

Fire & Police Pension Association
Board of Directors Meeting Agenda

September 26, 2019
10:30 a.m.

10:30 a.m. Call to Order

10:30 a.m. Consent Calendar

- a) Approval of August 29, 2019, Board meeting minutes

10:35 a.m. Hearing Regarding Amendments to Rules and Regulations and Plan Document Adoption. *Michael Sutherland, Benefits Counsel*

- a) FPPA Rules and Regulations and Statewide Hybrid Plan Rules and Regulations, Resolution No. 2019-03
- b) Statewide Money Purchase Plan Document, Resolution No. 2019-04
- c) Colorado Springs New Hire Pension Plan Rules and Regulations, Resolution No. 2019-05
- d) Adoption the Statewide Defined Benefit Plan Document, Resolution No. 2019-06

11:30 a.m. Lunch

Noon Cambridge Market Update. *Brian McDonnell, Cambridge Associates*

12:30 p.m. Investment report. *Scott Simon*

- a) Review of August performance and managers
- b) Investment Committee Report
- c) Sudan Divestment Compliance

1:00 p.m. Audit Committee Report. *Chair Tammy Hitchens*

- a) Update re September 24 meeting

1:15 p.m. Staff report

- a) Executive Director Report. *Dan Slack*
- b) General Counsel Report. *Kevin Lindahl*
- c) Renewal of Lombard & Clayton contract for legislative services.
Kevin Lindahl
- d) SRA Policy. *Scott Simon*

1:45 p.m. Chair's report. *Chair David Bomberger*

- a) Chair's remarks.
- b) Election of Vice Chair.
- c) Revision of Budget Committee charter.
- d) Committee appointments.
- e) Other matters.

2:10 p.m. Adjournment

FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
September 26, 2019

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

Board Members Present: Chair Dave Bomberger, Guy Torres, Karen Frame, Michael Feely, Patrick Phelan, Sue Morgan, Tammy Hitchens, and Tyson Worrell.

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

Others Present: Brian McDonnell, Cambridge Associates, and Kyrstie Wootten, a member of the public.

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 10:40 a.m., Chair Bomberger called the meeting to order and welcomed our new Board members, Michael Feeley and Patrick Phelan. Jason Mantas could not attend today's meeting. Chair Bomberger also welcomed a guest from the public, Kyrstie Wootten.

Consent Agenda

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

- Approval of August 29, 2019, Board meeting minutes.

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

Hearing Regarding Amendments to Rules and Regulations

At 10:41 a.m., Chair Bomberger began the public hearing regarding amendments to the rules and regulations and to the plan documents.

Mr. Lindahl provided a brief overview of the proposed amendments to the rules and regulations and proposed plan document for the new Board members.

Mr. Sutherland presented the proposed amendments to the rules and regulations and to the plan documents as follows:

- FPPA Rules and Regulations and Statewide Hybrid Plan Rules and Regulations, Resolution No. 2019-03.
- Statewide Money Purchase Plan Document, Resolution No. 2019-04.
- Colorado Springs New Hire Pension Plan Rules and Regulations, Resolution No. 2019-05.

Ms. Hitchens asked if an update was needed to article VI, section 11, paragraph 2(a) of the Statewide Money Purchase Plan Document, located at page 233 of the meeting materials, that referenced distribution at age 70½ given pending Federal legislation to change this age. Mr. Sutherland explained that this paragraph applied to distributions made prior to the 2002 calendar year, and the language remains for historical purposes.

Mr. Sutherland noted that Colorado Springs New Hire Pension Plan Rule 1.01(d)(1) will not be amended as noted in Resolution No. 2019-05, and the resolution will be amended before execution.

Messrs. Lindahl and Sutherland explained the remaining steps in the rulemaking process.

Mr. Lindahl presented the proposed adoption of the Statewide Defined Benefit Plan Document, Resolution No. 2019-06, and noted language in the plan document that is not included in statute.

Mr. Lindahl asked if there were any questions from the Board or any public comment. There was none.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Morgan moved the Board to adopt Resolution 2019-03 which sets forth amendments to the FPPA Rules and Regulations and the Statewide Hybrid Plan Regulations. Mr. Torres seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Hitchens moved the Board to adopt Resolution 2019-04 which sets forth amendments to the Statewide Money Purchase Plan Document. Ms. Morgan seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Ms. Frame moved the Board to adopt Resolution 2019-05 which sets forth amendments to the Colorado Springs New Hire Pension Plan Rules and Regulations. Ms. Hitchens seconded the motion. The motion passed.

Based on the information presented at today's rule-making hearing, and on the record as a whole, Mr. Torres moved the Board to adopt Resolution 2019-06 which sets forth the adoption of the Statewide Defined Benefit Plan Document. Ms. Morgan seconded

the motion. The motion passed.

At 11:51 a.m., Chair Bomberger closed the public hearing and called for a break for lunch.

Market Update

At 12:07 p.m., the meeting reconvened. Mr. Bronson joined the meeting. Mr. McDonnell presented the market update, providing market highlights. Stocks sank in August but bonds soared. It was a historic month for government bonds. Volatility has increased but nowhere near Q4 2018. Earnings growth has flat-lined. McDonnell discussed the impact of the trade war and discussed why the U.S. is less reliant on exports than its peers.

Investment Report

Review of August performance and managers

At 12:20 p.m., Mr. Simon provided the total fund performance for August 2019. Long-Term Pool performance (net of fees) was -0.15% in August (+9.48% YTD). Performance of the Implementation Benchmark YTD was +8.43%. Net Investible Assets for the Total Fund is \$5.35 billion.

Portfolio Update:

- Global Public Equity: The portfolio performance was in line with its benchmark YTD. The global equity group is the primary detractor for the portfolio.
- Long-Short Equity: The portfolio performance was solidly ahead of its benchmark for the month and YTD. Most managers are outperforming, with Hitchwood being the primary detractor (although this manager is scheduled for full redemption).
- Fixed Income: The portfolio performance is slightly lagging its benchmark YTD. Prudential is the primary detractor for underperformance.
- Managed Futures: The portfolio performance is slightly ahead of its benchmark YTD. Graham and Key Trend are the outperformers. The class has significantly benefited from the recent drop in interest rates.
- Absolute Return: The portfolio performance is lagging its benchmark YTD. Both AQR strategies are the primary detractors. Autonomy had a significant drawdown in August primarily attributable to its Argentina exposure.
- Private Markets: The portfolio strategies (private capital, real assets and real estate) performed well for 2018. YTD relative performance now includes 2Q benchmarks.

Mr. Bronson discussed Autonomy and how the Argentina election is impacting the fund.

Investment Committee Report

Mr. Torres updated the Board on this morning's Investment Committee (IC) meeting. Staff provided a review of the currency overlay. BNP Paribas Asset Management also presented and provided a transition update following the departure of a top portfolio manager. Staff is considering providing BNP with more flexibility. Staff also presented on the opportunities in Asia, a private markets review, and a comprehensive Quarterly Risk Report. Staff is leveraging Cambridge Associates in private markets. The IC also reviewed Internal Investment Committee (IIC) governance and considered Staff's proposed IIC policy. Proposed amendments to the Investment Policy Statement (IPS) will be made accordingly and will be included in the November Board meeting packet for the Boards consideration.

Sudan Divestment Compliance

FPPA is in compliance with the Sudan divestment legislation and staff will continue to report on this every six months. Mr. Simon explained the process and noted that FPPA is currently working with its Sudan divestment vendor to provide an engagement letter requesting General Electric to clarify and/or cease active business operations in Sudan. The Board discussed divestment legislation.

Audit Committee Report

At 12:53 p.m., Ms. Hitchens provided an update on the September 24 Audit Committee meeting. Security Pursuit presented its assessment of our IT systems, and staff reviewed the IT internal testing. Eide Bailly presented the financial audits, which resulted in unmodified opinions, reviewed GASB's pronouncements, and reviewed the 2019 audit plan. BKD presented its audits of the Hamilton Lane transition, money managers, fraud risk assessment, and risk assessment. The Committee also approved the internal audit plan for 2020.

Staff Report

Executive Director Report

At 12:58 p.m., Mr. Slack provided highlights from the staff report. Staff has added suicide prevention hotline information on FPPA materials, and Staff is attending mandatory mental health training. Staff is in the process of drafting resolutions honoring Ms. Feely and Messrs. Nuanes and Bower for their service on the Board. The Pension Review Commission (PRC) met on September 9. During the meeting, the PRC Chair asked Mr. Lindahl to discuss proposed legislation. The PRC will be proposing this legislation in one bill. The next PRC meeting is scheduled for October 21. Mr. Lindahl has been working on the bill with the legislative drafting office and will be meeting with Speaker Becker next month to discuss the bill.

Mr. Weule announced the panel and topics to be discussed at the October 3, 2019, Employer Summit.

General Counsel Report

Mr. Lindahl provided an update on his legislative work during the staff report. Mr. Lindahl referred the Board to the litigation report. There were no questions on the report.

Review of Lombard & Clayton contract for legislative services

Mr. Lindahl reviewed the contract for legislative services. Mr. Lindahl recommended an increase in payment for services and an additional clause in the contract to address the hiring of an additional lobbyist, if needed.

At 1:09 p.m., Mr. Feeley moved the Board to adopt the renewal of the contract for legislative services with Lombard & Clayton. Mr. Torres seconded the motion. The motion passed.

SRA Policy

Mr. Simon reviewed the recommended changes to the SRA Policy.

At 1:11 p.m., Ms. Morgan moved the Board to adopt revisions to the proposed SRA policy. Mr. Phelan seconded the motion. The motion passed.

Chair's report

Chair's remarks

Chair Bomberger asked Ms. Wootten if she had any questions or comments. Ms. Wootten explained that she provides financial advisor services to some of our members and that she attended the meeting in interest of a proposed rule amendment regarding vesting. Ms. Wootten's husband is a firefighter and her father was a police officer. Chair Bomberger thanked her and her family for their service.

Election of Vice Chair

At 1:13 p.m., Mr. Torres nominated Tyson Worrell to serve as the Board Vice Chair. Ms. Frame seconded the motion. The motion passed.

Revision of Budget Committee charter

Chair Bomberger proposed the revision of the Budget Committee Charter to allow for at least two members of the Board.

At 1:14 p.m., Ms. Hitchens moved the Board to adopt the proposed revisions to the Budget Committee Charter. Ms. Frame seconded the motion. The motion passed.

Committee appointments

At 1:15 p.m., Chair Bomberger appointed Mike Feeley to the Investment Committee, Jason Mantas to the Audit Committee, and Patrick Phelan to the Budget Committee.

Other matters

At 1:17 p.m., Ms. Hitchens moved to adjourn the meeting. Ms. Morgan seconded the motion. The motion passed. The meeting was adjourned.