed plan, with a limited contribution source. The breakeven COLA is 2.38%. This one-time benefit adjustment would increase liabilities by \$508,000. Ms. Woolfrey reviewed allocation options for consideration.

Ms. Woolfrey reviewed the Actuarial Valuation Results of the Colorado Springs New Hire Plans as of January 1, 2019. These are closed plans and as the payroll diminishes, the contributions required are expected to diminish. GRS recommends 0.00% SRA.

**Statewide Plans Review – Review of Recommendations
of the Statewide Plans Task Force**

At 1:56 p.m., Mr. Bower and Ms. Feely provided an update on the task force discussions and reviewed the task force's recommendations. Mr. Bower also discussed his recommendations. The Board discussed the recommendations.

At 3:00 p.m., Chair Bomberger called for a break.

At 3:15 p.m., the Board reconvened. Ms. Feely discussed the task force's recommendation with regard to the SWD&D Plan which is to 1.) seek legislation authorizing the Board to adjust the contribution rate up to 0.2% annually and to request additional state funding for the Plan and 2.) to adopt a Board policy requiring that employers be given notice and an opportunity to discuss any increase that would cause the contribution rate to exceed 5%. The Board expressed support for this recommendation regarding the SWD&D Plan.

Mr. Bomberger asked for the board members' current positions on the task force's recommendations and on individual Board member's recommendations relating to the SWDB Plan. The Board indicated it would be ready to vote on the issues tomorrow.

Sheriffs' offices affiliations

At 3:28 p.m., Mr. Lindahl briefed the Board on recent legislation allowing peace officers from Sheriff Departments to enter FPPA. Staff has reviewed the legislation and seeks guidance from the Board in preparing policies for the entry process, as outlined in Mr. Lindahl's memo.

Mr. Newton reviewed the issues and GRS's recommendations outlined in their memo. GRS recommends that the Board not allow current active members into the SWD&D Plan.

At 3:50 p.m., Chair Bomberger declared the meeting adjourned until tomorrow.

Friday, June 7, 2019

At 8:00 a.m., Chair Bomberger called to meeting to order.

Consent Calendar

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

- Approval of April 25, 2019, Board meeting minutes
- Idle funds distribution for Cedaredge Old Hire Police pension plan

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

Q1 2019 portfolio review

Ms. Gibson presented 2019 Q1 performance. Total Assets were up 5.5%, driven by equities. Global equity was up 12.2%, long/short equity was up 9%, fixed income was up 3%, and managed futures was up 2.4%. Absolute return was up 1.5%, but underperformed the benchmark primarily due to the AQR funds. Staff has decided to make an aggregate redemption from the AQR funds of \$25 million.

Investment Report

Review of April performance and managers

Mr. Simon presented total fund performance for April 2019. Total fund performance (net of fees) was **+1.70% in April (+7.50% YTD)**. Performance of the Implementation Benchmark YTD was +7.38%. Net Investible Assets for the Total Fund is \$5.3 billion as of April 30, 2019.

- *Global Public Equity:* The portfolio performance slightly lagged its benchmark for the month and YTD. Managers lagging their benchmarks YTD include Allianz, DE Shaw, Neumeier, Kabouter, 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 continued to perform well.
- *Fixed Income:* The portfolio performance is slightly ahead of its benchmark for the month and YTD. Manulife and Privest are the primary contributors for outperformance.
- *Managed Futures:* After a negative start to the year, portfolio performance continued to rebound to be positive YTD. The portfolio is slightly lagging its benchmark, with AHL and Winton being the primary detractors.
- *Absolute Return:* The portfolio performance is lagging its benchmark YTD. Both AQR strategies are the primary detractors.

Investment Committee

At 8:14 a.m., Mr. Torres provided the Board with a review of the topics discussed at the June 5 Investment Committee (IC) meeting, which included a discussion on the long-term pool asset allocation, a review of absolute return, and a risk review of the long-term pool. Staff and CA also reviewed core real estate, ESG challenges, and the private markets year-end alternatives adjustment, along with staff incentive compensation. The IC may consider slight changes to the incentive compensation but will ensure it is in alignment with the goals of the investment pools.

Asset allocation review

At 8:24 a.m., Ms. Gibson presented CA's asset allocation review of the long-term pool, directing the Board to page 9 of the June 5 IC meeting packet. These materials will be added to post-meeting materials of the Board packet. Ms. Gibson reviewed capital markets assumptions, return assumptions, probability of achieving target compound returns, and probability of cumulative drawdowns.

At 8:26 a.m., Mr. Worrell joined the meeting.

At 8:34 a.m., Mr. Torres move the Board to reaffirm the current asset allocation for the long-term pool. Mr. Nuanes seconded the motion. The motion passed.

Mr. Simon highlighted investment activity since the last Board meeting and provided an update on the year-end private markets valuation adjustment. The initial aggregate alternatives valuation adjustment estimated for 4Q 2018 was a write-down of \$77.8 million. This estimate was materially different than the actual valuations now received which required an aggregate write-up of \$8.3 million. Year-end financial statements and performance were restated. The revised total fund performance (net of fees) for 2018 is +0.10%. Staff is working to fine-tune future estimates and is in discussions with the auditors regarding this process.

Mr. Simon provided an update on the implementation of the separate pools. On July 1, staff will implement phase 1. Approximately \$100 million in equity will be transferred to fixed income and allocated into the glide-path pool.

Mr. Lindahl updated the Board with his and staff's discussions with Denver, West Metro, Bancroft, Colorado Springs, and Aurora regarding the asset allocation and future contributions of the OH plans. Reactions have been positive and the plans have expressed gratitude that FPPA has recognized the issue and is taking action.

Audit Committee report

At 8:42 a.m., Ms. Hitchens updated the Board on the activities of the Audit Committee. Ms. Hitchens thanked staff for their efforts. Ms. Hitchens also recognized Mr. Nuanes for his six years on the Audit Committee.

Ms. Collins explained the additional disclosures on the 2018 Comprehensive Annual Financial Report (2018 CAFR).

Ms. Feely moved the Board to accept and approve the 2018 CAFR. Mr. Bower seconded the motion. The motion passed.

Approval of 2019 benefit adjustments

At 8:53 a.m., Ms. Collins reviewed GRS' recommendations to the Board for consideration.

Ms. Feely moved to set the Separate Retirement Account (SRA) contribution rate for the members of the SWDB Plan at 0%, effective 7/1/2019 through 6/30/2020. Mr. Bower seconded the motion. The motion passed.

Ms. Feely moved to set the Reentry SRA contribution rate for members of departments that have reentered the SWDB Plan at 3.8%, effective 7/1/2019 through 6/30/2020. Mr. Bower seconded the motion. The motion passed.

Mr. Nuanes moved to set the SRA contribution rate for the members of the supplemental Social Security program within the SWDB Plan at 0%, effective 7/1/2019 through 6/30/2020. Mr. Bower seconded the motion. The motion passed.

Ms. Hitchens moved to set the ad hoc benefit adjustment for retirees and beneficiaries of the SWDB Plan at 0%, effective 10/1/2019 through 9/30/2020. Mr. Bower seconded the motion. The motion passed.

The Board and staff discussed GRS' recommendation on the SWH Plan – Defined Benefit Component contribution rate.

Mr. Bower moved to set the SWH Plan – Defined Benefit Component contribution rate at 13.8%, effective 7/1/2019 through 6/30/2020. Ms. Hitchens seconded the motion. The motion passed.

Mr. Bower moved to set the ad hoc benefit adjustment for retirees and beneficiaries of the SWH Plan – Defined Benefit Component at 2.38%, effective 10/1/2019 through 9/30/2020. Ms. Hitchens seconded the motion. The Board discussed the adjustment further. The motion passed.

The Board previously set the SWD&D Plan contribution rate at 2.8%, effective 1/1/2019 through 12/31/2020. No Board action is required on this matter at this time.

Mr. Bower moved to set the ad hoc benefit adjustment for the SWD&D Plan for occupational disability retirees and their beneficiaries and to survivors of active members at 0%, effective 10/1/2019 through 9/30/2020. Mr. Nuanes seconded the motion. The motion passed.

At 9:00 a.m., Chair Bomberger called for a break.

Consideration of potential legislation and rules

Statewide Plans proposed legislation

At 9:20 a.m., the meeting reconvened.

Mr. Bower moved the Board to propose legislation to the Pension Review Commission which would amend the SWDB Plan to convert SRAs to defined contribution (DC)

accounts. Ms. Feely seconded the motion. The motion passed.

Staff confirmed that the proposed legislation will not change the Board's discretion to establish a benefits policy that establishes target COLAs and DC account contributions.

Mr. Bower moved the Board to propose legislation to the Pension Review Commission which would amend the SWDB Plan as follows: mandate a 4% employer contribution increase over 8 years, with ability of FPPA board to further increase the required contributions, equally between employer and employee, should that be necessary to remain actuarially sound; the Board's current statutory authority to rollback benefits to maintain actuarial soundness would remain in the statute. Mr. Torres seconded the motion. The motion passed

Mr. Bower moved the Board to propose legislation to the Pension Review Commission which would amend the SWDB Plan as follows: to provide for normal retirement as early as age 50, if a member's combined years of service and age equals 80; with a corresponding 1% increase in employer contributions, to be implemented subsequent to other employer contribution increases, if any. Mr. Torres seconded the motion.

The Board debated this motion. Chair Bomberger called for a roll call vote:

Ms. Hitchens - no
Ms. Feely - yes
Mr. Bomberger - yes
Ms. Frame - yes
Mr. Bower - yes
Mr. Torres - yes
Mr. Worrell - yes
Mr. Nuanes - yes

The motion passed 7-1 in favor.

Mr. Bower requested that the record show that staff brought a proposal to the board at the July 2018 board meeting that was not on the agenda and that the 4% proposal was made after this unannounced staff proposal was presented.

Ms. Hitchens moved the Board to propose legislation to the Pension Review Commission which would amend the SWDB Plan to authorize the Board to reduce the re-entry continuing uniform rate of contribution, which would allow any excess re-entry contributions to be applied towards the proposed increased contributions. Ms. Feely seconded the motion. The Board and staff discussed the motion; the proposed legislation will be reviewed at a future meeting. The motion passed.

Mr. Bower left the meeting.

Ms. Hitchens moved the Board to propose legislation to the Pension Review Commission which would amend the SWDB Plan to authorize, at a point to be

determined by the actuaries, that if the plan reached an overfunded status there would be an equal reduction in contributions. Ms. Feely seconded the motion. The Board and staff discussed the motion. The motion failed 2-4, with Mr. Worrell abstaining.

Ms. Feely moved the Board to propose legislation to the Pension Review Commission regarding the Statewide Death & Disability Plan which would allow FPPA to adjust the required contribution rate by up to 0.2% per year and to seek state assistance in funding the unfunded liability attributable to members who were enrolled prior to 1997. Mr. Torres seconded the motion. The motion passed.

Closed plans legislation

Ms. Feely moved the Board to propose legislation which modifies the contribution calculation for all closed plans as recommended by GRS. Mr. Torres seconded the motion. The motion passed.

Sheriffs' offices rules

Staff has reviewed and considered recent legislation allowing peace officers from Sheriff departments to enter FPPA. Staff had preliminary conversations with GRS regarding these potential reentries. Staff requested the Board's guidance and provided recommendations in preparing policy on this process, as outlined in staff's memo. The Board agreed with staff's recommendations.

Staff Report

Executive Director Report

Mr. Slack proceeded with the staff report. Mr. Weule noted that the national suicide prevention hotline information has been included at the bottom of every page on the FPPA website.

Q1 2019 Board scorecard

Mr. Slack proceeded to the Q1 2019 Board scorecard noting the flagged targets. These targeted areas have been deliberated by the task force, and FPPA will be seeking legislation to assist in reaching these targets.

Employer and Member survey results

Mr. Weule reviewed the employer and member survey methods and results.

Employee engagement survey results

The survey results gathered by Employers Council have just been received but will be discussed at the August meeting.

General Counsel Report

There were no questions on the litigation report.

Travel Policy

Ms. Collins explained the proposed amendments to the travel policy. Mr. Slack would approve Board Member expense reports and then provide a summary report to the Board Chair. Ms. Smith would approve Mr. Slack's expense reports and provide a summary report to the Board Chair.

At 10:30 a.m., Ms. Feely moved the Board to approve the proposed amendments to the Board's travel policy. Mr. Nuanes seconded the motion. The motion passed.

Chair's Report

Evaluation of NACD conference

Ms. Frame provided her evaluation of the National Association of Corporate Directors Fundamentals of Director Professionalism conference.

Election of 2019-2020 Vice Chair

At 10:38 a.m., Mr. Torres moved that Chair Bomberger remain as Board Chair and that Vice Chair Feely remain as Vice Chair for the period from September 1, 2019 through August 31, 2020. Mr. Nuanes seconded the motion. The motion passed.

Items of future discussion

Chair Bomberger will provide Mr. Slack and Mr. Lindahl with a recap of the Board's self-evaluation discussions and will provide their responses to the Board.

At 10:39 a.m., Ms. Hitchens moved to adjourn the meeting. Ms. Feely seconded the motion. The motion passed. The meeting was adjourned.