

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

Agenda

- 7:30 Call to Order
- 7:30 Approval of Minutes
 - September 24, 2020
- 7:35 Interim Asset Allocation Targets
Plan for SRA Payment
FPPA Staff
- 8:00 Educational Session – Leverage
Brian McDonnell, Cambridge Associates
- 8:30 Quarterly Risk Report / Performance Attribution / Leverage
Scott Bryant
- 9:00 Break
- 9:15 2021 Commitment Pacing Recommendation
Dale Martin
Team Updates
FPPA Staff
- 10:15 2021 Investment Committee Meeting Dates
- 10:30 Adjourn

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

This meeting was held as a virtual Zoom meeting.

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

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

Others Present: Brian McDonnell, Joe Marena, William Craig (Cambridge Associates)

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., Chair Torres called the meeting to order.

Approval of Minutes

Chair Torres called for a motion to approve the September 24, 2020, meeting minutes. Mr. Bomberger moved to approve, Mr. Feeley seconded. The motion passed.

Interim Asset Allocation Targets Plan for SRA Payment

Mr. Simon presented an overview of the Interim Asset Allocation presentation. Going into year-end there is a need to adjust the interim asset allocation targets due to the pending SRA payment in January 2021 and the elimination of the managed futures asset class. The current target for Global Public Equity is at 38% and the new target is 39%. Private markets is going up 1% from 25% to 26%. As expected, the Glide path pool only needs minor changes.

Educational Session – Leverage

Mr. McDonnell presented an educational session on leverage. Mr. McDonnell went over leverage types, categories and how it's used and monitored. There is a lot of value in monitoring it in an aggregated fashion, and FPPA has put appropriate monitoring and governance structures in place.

Quarterly Risk Report / Performance Attribution / Leverage

Mr. Bryant presented the Quarterly Risk Report. The net exposure in the Long Short portfolio is above 70%. There has been an increase in the holdings-based beta from 0.49 to 0.71. Net exposure can increase due to manager positioning or the addition of a long-biased fund. In Global Public Equity, the U. S. underweight has been increasing and it's at over 8%. Mr. Simon stated U.S. markets have outperformed non U.S. markets. FPPA has done well with manager outperformance and is above benchmark.

The U.S. Credit Portfolio was created as part of the unitization process in June of 2019. The portfolio is focused on increasing securitization and minimizing government-related and Treasury securities. FPPA has leverage guardrails for both the Glide-Path Pool and the Long-Term Pool. Leverage has decreased due to liquidating managed futures.

In response to Chair Torres' question, Mr. Bryant stated the 25% foreign exchange hedge is a sustainable hedge ratio. Mr. Simon added that it's a hedge ratio that will change and is not static.

For 2020, outperformance of Long-Term Pool above the implementation benchmark was 1.23%.

Mr. Bryant also presented process improvement and organization changes.

2021 Commitment Pacing Recommendation

Mr. Martin provided the commitment pacing recommendation. The commitment pacing recommendation is required by the Investment Policy Statement. An exercise is performed every year to create an estimate of the annual commitments that are required to achieve the long-term private markets allocation targets that are currently set at 30%. The Investment Committee has the requirement to review and concur that the recommendation is consistent with the IPS. The pacing has systematically increased over time. The 2021 recommendation is \$250-\$350 million, with the mid-point at the \$300 million mark.

Mr. Bomberger moved the committee to concur on the 2021 annual commitment pacing plan of \$250-\$350 million. Mr. Feeley seconded the motion. The motion passed.

Mr. Martin went on to present the quarterly update regarding private market activities. As of June 30th, there are 152 individual partnerships and 83 active relationships. The portfolio performance continues to be good on an absolute and relative basis. The year was busy, with 17 fund commitments and 3 co-investments aggregating to \$275 million.

Mr. Bronson provided the liquid strategies presentation. The choices made in the portfolio have held up well in 2020. The Liquid Strategies team has been active across all asset classes and it has resulted in meaningful changes to all underlying portfolios. Ms. Burgin noted the sharply increased market volatility during March 2020. Ms. Hsu reviewed the Global Public Equity performance and risk statistics. The year-to-date portfolio performance has outperformed the benchmark by 83 basis points. Volatility is relatively low in comparison to the benchmark. Mr. Bronson stated the Long Short net exposure has increased in 2020. All managers are above their historical net exposure. Mr. Bronson stated Absolute Return has had a strong year and is ahead of benchmark. Managed Futures had been modestly behind its benchmark for the year but has caught up.

2021 Investment Committee Meeting Dates

Chair Torres and Mr. Slack discussed the best times for upcoming meeting dates.

At 10:27 a.m., Chair Torres adjourned the meeting.