

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

**April 29, 2021  
7:30 a.m. via Zoom**

- 7:30 a.m. **Call to Order.** *Tammy Hitchens, Chair*
- 7:30 a.m. **Consent Calendar.** *Tammy Hitchens, Chair*  
a) Approval of March 11, 2021, Board meeting minutes  
b) Collins Resolution
- 7:35 a.m. **Cambridge Market Update.** *Brian McDonnell, Cambridge Associates*
- 7:50 a.m. **Investment Report.** *Scott Simon*
- 8:10 a.m. **Proxy Voting Overview.** *ISS: Ariane De Vienne (Global Head of Asset Owner Strategy), Fassil Michael (Head of Thought Leadership), Chris Miller (Specialty Research)*
- 8:55 a.m. **Break**
- 9:05 a.m. **5290 DTC analysis and recommendation.** *Cheryl Casserly, Transwestern; Kevin Lindahl*
- 10:05 a.m. **Break**
- 10:15 a.m. **Statewide Hybrid Plan Task Force recommendation.** *Jason Mantas, Tammy Hitchens*
- 11:00 a.m. **Staff Reports**  
a) Executive Staff Report. *Dan Slack*  
b) General Counsel Report. *Kevin Lindahl*
- 11:30 a.m. **Chair's report.** *Tammy Hitchens, Chair*  
a) Scheduling of Investment Committee meetings. *Guy Torres*  
b) Other matters
- 12:00 p.m. **Adjournment**

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**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Meeting**  
**April 29, 2021**

**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, Scott Simon, Elaine Gorton, Mike Sutherland, Austin Cooley, Ben Bronson, Steven Miller, Ryan Woodhouse, Mark Gremmert, Ahni Smith, Beth Hemenway, Jessica Hsu, and Isabel Fernandez.

**Others Present:** Brian McDonnell and William Craig, Cambridge Associates; Ariane De Vienne, Fassil Michael, Chris Miller, and Steve Traylor, ISS Governance Solutions; Cheryl Casserly, Transwestern; Dana Woolfrey, GRS 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 7:32 a.m., Chair Hitchens called the meeting to order.

**Consent Calendar**

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

- Approval of March 11, 2021, Board meeting minutes.

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

Mr. Slack presented and read the Collins resolution. Mr. Bomberger moved to approve the resolution. Mr. Torres seconded the motion. The motion passed.

**Cambridge Market Update**

Mr. McDonnell presented the Market Update. Despite some interim volatility, it was a strong quarter for risk assets. Global Equities were up 4.6%. International stocks

performed better than U.S. stocks on a local currency basis. The fiscal stimulus package along with the Covid-19 vaccine news contributed to these results. There was a style rotation in the first quarter with small cap (11% return) beating large cap (6% return). Value performed better than growth in the first quarter. Fixed Income such as Treasuries declined. The U.S. GDP forecast for 2021 has been revised higher, though European forecasts are still being cut, as another wave of infections and slow vaccine distribution prompted fresh lockdowns across the region.

### **Investment Report**

Mr. Simon presented the Investment Report. 2021 has had a good start with a 3% return year to date, slightly ahead of benchmark. Global Equities has had a difficult first quarter and the portfolio lost ground relative to its benchmark. Long-Short Equity has gained back relative performance although still remains below benchmark year to date stemming from January underperformance. In fixed income, the rates portfolio was negative for both the month and year to date but is right on its benchmark. Performance was within expectations given the rise in interest rates and the steepening of the yield curve. The credit portfolio is slightly negative but ahead of its benchmark year to date. The Absolute Return portfolio performance is positive but slightly lags its benchmark year to date. There is a wide dispersion of performance among managers. Private Markets is off to a strong start and positive for the year.

Mr. Simon reviewed the investment activity. FPPA staff approved a \$25 million commitment to Atlas Capital Resources IV, a \$3.0 billion fund that will focus on acquiring controlling interests in businesses undergoing financial or operational distress/stress primarily in North America. A \$10 million commitment to Goodwater Capital IV and a \$10 million commitment to Goodwater Infinity II was approved by FPPA staff. The Funds are each seeking \$400 million and will leverage Goodwater's proprietary data platform to pursue early-stage and late-stage investments, respectively, in fast growing consumer applications and services companies. A \$5 million commitment to ECP Terra-Gen Growth Fund, including a rollover of FPPA's \$3.5 million pro-rata position from Energy Capital Partners III, to be invested in Terra-Gen Power Holdings, an owner, operator and developer of utility-scale renewable and clean energy assets. FPPA staff approved a \$20 million commitment to Stride Consumer Partners, a \$400 million fund that will pursue growth equity investments in lower middle market consumer businesses in North America. This is FPPA's first commitment with Stride. A \$60 million investment in Jackson Square Small Cap Opportunities Fund was also made.

### **Proxy Voting Overview**

Mr. Simon provided background regarding ISS Governance Solutions and proxy voting activity. ISS Governance members Ariane De Vienne, Fasil Michael, and Chris Miller introduced themselves and provided background on their roles within ISS. Ms. De Vienne provided an overview of ISS. On an annual basis, ISS covers over 45,000 meetings across 115 countries with 12.2 million ballots executed. ISS employs over 460 professionals including 280 analysts.

Mr. Michael reviewed proxy policy formulation. ISS is a policy-based research organization. Policy formation is inclusive and transparent with the voting guidelines publicly disclosed. There are rigorous internal review processes for research and data and periodic SSAE-18 audits ensure compliance with internal control processes. A data verification platform allows issuers to verify key governance attributes and data underlying ISS' evaluation of equity incentive plans. All issuers may request and receive a copy of the published ISS research report of the company without charge.

Mr. Miller also reviewed the Public Fund Proxy Voting Policy. Policies are formulated in collaboration and consultation with ISS's clients and are designed to represent a particular constituent group's perspective on governance. Surveys in 2021 show a desire for significant policy updates including race, ethnicity, and gender diversity within Boards. Based on survey results, the Public Fund policy recently revised its overboarding policy pertaining to the appropriate number of boards a director may serve.

In response to Mr. Slack's question, Mr. Miller explained the difference between the Sustainability and the Public Fund policies.

In response to Mr. Torres' question, Mr. Michael stated the Department of Labor announced that it will not follow through with past administration guidance deterring pension plan fiduciaries from considering ESG factors while evaluating investments or in proxy voting matters.

### **5290 DTC analysis and recommendation**

Mr. Lindahl began the 5290 DTC analysis and recommendation by stating that over the last 3 months, and at the Board's direction, the Executive Team has been evaluating the condition of the building at 5290 DTC Parkway. It is important to have a business space that projects the stability of the organization, promotes productivity and efficiency, and is comfortable. Transwestern evaluated the building and it would cost \$500,000 a year, over the next five years to keep the building operational. The Executive Team recommended finding suitable office space in a nearby Class A building for a 10-year term with an opt-out after 7 years.

Ms. Casserly provided a history of Transwestern's management of the building and went over the challenges in leasing the vacancies. The core systems are at the end of life and some systems are failing. The building and the grounds are very dated which makes it difficult to compete as a landlord in the Tech Center. The average annual status quo cost would be \$591,000 versus an estimated \$480,000 to relocate to a leased space.

Mr. Bomberger moved the Board to authorize the Executive staff to negotiate and execute a lease for office space for the Association pursuant to the recommendation made to the Board. Mr. Mantas seconded the motion. The motion passed.

## **Statewide Hybrid Plan Task Force recommendation**

Mr. Mantas provided a summary of the Statewide Hybrid Plan Task Force recommendation. The Task Force had a concern that the Statewide Hybrid Plan was beginning to resemble an Old Hire plan due to the large number of reentry members versus new hire participants. Another concern was that the Rule of 80 didn't extend to the hybrid plan. The Task Force had four meetings with a good representation of employers and employees.

Mr. Slack stated the Statewide Hybrid Plan may begin to look like a closed plan in the future and may then need to be administered as a closed plan moving forward. Three departments contribute the minimum contribution of 16% while most departments contribute at a higher rate. The current allocation of the minimum required contribution is 13.8% to the defined benefit component and 2.2% to the defined contribution component. The SWH Plan is currently very well-funded (127%), however, without new members entering into the plan, it becomes much harder to recover from any significant financial downturns or adverse experience in actuarial assumptions in the future. There is a risk that with a closed plan that an appropriate asset allocation will require lowering the expected rate of return, which in turn adversely affects the plan's funded status and its ability to grant benefit adjustments.

Mr. Lindahl presented the history of the Statewide Hybrid Plan. The Plan was created in 2004 as an option for the reentry process. The concept was that it would be a separate and distinct plan from the Statewide Defined Benefit Plan and departments would choose which plan to join. There was a concern that departments wouldn't want to contribute more than 16% for their employees. This plan also allows members and departments the opportunity to participate in a plan that offers both a defined benefit and a defined contribution component.

Ms. Hemenway stated there is a finite number of departments that can utilize this plan. Of the police and fire departments that qualify for the reentry process 36 departments have gone through the process and there are 57 departments remaining that are eligible to go through the process. Legislation sponsored by Sheriffs in 2019 allows affiliation for departments that currently have a defined contribution plan and participate in Social Security., There are approximately 60 eligible sheriff departments. The Social Security employers include police and fire departments required to pay Social Security due to existing 218 agreements and the number of departments is unknown, but those departments would generally have fewer employees. Ms. Hemenway then proceeded to review the plan rules.

Mr. Weule reviewed the Statewide Hybrid Plan contributions. The minimum required contribution for participating departments is 16% of pensionable earnings, with a minimum member contribution of 8% and a minimum employer contribution of 8%. There are two components to the plan, the defined benefit component and the money purchase component. The Statewide Hybrid Plan has 7 departments, covering 38 members, contributing at the 16% rate and 26 departments, covering 151 members, contributing between 18%-22%. There are three departments where eight total members contribute 8% and the employer contributes 10% or more. Of the three

departments that put new hires into the plan, Dillon Police has nine active members, Elizabeth Fire has twenty-three active members, and Evans Police has thirty-four active members.

Mr. Lindahl offered the recommendation of the Statewide Hybrid Plan Task Force:

- Merge the assets and liabilities of the SWH and the SWDB plans into one plan on an actuarially equivalent basis
- Adjust the funding status of the SWH plan to match the funding status of the SWDB plan
- Excess funding of the SWH plan would transfer to the members by increasing the multiplier in the current SWH-DB Component Benefit for all years of service prior to the date of the plan merger
  - Increase would be based on funded status at the time of the merger
  - For example; current funded status is 127%.
  - $1.5 \text{ plan multiplier} \times 127\% = 1.9 \text{ plan multiplier}$  for all years prior to the merger
- FPPA Board of Directors will determine the DB/DC allocation of the Hybrid Component annually
- Allow current and future Hybrid Component plan members to retire under Rule of 80;
- Increase minimum contribution rates to the Hybrid Component (from 16% to 18%)
  - 1% increase in Employer contributions phased in over eight years
  - 1% increase in Member contributions phased in over eight years
  - NOTE: The increase would only affect those departments where Members and/or Employers are currently contributing less than 9% each
  - Benefit Adjustments would be equal for all defined benefit component members in the merged Plan;
  - Would lower the projected benefit adjustment in the near-term for the Hybrid Component
  - Would ensure the long-term sustainability of the Hybrid Component
  - Could allow for an increase in contributions to the defined contribution part of the Hybrid Component, or funding for more significant projected benefit adjustments
- Allow Defined Benefit Component departments to have a 401(a) defined contribution account

Ms. Woolfrey offered the actuarial perspective, focusing on the funding impact to the plan and member benefits before and after consolidating. Concerns with the Statewide Hybrid Plan regard long-term sustainability and a diminishing contributory payroll. There is also a desire by many members to include the Rule of 80 in the SWH plan. With diminishing contributory payroll, cash flows become increasingly negative and there is pressure to change the investment allocation and reduce investment expectations. The proposal is to merge the Statewide Defined Benefit Plan and the Statewide Hybrid Plan, creating the Statewide Retirement Plan. The Statewide Retirement Plan would include a defined benefit component, social security component, hybrid component, and a money purchase component. The task force is

proposing an increase in the minimum contribution to 18% in the hybrid component, 9% from the employer and 9% from the employee, over eight years. To fund the Rule of 80 in the hybrid component, the accrued liabilities will be funded at transition and normal costs will be funded going forward. Member benefits would be as follows:

- The more service a member has, the more valuable the increased transition multiplier
- The closer to retirement a member is, the more valuable the increased transition multiplier
- Based on plan funding as of 1/1/2021, Retirees would receive immediate increase of  $1.9/1.5 = 127\%$  (the actual increase would be determined based on the actuarial valuation at the time of merger)
- Offsetting this immediate increase, those retired, or retiring in the near term, will be more adversely impacted by depressed benefit adjustments in the merged plan in the near future

Mr. Lindahl stated that, in order to have the proposal become law, the FPPA staff will draft the proposed legislation, rewriting the current law. It will then be reviewed by the Pension Review Commission and Legislative Council, and introduced in the House and Senate, and will proceed through committee hearings and then to the full chambers for approval. It will then need to be considered and approved by the Governor.

Ms. Hemenway presented the communication and education campaign. The campaign will take place in two phases. The first phase is the introduction of proposed changes prior to July 2021 and will provide an opportunity for employers and members to comment. The second phase includes communication, education, and calculations outreach following the passage of legislation and prior to implementation of changes. The objective of the campaign is to explain proposed changes coming to FPPA plans effective in 2023. Phase one will include short, scripted videos, webinars, corporate site links with legislation summaries and additional materials, and blog and social media posts.

Mr. Weule presented phase two of the campaign, that will include updating phase one as needed, working with lobbyists as needed, seeking bill sponsors, meeting with state legislators, and producing educational videos. During phase two, employers and members will be contacted, and webinars, meetings, videos, printed materials, and social media will be employed.

Mr. Mantas moved the Board to adopt the recommendations of the Statewide Hybrid Plan Task Force and direct staff to prepare legislation for the 2022 session to merge assets and liabilities of the Statewide Defined Benefit Plan and the Statewide Hybrid Plan, increase the minimum contributions to the hybrid component to 9% member / 9% employer, and to offer a "Rule of 80" retirement option under the hybrid component. Mr. Bomberger seconded the motion. The motion passed.

### **Staff Reports**

In the interest of time, Mr. Slack suggested that the staff not review its written reports but instead respond to any questions the board may have regarding those reports.

Mr. Weule followed up on the question Chair Hitchens asked at the March Board meeting, confirming that participants must sign off confirming they understand the costs and risks of opening an online brokerage account. Participants must sign either electronically or on a paper form.

### **Chair's Report**

Mr. Torres proposed changing the June Investment Committee meeting to June 16<sup>th</sup> at 2:00 p.m. and the Board meeting to June 17<sup>th</sup> at 7:30 a.m. The Board agreed.

Mr. Bomberger moved that the Board adjourn into executive session to discuss personnel matters regarding executive staff as allowed under Section 24-6-402 (4)(f) of the Colorado Revised Statutes. Mr. Feeley seconded the motion. The motion passed.

The Board returned to its regular meeting. Chair Hitchens stated no formal action was taken during the executive session.

Mr. Bomberger moved to hire an executive search firm to conduct a search for the Executive Director position. Mr. Mantas seconded the motion. The motion passed.

Mr. Bomberger moved to appoint Mr. Mantas, Ms. Pacheco, Ms. Frame, and Mr. Phelan to create an ad hoc search committee. Mr. Hoehler seconded the motion. The motion passed.

At 12:43 p.m., Chair Hitchens adjourned the meeting.