

**Fire and Police Pension Association of Colorado
Investment Committee (Zoom meeting)
June 9, 2020**

Agenda

- 9:00 Call to Order
- 9:00 Approval of Minutes
 - March 30, 2020
- 9:00 Quarterly Risk Report
Scott Bryant
- 9:20 Fixed Income (Credit Portfolio)
Ben Bronson
- 10:20 Break
- 10:30 Private Markets Update
Dale Martin
- 11:15 Investment Staff Incentive Program
FPPA Staff
- 11:30 Adjourn

Zoom Meeting Info:

<https://fppaco.zoom.us/j/96362949445?pwd=Vlh1NE1JaigvVFIVZ3I3NldlRGRPZz09>

Meeting ID: 963 6294 9445

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Fire and Police Pension Association of Colorado
Investment Committee
June 9, 2020

This meeting was held as a virtual Zoom meeting.

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

Staff Members Present: Dan Slack, Scott Simon, Kevin Lindahl, Ben Bronson, Dale Martin, Jessica Hsu, Kyle Geordan, Sean Ross, Scott Bryant, Steven Miller, Austin Cooley, and Isabel Fernandez

Others Present: Brian McDonnell, Stuart Cameron, Jill Shaw, Alex Pekker (Cambridge Associates), Matt McCue (Journalist).

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 9:02 a.m., Chair Torres called the meeting to order.

Approval of Minutes

Chair Torres called for a motion to approve the March 30, 2020, meeting minutes. Mr. Bomberger moved to approve, Mr. Feeley seconded. The motion passed.

Quarterly Risk Report

Mr. Bryant provided a review of the Quarterly Risk report. Mr. Bryant stated that Flash reporting had been implemented in the first quarter, providing pool-specific allocation, liquidity, and risk information. Overlay leverage, targets, and policy targets for each of the strategic classes can now be tracked. Mr. Bryant provided a review of the guardrails being used, stating the Total Fund guardrails will be integrated into the pools. The short term funding markets have had a lot of stress since last October and that stress has continued but the Federal Reserve has effectively guaranteed that the markets will stay liquid. The Global Equity beta continues to be monitored. Excluding the Managed Futures exposure, the Global Equity beta has remained stable, particularly in the Long Term Pool.

In response to Ms. Frame's question, Mr. Simon confirmed the policy targets listed are long-term targets.

Fixed Income

Mr. Bronson provided a review of the credit portfolio, stating that fixed income has been one of the weaker portfolios. As an overall portfolio construction concept, traditional fixed income is more challenging given where interest rates are at today.

Mr. Cameron stated that structured credit has advantages versus other credit classes. Mr. Bronson stated we're in a unique period from a credit perspective and returns have been very strong for

the past decade. Mr. McDonnell stated that with most income securities the best that is going to be earned is the yield to maturity over time.

In response to Chair Torres' question, Mr. Bronson stated duration has a role in the fixed income portfolio and it's a critical piece for portfolio construction. FPPA will continue to utilize Treasuries, albeit to a lesser degree in the future.

Mr. Bronson stated that FPPA's credit portfolio will have exposure to high yield, bank loans and structured securitized debt. The average credit quality will generally be investment grade.

In response to Mr. Worrell's question, Mr. Bronson stated the credit portfolio could drawdown in the range of 8-12%.

In response to Mr. Slack's question, Mr. Bronson stated the split between rates and credits in the Fixed Income portfolio is 10% rates and 5% credit.

In response to Ms. Frame's question, Mr. Cooley stated that the Glide Path pool is 8% credit.

Chair Torres stated he agreed there is more opportunity in the credit markets than in Treasury markets.

Mr. Simon presented suggested language changes in the Investment Policy Statement and asked the Investment Committee. Chair Torres asked for a motion to approve the changes. Mr. Bomberger moved to approve. Mr. Worrell seconded the motion. The motion passed.

Private Markets Update

Mr. Ross provided an update on the Private Markets portfolio. Through the end of May, Staff has made seven commitments for an aggregate \$130 million. FPPA is on pace to hit the 2020 targeted range of \$220-\$320 million in commitments. There was a \$20 million commitment to Rubicon Technology Partners III, a \$20 million commitment to Spire Capital Partners IV, \$15 million commitment to Greenspring Opportunities VI, a \$20 million commitment to Questa Capital Partners II, a \$20 million commitment to Locust Point Seniors Housing Debt Fund II, a \$20 million commitment to Blue Torch Credit Opportunities II, and a \$17.5 million to Periscope Equity II.

Mr. Martin went on to provide information on the 2019 year-end Performance Report. The commitment pace in 2019 was \$228 million in capital committed versus the plan of \$190-\$290 million. In 2019 there were 15 separate transactions. Ms. Shaw added Cambridge has been conducting a lot of calls with their managers. Q1 performance is expected to be down mid to high single digits due to the impacts of COVID. The second quarter will also show significant declines.

Mr. Martin went on to provide an update on the Private Markets portfolio performance, stating it is a large and diversified portfolio with 143 active partnerships, 80 general partners and hundreds of underlying companies. As of year-end, there are \$3 billion committed with \$720 million remaining unfunded. The current value of the portfolio is \$1.4 billion. Capital calls have steadily increased over time but distributions have also increased. Mr. Ross added that there is approximately 10-11% of the portfolio in real estate.

Chair Torres advised that Mr. Bomberger had left the meeting.

Chair Torres requested a motion to go into Executive Session. Ms. Frame moved the Board to adjourn into Executive Session to discuss confidential information regarding FPPA's investments

as allowed under Section 24-6-402 (4)(c) of the Colorado Revised Statutes. Mr. Worrell seconded. The motion passed.

Chair Torres stated Executive Session had ended and no formal motions were made and no actions were taken.

Mr. Martin provided an update on co-investments stating that FPPA has begun to see good deal flow from both Cambridge and from existing relationships.

Investment Staff Incentive Program

Mr. Simon provided an update of the Investment Staff Incentive program highlighting proposed changes in the program, including prorating salaries upon which incentive compensation is based, target incentive levels, calculation of implementation benchmarks, and elimination of deferrals.

In response to Chair Torres' question, Mr. Simon confirmed that the Board can still defer payment on a case-by-case situation, if necessary.

In response to Ms. Frame's question, Mr. Simon confirmed this policy would only focus on the long term portfolio.

Chair Torres requested a motion related to the Investment Professional Annual Incentive Compensation program. Ms. Frame moved the Board to approve the 2021 Investment Professional Annual Incentive Compensation Program. Mr. Worrell seconded the motion. The motion passed.

At 11:53 a.m., Chair Torres adjourned the meeting.