

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

**July 30, 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 June 10, 2020, Board meeting minutes
- 7:40 a.m. **Cambridge Market Update.** *Brian McDonnell, Cambridge Associates*
- 8:00 a.m. **Investment Report.** *Scott Simon*
- 8:30 a.m. **Rule of 80 and the Statewide Hybrid Plan.** *GRS Consulting and Kevin Lindahl*
- 9:10 a.m. **Break**
- 9:25 a.m. **Staff Reports**  
a) Executive Staff Report. *Dan Slack*  
b) General Counsel Report. *Kevin Lindahl*  
c) Employee engagement survey. *Elaine Gorton*  
d) Q1 & Q2 board scorecards. *Dan Slack*  
e) Colorado Springs New Hire Pension Plans - contribution rates, SRA, COLA. *Kim Collins*  
f) 2020 Rulemaking Process
- 10:55 a.m. **Communications plan and metrics.** *Ryan Woodhouse*
- 11:25 a.m. **Break**
- 11:45 a.m. **Determination of Akins disability appeal.** *Kevin Lindahl*
- 11:55 a.m. **Chair's report.** *Dave Bomberger, Chair*  
a) Board self-evaluation  
b) Other matters
- 12:25 p.m. **Adjournment**

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

Join Zoom Meeting

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Meeting ID: 928 0063 6446

Password: 570325

One tap mobile

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+1 346 248 7799 US (Houston)

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**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**July 30, 2020**

**This meeting was held online as a Zoom virtual meeting.**

**Board Members Present:**

Chair Dave Bomberger, Guy Torres, Karen Frame, Patrick Phelan, Mike Feeley, Tammy Hitchens, 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, Steven Miller, Ben Bronson, Austin Cooley, Dale Martin, Ryan Woodhouse, and Isabel Fernandez.

**Others Present:**

Matt McCue, Journalist; Michael Barela, Voya; Brian McDonnell, Stuart Cameron, William Craig, Cambridge Associates; Joe Newton and Dana Woolfrey, GRS Retirement Consulting; Jimmy Allen, CPFF.

*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 7:38 a.m., Chair Bomberger called the meeting to order.

**Consent Calendar**

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

- Approval of June 10, 2020, board meeting minutes

Mr. Feeley moved to approve the Consent Calendar. Mr. Phelan seconded the motion. The motion passed.

**Cambridge Market Update**

Mr. McDonnell provided a market update. Policy responses and the improving economy provided strong returns in Q2 but surging COVID-19 cases continue to threaten recovery. He noted that risk assets had their best quarter in the U.S. since 1999. Health stocks showed gains while value stocks and non-US equities continue

to struggle year-to-date.

### **Investment Report**

Mr. Simon provided a review of the Investment Report. The Long-Term Pool has underperformed its policy benchmark but will correct itself once Private Market benchmarks are revised to reflect the most recent quarter. The Absolute Return portfolio is doing well. The Long Short Equity portfolio is performing as expected, Global Equity is exceeding its benchmark, while Managed Futures is slightly negative. The Fixed Income portfolio has outperformed in the second quarter and the Private Markets portfolio is performing well.

The Long-Term Pool is in-line with its target asset allocation. Staff may continue to draw on Managed Futures for rebalancing. FPPA has made two commitments to outstanding private equity partnerships, Center Lane and OSP. Greenspring is a newer relationship with a venture capital firm. GL Investment Fund is a new investment in a long/short equity fund. We have existing exposure with Baillie Gifford in public equity emerging markets and have made an investment in their outlier portfolio, a best ideas strategy.

In response to Ms. Frame's questions, Mr. Bronson stated that the Baillie Gifford is concentrated version and while not a new strategy for Baillie Gifford, it is a new line item for FPPA.

In response to Ms. Frame's question, Mr. Simon confirmed that FPPA would monitor staff for conflicts of interest, what exposures there are, and stated that the personal trading policy is being updated.

### **Rule of 80 and the State Hybrid Plan**

Ms. Woolfrey reported that GRS completed an actuarial study on the State Hybrid (SWH) plan to look at costs of allowing members to take a full, unreduced retirement benefit when their age plus service would amount to at least 80 and they are at least 50 years old. Currently members must be age 55 to receive an unreduced benefit.

The first study looked at implementing this benefit for every active member with no additional funding. GRS does not recommend this option as it would reduce funding levels and would increase liability as benefits would be paid out earlier. The breakeven cost-of-living adjustment (COLA) would decrease from 2.34% to 2.21%. The defined benefit allocation would increase from 13.81% to 13.92%, meaning less money would be allocated to the money purchase component of the SWH plan.

Ms. Woolfrey noted if instead the costs were explicitly allocated to the closed member group payroll, it would cost 1% of pay. This 1.0% reflects a 0.3% increase in the normal cost rate plus 0.7% of pay for historical funding shortfalls – all the years in their career where the Rule of 80 was not being funded. The benefit could be provided to new hires at a cost of 0.3% of pay to cover the increased normal cost. If funded

in this manner, there wouldn't be a reduction to the breakeven COLA.

The current plan dynamic is such that for many of the active members covered by the SWH plan, when they terminate or retire, their replacement will not be covered by the plan. Currently only three employers are putting new members into the plan. If the benefit were explicitly allocated to departments that allow new members into the plan, the cost would be 0.6% of pay. This 0.6% reflects a 0.3% increase in the normal cost rate plus 0.3% to pay for historical funding shortfalls – all the years in their career where the Rule of 80 was not being funded. The benefit to new hires would cost 0.3% of pay to cover the increased normal cost. The breakeven COLA would not change. The overall cost is less because that group is less mature.

GRS also looked at offering the benefit on an individual basis, paid for based on the actuarial cost for that member and their date of entry. The cost of the benefits is highly dependent on the entry age into the plan. An example for a member age 18 with 0 years of service is that a one-time payment equal to 60% of their current salary would be needed to fund the additional benefits.

Mr. Lindahl shared that contributions in the SWH plan for both employees and employers is set in statute and in order to make any changes to the required contribution rate would require going to the legislature and requesting a statutory change. The benefit can also be funded in a way that won't require a contribution rate change through a plan amendment that would require an election of the members and employers and approval from the Board. Mr. Lindahl stated that staff recommends that if the Board wants to pursue an opportunity to implement a Rule of 80 for the SWH plan, a task force should be created to study the different issues.

Mr. Mantas moved the Board to create a task force to study the funding and benefit structure of the Statewide Hybrid plan, including the Money Purchase component. This motion was seconded and approved. Chair Bomberger appointed Ms. Hitchens and Mr. Mantas to chair the task force and they accepted. Following up on Ms. Hitchens' comment, Mr. Lindahl stated that there are approximately 200 active members in the Defined Benefit Component and approximately another 200 in the Money Purchase Component only of the SWH plan.

### **Staff Reports**

Mr. Lindahl directed the Board to the pending cases outlined in the litigation report included in the Board packet and shared that there would be updates in the Cognizant case next month and that the case is proceeding.

Mr. Lindahl stated that it is FPPA's recommendation to the Board that the rulemaking process be moved to October 2020 so a draft rulemaking notice can be created. This will also offer the staff more time to review the rules again and ensure they are compliant with the federal tax code. The Board agreed to meet October 15<sup>th</sup>. The Board also agreed to continue to begin Board meetings at 7:30 a.m.

Mr. Slack began the Staff Report by directing the Board to the reports included in the Board packet. Mr. Slack went on to ask that any Board or staff member that has received credit for cancelled FPPA travel please forward the information to Ms. Fernandez so that it can be logged.

Mr. Slack shared information on Pension Bridge and other virtual educational events being offered. Chair Bomberger stated that he had attended in the past and that it was a worthwhile event to attend. Ms. Frame stated she would be able to share the available webinars offered through NACD.

Mr. Slack stated that a date for the 2021 Holiday Reception needed to be booked as open dates are quickly filling up. The date of December 9, 2021, was agreed upon.

Ms. Gorton went over the Employee Engagement Report, letting the newest Board members know that employee engagement was measured every year around the first week of May. In order to get the most authentic responses, a third party is used to do the measuring and ensure anonymity. Ms. Gorton stated that FPPA employees are highly engaged and highly satisfied and that psychological contracts were positive. Scores have continued to improve since 2017 when employee engagement was first measured.

In response to Chair Bomberger's question, Ms. Gorton confirmed that there are national benchmarks that are used to compare FPPA results to peers where possible. The national leadership benchmark is 75% and the FPPA score is 90.38%. The national climate benchmark is 61% while FPPA is 80%.

Ms. Gorton shared that she has gone over all the results with all the executives so they are aware of all the different areas of strengths and weaknesses for their departments.

In response to Ms. Hitchens' question, Ms. Gorton confirmed that open-ended questions were also included giving employees an opportunity to share their thoughts.

While competitive pay continues to be in the bottom five, overall the staff does feel that they are paid fairly and retention numbers show that there isn't an issue. Overall job satisfaction increased again this year.

Mr. Slack provided an overview of the Q2 Board Scorecard explaining why the Board receives the Scorecard and how it can be helpful for any revisions or upgrades that need to be made. Mr. Slack shared that surveys show members are confident with FPPA as a pension provider and satisfied in the benefits provided.

In response to Chair Bomberger's question, Mr. Slack stated that FPPA compared favorably to peers.

Ms. Collins reviewed the actuarial valuation results on the Colorado Springs New Hire Pension Plans. The City of Colorado Springs has received the results and had the opportunity to comment.

Ms. Frame moved the Board to set the Colorado Springs New Hire Pension Plan for Police Component annual required contribution at \$12,545,129, effective January 1, 2021. Of this amount, the active members of the plan will contribute 8.0% of basic salary and the employer will remit the remainder. Mr. Torres seconded the motion. The motion passed.

Mr. Phelan 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, 2021, through December 31, 2021. Ms. Hitchens' seconded the motion. The motion passed.

Ms. Collins informed the Board that there is a cost-of-living adjustment (COLA) built into the Plan for the Police Component and the COLA is rounded to the nearest 0.5% of the prior year average CPI-W which was 1.7%. FPPA will implement the COLA for the Police Component at 1.5% effective October 1. No board action is required.

Ms. Collins reviewed the Fire Component rates. Ms. Hitchens moved the Board set the Colorado Springs New Hire Pension Plan for Fire Component contribution at \$6,047,482, effective January 1, 2021. Of this amount, the members of the plan will contribute 10% of basic salary and the employer will remit the remainder. Mr. Mantas seconded the motion. The motion passed.

Ms. Hitchens moved the Board set the SRA contribution rate for the members of the Colorado Springs New Hire Pension Plan for Fire Component at 0%, effective January 1, 2021, through December 31, 2021. Mr. Mantas seconded the motion. The motion passed.

Ms. Collins informed the Board that there is a cost-of-living adjustment (COLA) built into the Plan for the Fire Component and the COLA is rounded down to the nearest 0.5% of the prior year average CPI-W which was 1.7%. FPPA will implement the COLA for the Fire Component at 1.5% effective October 1. No board action is required.

### **Communications Plan and Metrics**

Mr. Woodhouse introduced himself and provided information and background on his time and position with FPPA. Mr. Woodhouse explained how web analytics are used to gather data in order to make FPPA products and communications better. An interim email newsletter campaign was launched to keep members up to date on how FPPA was continuing to pay benefits and operate at full capacity while working from home. This was FPPA's first completely digital newsletter and lived entirely on the

FPPA blog which made it easy to update or change content as needed during this very fluid situation.

19,159 newsletters were sent to participants with a delivery rate of 98.3%. There was a 130% open rate for these emails resulting in 48.2% clicks. By adding a unique identifier, click tracking was employed to track utilization of individual links provided in the newsletter. In lieu of in-person pre-retirement seminars, online webinars were created to provide many different educational opportunities for our members. Topics covered included COVID related anxiety, estate planning, and fraud prevention.

Verification of Eligibility (VOE) is the annual audit used to ensure that members receiving disability or survivor benefits still meet the requirements to do so. This year FPPA sent the forms out via digital delivery. FPPA was able to send out over 700 forms with links to the appropriate form for each member. 50 completed forms were received back the first day with 181 forms received after the first week.

In response to Ms. Frame's question, Mr. Woodhouse confirmed that follow-up notices are in place if participants don't reply.

### **Determinations of Akins Disability Appeal**

Mr. Lindahl went over the final determination of the Akins disability appeal, reflecting the Board's comments and decision to set aside the Hearing Officer's recommendation and determine that Mr. Akins met the burden of proof required to qualify for total disability benefits.

Mr. Phelan moved the Board approve and the Chairman execute the written Final Determination which finds John Akins qualified for total disability benefits. Ms. Frame seconded the motion. The motion passed.

### **Chair's Report**

Chair Bomberger reminded the Board of terms that are expiring at the end of August 2020 and Mr. Slack confirmed that the Governor has received Mr. Torres' application to be reappointed. Mr. Worrell will also be submitting his application.

Chair Bomberger went on to review the Board self-evaluation survey stating that six responses were received with all responses averaging 4+.

At 11:30 a.m., Chair Bomberger adjourned the meeting.