

**Fire and Police Pension Association of Colorado**  
**Investment Committee**  
**December 13, 2018**

**Agenda**

- 7:30 Call to Order
- 7:30 Approval of Minutes
  - September 27, 2018
  - November 8, 2018
- 7:35 Real Assets Overview  
*Dwight Keysor, Cambridge Associates*
- 8:15 Absolute Return – Portfolio Review  
*Liquid Strategies Team*
- 9:00 Closed Plans  
*FPPA Staff & Cambridge Associates*
- 10:00 Adjourn

**Fire and Police Pension Association of Colorado  
Investment Committee  
December 13, 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, Kevin Lindahl, Kim Collins, Austin Cooley, Ahni Smith, Ben Bronson (via phone), Dale Martin, Scott Bryant, Claud Cloete, Jessica Hsu, Molly Goodman, Sean Ross, and Karen Moore.

**Others Present:** Diana Gibson, Dwight Keysor, and Alex Pekker, Cambridge Associates (CA); and Steven Miller.

*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.*

**Call to Order**

At 7:30 a.m., Mr. Torres called the meeting to order.

**Approval of Minutes**

Mr. Bomberger moved to approve the September 27, 2018, and November 8, 2018, meeting minutes. Mr. Bower seconded the motion. The motion passed.

**Real Assets Overview**

At 7:31 a.m., Mr. Simon provided an introduction to the real assets overview. Mr. Keysor began the discussion on real assets, building a case for infrastructure investments. Mr. Keysor reviewed FPPA's current global private markets (PM) portfolio mandate, staff's methodology to meet this mandate, and current PM real assets exposure. Mr. Keysor then provided an overview on infrastructure, reviewing investment characteristics, utilization of infrastructure as an inflation hedge, and risk/return profiles and strategies.

Mr. Keysor discussed current market views, including market views on renewables, energy, and communication infrastructure. Cambridge recommends infrastructure investments in Europe and North America.

Chair Torres asked Mr. Martin for an overview of FPPA's geographic diversification and opportunities he is seeing in various sectors. Messrs. Martin and Simon provided a history of FPPA's investment in infrastructure and discussed opportunities and investments plans going forward.

## **Absolute Return - Portfolio Review**

At 8:11 a.m., Mr. Bronson provided an introduction, and Ms. Hsu began the absolute return portfolio review. Absolute return strategic allocation is 9% of the total fund. Ms. Hsu reviewed October market and hedge fund performance, absolute return portfolio historical background, and current absolute return goals. Ms. Hsu then reviewed the portfolio construction, allocation, and performance.

The AQR strategies did not perform well this year, although they have outperformed in the past. Ms. Hsu highlighted AQR's impact to the absolute return portfolio. Ms. Gibson added that the portfolio returns are still relatively strong. Staff will provide a 3-year and 5-year AQR attribution to the Committee.

Ms. Hsu reviewed management and performance fees. Currently, performance fees are on target and management fees are under target.

Ms. Goodman reviewed the background on FPPA's investment in AQR, made in 2013 as part of a new alternative beta category. Ms. Goodman reviewed the historical performance of the AQR strategies. Staff has been in discussions with AQR, and also investigating internally, to determine the reason for value underperforming. Although AQR has been underperforming, it has not had significant outflows. Staff and Cambridge are not recommending a change in the manager at this time, but staff is monitoring very closely.

Ms. Hsu reviewed 2019 strategic planning and deal flow.

Cambridge's team, research platform, and access to deal flows have been great resources to staff.

At 8:59 a.m., Mses. Collins and Smith joined the meeting.

## **Closed Plans**

At 9:02 a.m., Mr. Slack updated the Committee on the closed plans review and provided staff's recommended timeline for the asset allocation study. The Committee approved the timeline provided in Mr. Slack's memo, in addition to the following:

1. GRS will present its proposed funding policy and staff will propose a communication plan at the January Board meeting.
2. Staff will schedule a February Committee meeting to discuss capital market expectations and asset allocation of the closed plans.
3. Staff will reschedule the March Committee and Board meetings so that the Board meeting commences immediately following the Committee meeting.

Mr. Bomberger will not be able to attend the currently scheduled March 7 meetings.

Mr. Cooley discussed the issues to be addressed in the reallocation of the old hire plans.

Ms. Collins mentioned a few issues Operations is considering, such as appropriately allocating investment fees and salaries to each plan.

Messrs. Cooley and Pekker explained potential group 1 and 2 allocations that staff and Cambridge are considering. Mr. Simon noted the governance and accounting that must be considered and determined prior to implementation. The Board and staff also discussed the communications needed prior to implementation.

Mr. Lindahl reviewed FPPA's fiduciary duties as well as the work that FPPA currently completes for the closed plans, in addition to the investment of the plans' funds.

Staff reviewed how the various plans' funds are accounted within the total fund. Currently, each plan has a share of the total fund. In the proposed model, the plans would have shares in the individual asset classes.

At 9:51 a.m., Mr. Bower moved to adjourn the meeting. Mr. Bomberger seconded the motion. The motion passed. Chair Torres declared the meeting adjourned.