

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

**December 9, 2020
10:30 a.m. via Zoom**

- 10:30 a.m. **Call to Order.** *Tammy Hitchens, Chair*
- 10:30 a.m. **Consent Calendar.** *Tammy Hitchens, Chair*
a) Approval of November 5, 2020, Board meeting minutes
- 10:35 a.m. **Cambridge Market Update, 3Q 2020 Report**
Brian McDonnell, Cambridge Associates
- 11:00 a.m. **Investment Report.**
a) Investment Committee report. *Guy Torres, Chair*
b) Investment report. *Scott Simon*
c) Self-Directed plans report. *Chip Weule*
- 11:30 a.m. **Break**
- 11:45 a.m. **Proposed 2021 Budget**
a) Budget Committee report. *Karen Frame, Chair, Budget Committee*
b) Staff presentation. *Dan Slack, Kim Collins, Elaine Gorton*
- 12:25 p.m. **Break**
- 12:35 p.m. **Staff Reports**
a) Executive Staff Report. *Dan Slack*
b) General Counsel Report. *Kevin Lindahl*
c) Approval of "board hire" contracts. *Kevin Lindahl, Chip Weule*
1) Medical Advisor
2) Hearing Officers
- 12:55 p.m. **Chair's report.** *Tammy Hitchens, Chair*
a) Election of vice chair & committee appointments. *Tammy Hitchens*
b) Educational events. *Dan Slack*
c) Resolutions of appreciation for service. *Kevin Lindahl*
d) Other matters
- 1:25 p.m. **Adjournment**

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

<https://fppaco.zoom.us/j/99893726943?pwd=d20rbStwaHIEUTFkWHFRemtGVjVlQlT09>

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FIRE AND POLICE PENSION ASSOCIATION
Minutes – Board Meeting
December 9, 2020

This meeting was held online as a Zoom virtual meeting.

Board Members Present:

Chair Tammy Hitchens, Dave Bomberger, Mike Feeley, Karen Frame, Jason Mantas, Patrick Phelan, Guy Torres, Marisa Pacheco, and John Hoehler.

Staff Members Present:

Dan Slack, Chip Weule, Kevin Lindahl, Kim Collins, Scott Simon, Elaine Gorton, Mike Sutherland, Austin Cooley, Ben Bronson, Steven Miller, Dale Martin, Jessica Hsu, Rossy Burgin, Mandy Kamm, and Isabel Fernandez.

Cambridge Associates Members Present: Brian McDonnell and William Craig

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 10:30 a.m., Chair Hitchens called the meeting to order and welcomed new Board members Marisa Pacheco and John Hoehler.

Consent Calendar

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

- Approval of November 5, 2020, Board meeting minutes.

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

Cambridge Market Update

Mr. McDonnell presented the market update. November was an impressive month and global indices hit all-time highs. Global equity markets were up 12.3%, the highest monthly return since 1975. Bonds saw some muted gains but remained positive. In equity markets, non-U.S. beat U.S., value beat growth, and small caps beat large caps. The Russell 2000 was up a monthly record of 18.4%. Returns have been good but valuations have been stretched. U.S. earnings estimates may be down 10-11%, with other developing markets down 20-30%, and emerging markets down 8%. Tech stocks trailed as the equity rally broadened. The year-to-date performance was impressive, with the NASDAQ up 37% and the S&P 500 up 14%.

Investment Report

Mr. Simon presented the investment report. The year-to-date performance is above benchmark at just under 3%. The team is working on implementation benchmarks specific to each asset class. It has been a strong year, especially with equity markets. Global public equity is ahead of its benchmark. The long/short equity and absolute return hedge fund portfolios are having a good year and are well ahead of their benchmarks.

Mr. Torres provided an update of the Investment Committee meeting. The Interim Asset Allocation targets were updated due to FPPA winding down the 4% allocation to managed futures and there is also an SRA payment of \$120 million in January 2021. The combination of these has resulted in changes to some of the interim targets for the Long Term and Glide Path pools, as discussed at the December Investment Committee meeting.

Mr. Torres stated that the risk report prepared by staff is very thorough and is reviewed by the Investment Committee quarterly. It covers different areas that measure risk and shows what the actual measurements are relative to guidelines, and how metrics have changed over time. The commitment pacing for Private Markets for 2021 is set for \$250 to \$350 million.

Mr. Weule went over the Self-Directed Plans report. In accordance with HB20-1044, current SRA funds are being converted to member-directed investment accounts at Fidelity. The transition will take place towards the end of January 2021 and the funds will be placed into individuals' QDIAs, which is the age-appropriate target date fund. As a result of the transfer of these funds, FPPA will qualify for a new share class within the Vanguard target date funds. The Committee voted to change share classes and the result will be the members seeing a 1 basis point reduction in fees, which is approximately a 12% fee reduction.

Proposed 2021 Budget

Ms. Frame, Budget Committee Chair, stated 2020 expenses are projected to come in below budget. The Budget Committee met and reviewed the proposed budget and recommends the Board approve the 2021 budget. Mr. Slack reviewed the budget process and the standard by which the budget is reviewed.

Ms. Collins presented the 2021 proposed budget to the Board. She reviewed the Operating and the Asset Based Fees budgets. The Operating budget reports the administrative expenses and the Asset Based Fees budget reports the investment expenses. The combined proposed 2021 budget of \$53.2 million decreases by 1.7% from the prior year budget. In general, higher personal services expenses are offset by lower investment management fees. We anticipate a significant savings within the 2020 budget due to covid-19 travel restrictions and staff working from home.

Ms. Gorton reviewed the personal services section of the budget. In response to Ms. Pacheco's question, Ms. Gorton stated that cost-of-living salary increases are based on performance merit and on data from the Employer's Council. In response to Mr. Bomberger's question, Ms. Gorton confirmed that it is FPPA's conservative forecasting practice to budget for 100% earning of potential incentive compensation.

Mr. Bomberger moved to clarify that the quantitative portion of the incentive package for the Executive Director is to be structured in the same manner as that of the investment professionals.

Mr. Phelan seconded the motion. Motion passed.

In response to Ms. Hitchens' question, Ms. Gorton stated FPPA pays 95% of employee premiums and 50% for dependents and spouses for medical, dental, and vision. FPPA matches up to \$1,500 of employee contributions to their deferred compensation plan. The PERA contribution rate is currently 20.9% and will go up to 20.95% in July 2021.

Ms. Collins reviewed the Strategic Plan objectives and how the budget is impacted by those goals. The Strategic Plan was put in place for the years 2016-2019 and was to be updated in 2020. Due to the delay caused by meeting remotely as a result of covid-19, a new plan is expected to be created in 2021.

Mr. Phelan moved the Board to approve the 2021 budget as presented. Mr. Bomberger seconded the motion. The motion passed.

Staff Reports

Mr. Slack presented the staff report, stating that annual reviews of vendors that have access to members' personal identifiable information have been completed. FPPA is proceeding with an architectural review of the building for possible office suite changes that may be needed for return to the office post covid-19. Investment Committee meetings will be held at 7:30 a.m., with the Board meetings to follow, in March, September, and December.

Per input from members, Mr. Slack suggested the Board consider supplemental studies to the Statewide Death & Disability Plan: 1) determine if members and beneficiaries receiving occupational disability or active member death benefits within the Statewide Death & Disability Plan could receive a benefit adjustment; and 2) analyze the effects of lump sum funding by the State, if the State decides to do so. The Board agreed and Mr. Slack stated the actuarial valuation will be presented to the Board in June 2021.

Mr. Lindahl presented the General Counsel report, stating there wasn't any significant litigation activity. Mr. Lindahl went on to recognize Mr. Steven Miller and Ms. Karen Moore for successfully negotiating legal services bills.

Mr. Lindahl presented the Hearing Officer contracts for the Board's approval, requesting that the contracts for Thomas L. Kanan, Eric Moutz, and Randie Thompson be renewed for an additional year.

Ms. Frame moved the Board to approve the amendment extending the agreement appointing Thomas L. Kanan as a Hearing Officer. Mr. Bomberger seconded the motion. The motion passed.

Mr. Bomberger moved the Board to approve the amendment extending the agreement appointing Eric Moutz as a Hearing Officer. Mr. Phelan seconded the motion. The motion passed.

Mr. Phelan moved the Board to approve the amendment extending the agreement appointing Randie Thompson as a Hearing Officer. Ms. Frame seconded the motion. Mr. Bomberger recused himself from the vote. The motion passed.

Mr. Weule presented the Medical Advisor contracts for the Board's approval, requesting the contracts for Dr. Annu Ramaswamy and Dr. Sander Orent be renewed.

Mr. Bomberger moved the Board to approve the amendment extending the agreement with Dr. Annu Ramaswamy to act as Medical Advisor. Mr. Phelan seconded the motion. The motion passed.

Mr. Bomberger moved the Board to approve the amendment extending the agreement with Dr. Sander Orent to act as Medical Advisor. Mr. Phelan seconded the motion. The motion passed.

Chair's Report

Chair Hitchens opened the discussion for the nomination of Board Vice Chair. Mr. Bomberger nominated Mr. Torres. Mr. Feeley seconded the motion. Mr. Torres was elected as Vice Chair.

Chair Hitchens went on to present the Committee appointments. Mr. Hoehler has been appointed to the Budget Committee along with Ms. Frame and Mr. Phelan. Ms. Pacheco will be joining the Audit Committee along with Chair Hitchens, Mr. Mantas, and Mr. Torres. The Investment Committee members include Mr. Bomberger, Mr. Torres, Ms. Frame, and Mr. Feeley.

Mr. Slack went over the educational events memo, stating most events are being held virtually. Mr. Bomberger noted that Pension Bridge was offering events that might be included in future educational opportunities.

Mr. Lindahl presented the Resolutions of Appreciation for Service for Tyson Worrell, Sue Morgan, and Tony Lombard.

Mr. Phelan moved for the adoption of FPPA resolutions 2020-09, 2020-10, and 2020-11. Mr. Bomberger seconded the motion. The motion passed.

At 1:18 p.m., Chair Hitchens adjourned the meeting.