

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

March 14, 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 January 24, 2019, Board meeting minutes

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

**7:50 a.m.** Investment report

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

**8:20 a.m.** Break

**8:35 a.m.** Closed Old Hire Plans

- a) Closed plans transition date change
- b) Funding policy
- c) Asset allocation for Short-Term Pool and Glide-Path Pool
- d) Investment Policy Statement revisions
- e) Communications plan

**10:00 a.m.** Break

**10:15 a.m.** Statewide Plans Task Force update. *Todd Bower & Pam Feely, Co-Chairs*

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

- a) Executive Director Report. *Dan Slack*
- b) Q4 Board Scorecard. *Dan Slack*
- c) General Counsel Report. *Kevin Lindahl*
- d) Budget variance report. *Kim Collins*
- e) Medical advisor contract matter. *Chip Weule*

**11:00 a.m.** Chair's report. *Dave Bomberger, Chair*

- a) Evaluation of NCPERS Legislative Conference. *Pam Feely*
- b) Items for future discussion.

**11:15 a.m.** Adjournment

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**March 14, 2019**

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

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

**Staff Members Present:** Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Scott Simon, Elaine Gorton, Michael Sutherland, Steven Miller, Ben Bronson, Karen Moore, Ahni Smith (via phone), and Austin Cooley (via phone).

**Others Present:** Joe Newton, GRS Retirement Consulting; and Brian McDonnell, Diana Gibson, Alex Pekker, Cambridge Associates (CA) (via phone).

*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 7:45 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 January 24, 2019, Board meeting minutes

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

**Cambridge Market Update**

Mr. McDonnell presented the market update, reviewing asset class performance and providing market highlights. Market sentiment improved and growth decelerated lightly.

At 7:47 a.m., Mr. Weule joined the meeting.

## Investment Report

### Review of January performance and managers

Mr. Simon provided the total fund performance for January 2019. Total Fund performance (net of fees) was **+3.55% in January**. Performance of the Implementation Benchmark YTD was +3.48%. Final annual Total Fund performance (net of fees) for 2018 was -1.65% relative to the Implementation Benchmark of -1.68%. Net Investible Assets for the Total Fund was \$5.0 billion as of January 31, 2019.

#### Portfolio Update:

- *Global Public Equity:* The portfolio performance was in line with its benchmark for the month. The currency overlay program added significant value last year while the dollar appreciated. Hedging was reduced in January as the dollar depreciated.
- *Long-Short Equity:* The portfolio performance slightly lagged its benchmark for the month. Hitchwood was the primary detractor. Yiheng has gotten off to a good start.
- *Fixed Income:* The portfolio performance slightly exceeded its benchmark for the month. Manulife was the primary contributor.
- *Managed Futures:* The portfolio performance slightly lagged its benchmark during a month of negative performance. Winton was the only manager ahead of benchmark.
- *Absolute Return:* The portfolio performance lagged its benchmark for the month. KCL and AQR Delta were the primary detractors.
- *Private Markets:* The portfolio strategies (private capital, real assets and real estate) performed well for 2018. 3Q2018 implementation benchmarks have now been included. The year-end alternatives adjustment has been implemented and will affect near-term relative performance.

### Investment Committee Report

Mr. Torres updated the Board on the Investment Committee (IC) meeting held on February 13. The IC is in agreement with the direction Staff and CA are taking on the closed plans allocation. Staff is proposing to push the roll out date to July 1. Staff and the IC discussed updates to the Investment Policy Statement (IPS). CA recommended an increase in co-investments and Staff agreed. Mr. Simon will be presenting more detailed information to the Board and IC before implementation. Mr. Martin presented the Private Markets commitment pacing review at the IC meeting.

The IC discussed the implications of the Private Markets Year-End Alternatives Adjustment.

At 8:01 a.m., Mr. Newton joined the meeting.

Mr. Simon provided an update on recent investment activities.

At 8:18 a.m., Chair Bomberger called for a break. Ms. Hitchens disconnected from the call.

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

#### *Closed plans transition date change*

At 8:27 a.m., the meeting reconvened. Mr. Slack proposed delaying the closed plans transition date by one quarter to July 1. The Board agreed with the proposal.

#### *Funding policy*

Mr. Newton presented the Closed Old Hire Plans Funding Recommendations, starting with a brief review of current conditions. Mr. Newton reviewed the recommended fixed dollar funding policy and the goal-oriented provision. Mr. Newton then reviewed the recommendations to the long-term, short-term, and glide-path pools.

At 8:58 a.m., Mr. Bronson left the meeting.

Mr. Newton reviewed next steps. Currently, GRS is not expecting to recommend changes in contributions until FY21. Staff needs guidance from the Board on discount rates for internal modeling and communications with employers. Staff will look to the Board for final approval on the discount rate at a later date.

#### *Asset allocation for Short-Term Pool and Glide-Path Pool*

Mr. Cooley provided an introduction and referred the Board to the Statement of Objectives and Risk Tolerances that outlines an initial assignment of the plans into three pools, reflecting different investment objectives, risk tolerances, and asset allocation. Mr. Pekker reviewed key investment risks and the considerations made in assigning the plans to the three pools.

Mr. Cooley reviewed the proposed asset allocation options for the short-term and glide-path pools.

#### *Investment Policy Statement revisions*

Mr. Lindahl explained that Staff is looking for approval of the proposed revisions to the IPS that would grant Staff the authority to determine investment pools and adjust allocations, as necessary. Staff recommends the Board approve the proposed IPS changes with one amendment - removing the proposed sentence setting the

compound nominal rate of return of the short-term pool, since that has yet to be determined.

Mr. Torres moved the Board to approve the proposed revisions of the IPS of the Fire and Police Members' Benefit Investment Fund, with the exception of the deletion of the 5% nominal rate of return of the short-term pool, as discussed. Ms. Feely seconded the motion. The motion passed.

### Communications plan

Mr. Lindahl directed the Board to the proposed draft communication to impacted plan employers and board members. The Board directed Staff to proceed with the communication. The Board also directed staff to proceed with drafting proposed legislation that would incorporate a goal-oriented funding policy, as recommended by GRS, for the Board's consideration. The Board will set the discount rates at a future meeting.

At 10:02 a.m., Chair Bomberger called for a break. Mr. Newton left the meeting. Ms. Smith disconnected from the call.

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

At 10:13 a.m., the meeting reconvened and Mr. Bower and Ms. Feely provided an update on the task force and potential proposals in discussion. Some members have expressed concern with the funding status of the Statewide Death and Disability Plan (SWD&D Plan). Task force members have been directed to provide Staff with any scenarios they would like GRS to run for the next meeting. Mr. Bower also discussed possible plan changes.

Mr. Bower believes that additional task force meetings are necessary to allow the task force to produce a proposal by May. The Board directed staff to work at scheduling additional task force meetings every two weeks after April 5.

### **Staff Report**

#### Executive Director Report

Mr. Slack congratulated Chair Bomberger on his reappointment.

Mr. Slack announced that FPPA must appoint delegates for the NCPERS Annual Conference by April 12 and requested that board members let him know if they will be attending.

The Board directed staff to proceed with booking Maggiano's on December 20 for the Board holiday party.

Mr. Slack directed the Board to the communication from Holyoke FPD protesting the expenses allocated to the plan for 2018. Mr. Slack handed out the Plan Allocation of Expenses Policy and discussed his planned response.

At 10:38 a.m., Mr. Cooley disconnected from the line.

#### Q4 Board scorecard

Mr. Slack reviewed the Q4 Board scorecard, highlighting COLAs and the investment returns as areas to note. Investment returns were low as previously discussed primarily due to the PE portfolio adjustments. The Statewide Plans Task Force was created to address COLAs, among other issues, and will present a recommendation to the board.

#### General Counsel Report

Mr. Lindahl provided an update on the Cognizant and Wells Fargo litigation cases.

Mr. Lindahl provided a legislative update. The bill allowing sheriff departments to leave CCOERA and join other pension plans has passed out of the Senate and the House committee with amendments. Mr. Lindahl updated the Board on a requested legal opinion from tax counsel.

#### Budget Variance Report

Ms. Collins directed the Board to the Budget Variance Report; all areas have been previously discussed.

#### Medical advisor contract matter

Mr. Weule notified the Board that Dr. Scott's schedule has not met FPPA's needs. Staff has met with Dr. Sander Orent and is requesting the Board appoint Dr. Orent as an FPPA medical advisor.

Mr. Bower moved to replace Dr. Scott with Dr. Orent as one of the FPPA medical advisors. Mr. Torres seconded the motion. The motion passed.

### **Chair's Report**

#### Evaluation of NCPERS Legislative Conference

Ms. Feely provided her evaluation of NCPERS legislative conference.

#### Other matters

Ms. Feely moved to adjourn the meeting. Mr. Torres seconded the motion. The motion passed.

At 10:51 a.m., Chair Bomberger declared the meeting adjourned.