

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

**June 10, 2020
7:30 a.m. via Zoom**

- 7:30 a.m. **Call to Order.** *Dave Bomberger, Chair*
- 7:35 a.m. **Consent Calendar.** *Dave Bomberger, Chair*
Approval of April 23, 2020, Board meeting minutes
- 7:35 a.m. **Akins administrative appeal**
- 8:15 a.m. **Cambridge Market Update.** *Brian McDonnell, Cambridge Associates*
- 8:45 a.m. **Investment report**
a) Investment Committee report. *Guy Torres, Chair*
b) Chief Investment Officer report. *Scott Simon*
 1. Amendments to the Investment Policy Statement - Fixed Income
 2. Amendments to Investment Professional Annual Incentive Compensation Program
 3. RUK Public Funds Universe Analysis
c) Self-Directed Plans Committee report. *Chip Weule*
- 9:15 a.m. **Break**
- 9:30 a.m. **Audit Committee report.** *Tammy Hitchens, Chair*
a) Review and acceptance of Comprehensive Annual Financial Report for 2019
b) Review of Independent Auditor's Report for 2019
- 9:50 a.m. **GRS actuarial valuation report as of January 1, 2020.** *Joe Newton and Dana Woolfrey, GRS Consulting*
- 10:20 a.m. **Actuarial valuation action items from the January 1, 2020 Valuation Report.** *Kim Collins*
- 10:30 a.m. **Break**
- 10:45 a.m. **Staff Reports**
a) Business continuity during the pandemic. *Dan Slack & staff*
b) Executive Staff Report
c) General Counsel Report. *Kevin Lindahl*
d) Employee engagement survey. *Elaine Gorton*
e) Q1 board scorecard. *Dan Slack*
- 12:00 p.m. **Break**
- 12:15 p.m. **Chair's report.** *Dave Bomberger, Chair*
a) board self-evaluation
b) election of 2020-2021 Vice-Chair
- 1:00 p.m. **Adjournment**

Please note this will be a Zoom (virtual) meeting. Details are below:

Join FPPA Board of Directors Zoom Meeting

<https://fppaco.zoom.us/j/96639934706?pwd=QmpOdWRzOXNwU1IKUUpISWw5Z0tzUT09>

Meeting ID: 966 3993 4706

Password: 771998

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FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
June 10, 2020

This meeting was held online as a Zoom virtual meeting.

Board Members Present:

Chair Dave Bomberger, Guy Torres, Karen Frame, Sue Morgan, Patrick Phelan, Mike Feeley, Jason Mantas and Tyson Worrell.

Staff Members Present:

Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Scott Simon, Elaine Gorton, Ahni Smith, Beth Hemenway, Mike Sutherland, Ben Colussy, Mark Gremmert, Steven Miller, Ben Bronson, Austin Cooley, Dale Martin, and Isabel Fernandez.

Others Present:

Dr. Sander Orent, FPPA Medical Advisor; John Akins, FPPA Member; Matt McCue, Journalist; Brian McDonnell, Stuart Cameron, Cambridge Associates; 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 7:30 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 April 23, 2020, board meeting minutes

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

Akins administrative appeal

Mr. Akins presented his appeal and objections to the Hearing Officer's Findings, Conclusions, and Recommendation and requested his disability benefit be modified from permanent occupational disability to total disability. Mr. Akins explained his

disease and voiced his objections to the disability conclusion. In response to a question, Mr. Akins confirmed the frequency of his attacks has increased, as has the severity.

Mr. Sutherland presented the Hearing Officer's findings and opinions on whether Mr. Akins qualifies for total disability under FPPA statutes and rules. Mr. Sutherland went over the process and steps of determining a case and stated the specifics of Mr. Akins' case.

In response to a questions, Mr. Sutherland provided an explanation on Delaney v. Prudential and how it applies to gainful employment. Mr. Sutherland stated FPPA has its own statutes that are different from Social Security rules and regulations. Mr. Sutherland discussed the definition of total disability in the Colorado revised statutes applicable to the SWD&D plan and the required steps needed to achieve a change in status.

In response to questions from the Board, Mr. Sutherland noted that there isn't an effective course of treatment for Meniere's disease. Mr. Sutherland also confirmed that Mr. Akins has not established medical care in Florida, since moving there. Mr. Akins described his symptoms, listed the medications he's on, and stated that he was not able to immediately establish medical care in Florida due to lack of insurance and finances.

In response to a question, Dr. Orent provided information on Meniere's disease. He confirmed there aren't treatment options for Meniere's disease nor a cure and that the disease will most likely continue to progress in time. Dr. Orent stated attacks are unpredictable and can incapacitate Mr. Akins. Dr. Orent shared the difficulties and impairments Mr. Akins would encounter in obtaining employment.

In response to another question, Dr. Orent also confirmed he expects the disease to progress and that he doesn't see a vaccine in the near future.

At Chair Bomberger's request, Mr. Lindahl provided the Board with the options available in the case and explained the process and standards used to make a decision.

Mr. Worrell stated he felt Mr. Akins had met the burden of proof showing he is totally disabled from Meniere's disease. Mr. Torres agreed.

In response to Mr. Feeley's question, Mr. Lindahl explained the nature of an appellate review hearing and discussed the latitude the Board has in determining the case.

Chair Bomberger requested a motion. In the matter of John Akins, Mr. Worrell moved the Board of Directors to reject the written recommendation of Hearing Officer Thompson and find Mr. Akins meets the criteria for total disability. Mr. Mantas seconded the motion. The motion passed.

The Board directed Mr. Lindahl to draft a written final decision that reflects the

elements that Mr. Worrell identified for consideration at the next Board meeting.

Cambridge Market Update

Mr. McDonnell provided a review of the Market update. He stated that there are a wide variety of outcomes from where we are now and the current market is only pricing one, a V-shaped recovery. There is a decent history of markets recovering after a shock but there are challenges to a V-shaped recovery, including reluctance or inability of consumer spending and high levels of corporate debt. If the recovery pace disappoints, then global equities could hit fresh lows.

Risk assets rallied in May. Global equities were up 4.3% led by the US at 5.1%. Year to date loss at the end of May was below 10% for global equities. Global equities have continued to rally, up 6% in June so far. Market reactions should not be read as if Covid-19 is behind us, as this is not over yet and Covid-19 has caused economies to contract.

Investment Report

Mr. Simon provided a review of the Investment report. It was a very strong month for April, putting the long-term pool down 4.5% YTD. Global public equity is in line with the benchmark. US has done better than non-US exposure. Long/short equities have done very well, exceeding expectations. The absolute return portfolio is also doing very well on a year-to-date basis. The glide-path pool is down 1.4% and the short-term pool is in positive territory YTD.

The RVK peer survey shows we are 17% below our peers in terms of our allocation to global public equity. FPPA is more heavily allocated in alternatives, private equity, hedge fund exposure and is about 20% above what our peers would be in those classes together. Calendar year 2019 return comparisons show us at the lower end of relative performance versus our peers, but with a very strong absolute performance of just under 15%.

In response to Ms. Frame's question regarding fee analysis, Mr. McDonnell said that Cambridge does gather such information and that it's almost completely correlated with asset allocation and they don't see a lot of differences between clients once asset allocations are taken into account.

Mr. Torres provided an overview of the Investment Committee meeting, stating the Quarterly Risk Report is very comprehensive and encouraging the Board members to review it. The goals for the fixed income portfolio have changed over time, leading to a recommendation to make changes to the portfolio construction.

Mr. Bronson noted that a significant shift was made last year for asset allocation, moving beyond a single asset allocation to multiple pools. As a part of that, staff has started to split the fixed income portfolio between rates and credit and is recommending a more targeted credit portfolio. The current rates portfolio is a mix

of aggregate and core mandates and is an area of research as we move forward.

Mr. Simon directed the Board to recommended changes of the fixed income guidelines within the Investment Policy Statement and asked the Board to approve the changes.

Mr. Torres moved the Board to approve the amendments to the Investment Policy Statement of the Fire and Police Members' Benefit Investment Fund. Mr. Feeley seconded. The motion passed.

Mr. Torres highlighted aspect of the annual review of private markets investments, stating that the first quarter is looking good overall, with only single digit declines. The first quarter performed a little better than expected. We're starting to see a bit more opportunity in the private markets and we are on pace to meet our targeted fund commitments of \$200-\$300 million.

Mr. Simon reviewed the information and background regarding the Investment Staff Incentive Program and how the FPPA program differs from industry standards. He highlighted the language currently in the policy and the proposed changes. Mr. Torres stated that the Investment Committee is in favor of the changes and provided individual information on each one. Chair Bomberger provided the history of the Incentive Program, stating that it was initially created in part as a retention tool.

Mr. Torres moved the Board to approve the 2021 Investment Professional Annual Incentive Compensation Program. Ms. Morgan seconded. The motion passed.

Mr. Weule provided a review of the Self-Directed Plans Committee report. He went over the Unforeseen Emergency process with Fidelity, and the provisions defined in both the CARES Act and the SECURE Act.

Audit Committee report

Ms. Morgan provided a review of the Audit Committee report, highlighting the Eide Bailly 2019 audit reports including the Service and Organization Controls (SOC) and financial reports. Eide Bailly provided an unmodified, 'clean' opinion on the financial and the SOC audits. This indicates that the Comprehensive Annual Financial Report (CAFR) presents fairly the financial statements of FPPA. The report on internal controls didn't identify any deficiencies nor any instances of non-compliance. The Audit Committee recommends that the Board accept and approve the 2019 Comprehensive Annual Financial report.

Ms. Morgan moved the Board to accept and approve the Comprehensive Annual Financial Report for 2019. Mr. Mantas seconded. The motion passed.

GRS actuarial valuation report as of January 1, 2020

Ms. Woolfrey provided a review of the GRS actuarial valuation reports as of January 1, 2020, on the Statewide Defined Benefit, Statewide Death & Disability, Statewide Hybrid-Defined Benefit Component, and the Colorado Springs New Hire Fire and Police Plans. Asset returns were good in 2019 for the statewide plans. Demographics were reasonably on target. Colorado Springs had a 9.5% average salary increase that was not anticipated and causing the funded status of their New Hire plan to deteriorate.

Colorado House Bill 20-1044 was a big win for the Statewide Defined Benefit Plan and Statewide Death & Disability Plan. Increased contributions resulting from the bill will not begin until 2021. With the increased contributions there is an expectation of improvement on the funded ratio.

The Statewide Defined Benefit Plan has a funded ratio of 97.6% as of January 1, 2020. The actuarial required contribution is 17.65%. The breakeven benefit adjustment for the Statewide Defined Benefit Plan is still 0% and that is expected for a few more years while the contributions ramp up and start to accumulate surplus.

The Statewide Death & Disability Plan has a funded ratio of 72.2%. The contributions are currently set at 2.8% of the member's base salary. The contribution rate can only be adjusted by 0.1% every 2 years. HB 20-1044 sets the contribution rate at 3.0% effective January 1, 2021. In addition, the Statewide Death & Disability Plan contribution rate can be adjusted by 0.2% annually.

In response to Mr. Slack's suggestion, Ms. Woolfrey confirmed that the Board will not need to take any action to increase the contribution rate in the Statewide Death & Disability Plan to 3.0%.

It will be some time before the Statewide Death & Disability Plan is able to fully fund the base benefit. The recommended break-even benefit adjustment for this year is 0%.

Ms. Woolfrey stated that there is a minimum 16% total contribution per each active member in the Statewide Hybrid Plan. This plan is very well funded but functions like a closed plan because a majority of the employers are not adding new hires into the plan. The plan has 180 active members. The 2020 valuation report for this plan was very stable. It is 126.9% funded. The recommended breakeven benefit adjustment for 2020 is 2.34%.

GRS also discussed the potential effects the Rule of 80 would have on the Statewide Hybrid Plan. The Rule of 80 reduces the projected future payroll of this group as members leave earlier, and leaves an investment risk with just two open employers, soon to be three. If eligibility is not tracked separately, then much of the cost will be financed by lower benefit adjustments. The breakeven benefit adjustment would be

reduced from 2.34% to 2.21% with retirees funding a large part of the Rule of 80 benefit. The Defined Benefit allocation would increase from 13.81% to 13.92%. If the cost is isolated and financed separately across the closed group payroll, the breakeven benefit adjustment would remain unchanged and we would need approximately 1.0% of additional contributions to fund the Rule of 80 benefit.

The Colorado Springs New Hire Plans have been closed to new members since 2006. There is a 1 year lag and the 2020 valuation is used to determine the 2021 contribution requirement. FPPA was informed by the Colorado Springs CFO that starting in April, the city will only contribute at a level matching employee contribution for 2020 due to revenue projection changes from COVID. This reduction in employer contributions will impact the required contribution. The Fire Plan is 78.4% funded and the Police Plan is 83.1% funded.

Mr. Slack asked if the Board would like GRS and staff to do a further study on Rule of 80 within the Statewide Hybrid Plan and the Board agreed.

Actuarial valuation action items from the January 1, 2020 Valuation Report

Ms. Collins reviewed the actuarial valuation action items beginning with the Defined Benefit Plan Stabilization Reserve Account (SRA). Ms. Frame moved the Board to set the SRA contribution rate for the members of the Statewide Defined Benefit Plan at 0%, effective 7/1/2020 through 6/30/2021. Mr. Worrell seconded the motion. The motion passed.

Ms. Collins went on to the Statewide Defined Benefit Plan Stabilization Reserve Account contribution rate for members of departments that have reentered the plan (Reentry SRA). Reentry SRA will no longer exist as of the end of 2020 due to the legislation under HB 20-1044, as the benefit will move to the Statewide Hybrid Plan – Money Purchase Component. Ms. Morgan moved the Board to set the Reentry SRA contribution rate for members of departments that have reentered the Statewide Defined Benefit Plan at 3.8%, effective 7/1/2020 through 12/31/2020. Mr. Worrell seconded the motion. The motion passed.

Ms. Collins reviewed the SRA rate for members participating in the supplemental Social Security program within the Statewide Defined Benefit Plan. Mr. Worrell moved the Board to set the SRA contribution rate for the members of the supplemental Social Security program within the Statewide Defined Benefit Plan at 0%, effective 7/1/2020 through 6/30/2021. Mr. Mantas seconded. The motion passed.

Ms. Collins reviewed the benefit adjustment for the Statewide Defined Benefit Plan retirees. Ms. Frame moved the Board to set the ad hoc benefit adjustment for retirees and beneficiaries of the Statewide Defined Benefit Plan at 0%, effective 10/1/2020 through 9/30/2021. Mr. Phelan seconded the motion. The motion passed.

Ms. Collins discussed the Statewide Hybrid Plan's Defined Benefit Component contribution rate. Ms. Morgan moved the Board to set the Statewide Hybrid Plan –

Defined Benefit Component contribution rate at 13.8%, effective 7/1/2020 through 6/30/2021. Ms. Frame seconded the motion. The motion passed.

Ms. Collins reviewed the benefit adjustment for the Statewide Hybrid Plan – Defined Benefit Component. Mr. Worrell moved the Board to set the ad hoc benefit adjustment for retirees and beneficiaries of the Statewide Hybrid Plan – Defined Benefit Component at 2.34%, effective 10/1/2020 through 9/30/2021. Ms. Morgan seconded the motion. The motion passed.

Ms. Collins noted that the contribution rate for the Statewide Death & Disability Plan will increase to 3.0%, effective 1/1/2021 per Colorado HB 20-1044. No Board action is required on this matter.

Ms. Collins discussed the Statewide Death & Disability Plan (including members of the Supplemental Social Security Plan) benefit adjustment. Mr. Worrell moved the Board to set the ad hoc benefit adjustment for the Statewide Death & Disability Plan for occupational disability retirees and their beneficiaries and to survivors of active members at 0%, effective 10/1/2020 through 9/30/2021. Mr. Feeley seconded the motion. The motion passed.

Staff Reports

Mr. Slack began the Staff Report by discussing business continuity during the pandemic. Core services include paying benefits, managing assets, receiving contributions and maintaining accounting and administrative functions. Everything has been proceeding without interruptions in service. Mr. Slack discussed staff returning to work in the office and the different ways that could look and the challenges of having the staff return to the office too soon.

Mr. Bronson stated that working from home has been seamless. Calls with managers have been increased to almost weekly with over 2/3 of those calls being Zoom meetings, which has become the new normal. Managers are also working remotely and have been more forthcoming to adjust. For the most part it's been business as usual.

Mr. Martin stated that, while he has missed being in the office, it has all been working well. Using Zoom and calling has maintained connectivity in the investment department and he and his team have been in touch with their 80-plus managers.

Ms. Hemenway provided information and background on herself and her department. She stated that onsite meetings are now being conducted via Zoom. They have met with over 20 departments, virtually, since they began working remotely and are on track to be able to meet with all of the departments on the 2020 schedule. They have also been providing academy and new hire orientations throughout the state via Zoom and will be able to provide this service post-pandemic. They have turned seminar topics into webinars. They are also able now to help members on the member portal.

Mr. Colussy provided information about himself and his team, stating that they were responsible for the day-to-day administration of the plans and that they process almost all benefit-related applications and guide members through the benefit application process. He stated that the transition to working remotely went smoothly. One benefit of working remotely is that the team has been able to move towards an electronic work flow. One success deals with the disability process. This process previously required many in-person meetings that are now being conducted via telemedicine. Functionality is at 100% while working remotely.

Mr. Gremmert introduced himself and provided information on his position and the IT team. He stated IT has been successful in enabling remote work for all staff members. He stated that is because the needed tools such as laptops are provided by default. IT is able to provide support through Zoom meetings and Team Viewer. Ongoing projects are on schedule and have not been impaired.

Ms. Smith introduced herself and provided information on her team, stating that her team handles collecting the employer contributions and also paying the retirees. She stated that the team has been able to continue to work seamlessly while working from home. This has been an opportunity to move more towards having things electronically and using less paper. Retirees and survivors continue to be paid on time and deadlines continue to be met. The financial audit was also completed remotely. Cash payments have been converted to ACH. One new process is to reach out to retirees with a phone call during the month of their birthday and confirm the correct contact information is in the system. This has been very well received by the retirees.

In response to Chair Bomberger's question, Mr. Slack stated the FPPA staff has been advised to plan to work from home indefinitely and that there is not a specific date yet assigned to return.

Mr. Mantas expressed his gratitude towards hearing from the staff and how things are functioning and commended the staff for such a smooth transition.

Mr. Slack commented that FPPA staff had been discussing the potential impact upon FPPA plans, per the recent call in some locations to "defund" police. Mr. Weule commented that there had been an increase in police members calling to request guidance and explore options for retirement.

Mr. Slack explained to the Board that because the annual strategic planning meeting was not able to be held this year, the deposit for the hotel has been rolled over to 2021. The Board agreed on June 16-18, 2021, for its next strategic planning meeting.

Mr. Lindahl proceeded with the General Counsel report, stating that they are still monitoring the legislature for any movement on repealing our bill. FPPA has been busy working to implement, through rules, HB 20-1040.

Mr. Lindahl went on to provide background information regarding the Grand Canyon University securities litigation case and asked the Board for authorization to pursue the case. Ms. Morgan moved the Board to authorize Bernstein Litowitz Berger and Grossman to file a securities litigation complaint against Grand Canyon Education and to authorize Dan Slack and Kevin Lindahl to take any other actions necessary to secure FPPA's claims in this matter. Mr. Feeley seconded the motion. The motion passed.

Chair's Report

Chair Bomberger stated he'd like nominations to select a Chair and Vice Chair. Mr. Worrell stated he's willing to serve as Chair if he is reappointed. Ms. Morgan suggested Mr. Torres for Vice Chair and Ms. Frame and Mr. Torres suggested Ms. Hitchens. Mr. Slack and the Board reviewed the election policy. Mr. Torres seconded the nomination of Ms. Hitchens as Vice Chair and the motion passed.

Chair Bomberger requested a motion to nominate Mr. Worrell for Chair beginning September 1, 2020, and Mr. Feeley so moved. Ms. Morgan seconded. The motion passed.

At 12:56 p.m., Chair Bomberger requested a motion to adjourn. Mr. Torres moved. Ms. Morgan seconded. Meeting adjourned.