

**Fire and Police Pension Association of Colorado
Investment Committee
Sept 27, 2018**

Agenda

*The Investment Committee meeting will commence
immediately following the adjournment of the September 27 Board meeting.
Times listed below are estimates only. Actual times may vary.*

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| 11:30 | Call to Order |
| 11:30 | Minutes Approval – July 9, 2018 |
| 11:30 | Election of Investment Committee Chair |
| 11:40 | Emerging Markets Review
Fixed Income Review
Closed Plans |
| 2:00 | Adjourn |

**Fire and Police Pension Association of Colorado
Investment Committee
September 27, 2018**

**FPPA Board Room
5290 DTC Pkwy
Greenwood Village, CO 80111**

Investment Committee Members Present: Chair Guy Torres, Dave Bomberger, Karen Frame, Todd Bower, and Tyson Worrell.

Staff Members Present: Dan Slack, Scott Simon, Austin Cooley, Ben Bronson, Dale Martin, Scott Bryant, Claud Cloete (via phone), Jessica Hsu, Molly Goodman, Sean Ross, and Karen Moore.

Others Present: Brian M. McDonnell, Andrea Auerbach, Dwight Keysor, and Alex Pekker, Cambridge Associates (CA).

Notice of this meeting and a copy of the agenda were posted outside the meeting room and on the FPPA website at least twenty-four hours prior to the meeting.

At 11:53 a.m., Mr. Bomberger called the meeting to order.

Mr. Torres moved to approve the June 9, 2018 meeting minutes. Mr. Worrell seconded the motion. The motion passed.

Election of Investment Committee Chair

Mr. Bower nominated Mr. Torres as Committee Chair. Ms. Frame seconded the motion. The motion passed. Mr. Torres accepted the nomination.

Fixed Income Review

Chair Torres directed the Committee to the Fixed Income (FI) Review. Mr. Bronson began his presentation reviewing market performance and macro comments. We have seen solid, sustained growth across all regions, complemented with benign inflation levels. We are experiencing rising rates, quantitative tightening, and more concentrated aggregate passive exposure.

Mr. Bronson reviewed recent history, current objectives, and performance goals and exposures of the FI portfolio. Bloomberg Barclays Capital US Aggregate Bond Index serves as the policy benchmark. Over the long-term, the aggregate FI portfolio is expected to exceed the performance of a broadly diversified FI index, net of fees, while maintaining a similar risk profile.

Ms. Hsu reviewed the FI portfolio annualized returns, tracking errors, information ratio, correlation, and exposures in comparison to the benchmark. The past 36 months, the portfolio has outperformed the benchmark. The FI portfolio is below

the information ratio target but has been moving up since March. The portfolio has a high rolling correlation to the benchmark and relatively low rolling correlation to MSCI ACWI IMI. The portfolio is much more diversified than the benchmark.

Mr. Bronson reviewed research topics and potential actions for Q4 and 2019.

At 12:23 p.m., Mr. Lindahl left the meeting.

Mr. Bronson explained how peer performances are completed. Staff will be utilizing Cambridge's peer data.

Emerging Markets Review

At 12:29 p.m., Mr. Simon provided an introduction and discussed our current emerging markets (EM) portfolio. Mr. McDonnell began the EM review, reviewing EM equity composition over time and the current portfolio composition and performance. The current public market EM portfolio exhibits a moderate tilt towards growth and momentum and away from value. This has been a positive contributor to performance but could be worth reevaluating as value becomes more attractive.

The Board and Committee discussed currency hedging.

At 12:44 p.m., Mr. Keysor presented on private EM. Staff has asked Cambridge for an independent analysis of and the facilitation of a discussion around EM exposure in FPPA's private markets portfolio, including discussion of key threshold questions.

Ms. Auerbach discussed that assets in EM may not be priced universally. A country in an EM may not apply a country risk premium to assets within that EM, while others outside the EM may be applying a country risk premium to that same asset.

At 12:52 p.m., Mr. Newton joined the meeting.

Mr. Martin discussed how we can stay diversified in EM (private markets) given the heavily concentration in energy. He also reviewed previous applications of the risk return premium.

Cambridge supports that an opportunistic emerging market investment program would enhance the portfolio from a diversification and market opportunity standpoint. Cambridge suggests a FPPA sponsored investment approach supported by Cambridge global resources. An emphasis should be placed on private equity investment, while evaluating other investments in real estate and real assets. Cambridge suggests an overweight position to Asia. Above all, Cambridge advises prioritizing manager selection over commitment pacing. EM strategy should be revisited annually to take into account changing portfolio and market dynamics.

The Committee provided feedback to staff to proceed in exploring emerging markets and utilizing the Cambridge's resources. The Committee stressed that the deals need to be meaningful and worth our resources.

At 1:22 p.m., Chair Torres called for a break.

Closed Plans

At 1:30 p.m., Messrs. Simon and Cooley provided introductory remarks on the closed plans.

Mr. Pekker began his presentation on the potential derisking of the old hire plans. Over time, aggregate Old Hire liabilities are decreasing in absolute terms and relative to other plans. Mr. Pekker reviewed the cash flow profiles of the closed plans in comparison to the open plans, if they were became closed. Mr. Pekker reviewed the potential metrics to evaluate plan risk tolerance and help determine investment strategy. Initial analysis suggests considering the old hire plans in three broad groups: lowest risk (roughly half), moderate risk (most of OH plans), growth-oriented (open plans, perhaps several OH and CS new hire plans).

The Committee discussed whether each plan should select its own risk group and that some plans may not fit into one of these risk groups.

Mr. Torres would like this discussion to go before the Board. The Committee has requested Kevin Lindahl's interpretation of the statutory language regarding the fiduciary duties to the old hire plan. Staff will put this on the next Board meeting agenda.

At 2:14 p.m., Mr. Bower moved to adjourn. Mr. Worrell seconded the motion. The motion passed. Chair Torres declared the meeting adjourned.