

Fire & Police Pension Association
Board Meeting Agenda

April 27, 2017
7:30 a.m.

7:30 a.m. Call to Order

Conflicts disclosure

7:30 a.m. Consent agenda

- a) Approval of minutes of March 2, 2017
- b) Fort Morgan Old Hire Police pension plan amendment
- c) Thornton Police and Fire Partial Entry Resolution
- d) Westminster Police Partial Entry Resolution

7:35 a.m. Investment Report. *Presenter: Scott Simon*

- a) Review of February and March 2017 performance.
- b) Review of Investment Managers.
- c) Sudan Divestment semi-annual review

7:55 a.m. Asset Liability Discussion. *Presenter: Scott Simon*

8:30 a.m. Audit Committee Report. *Presenter: Jack Blumenthal, Chair*

- a) Recommendation for Audit Services contract

8:45 a.m. Break

9:00 a.m. Staff Reports

- a) Executive Director report. *Presenter: Dan Slack*
- b) Legal report. *Presenter: Kevin Lindahl*
- c) Business process management – budget amendment.
Presenter: Kim Collins

9:30 a.m. Chair's Report. *Presenter: Pam Feely, Chair*

- a) Specially designated meals
- b) Items for future discussion.

10:00 a.m. Adjournment

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
April 27, 2017**

**FPPA Office
5290 DTC Parkway, Suite 100
Greenwood Village, CO**

Board Members present: Chair Pam Feely, Vice Chair Nick Nuanes, Jack Blumenthal, Todd Bower, Dave Bomberger, Manuel Esquibel, Sue Morgan, Guy Torres, and Tyson Worrell

Staff Members present: Dan Slack, Kim Collins, Kevin Lindahl, Scott Simon, Elaine Gorton, Ben Colussy, Beth Hemenway, Jacqueline Tara, Mike Sutherland, Austin Cooley, Ben Bronson, Scott Bryant, and Ryan Woodhouse

Others present: Tammy Hitchens, City of Westminster; John Linder, Ryan Lobdell, Pension Consulting Alliance; Joe Newton, Gabriel, Roeder, Smith & Co. (via teleconference)

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 7:30 a.m., Chair Feely called the meeting to order and asked the Board if anyone had any conflicts to disclose today. Ms. Morgan stated that the Town of Castle Rock is utilizing Eide Bailley as its Auditor and in her role as Human Resources Manager for the Town of Castle Rock, she had no participation in their selection, nor will she have any role in the review of their work product.

Vice Chair Nuanes moved that the Board approve the Consent Agenda. Mr. Bomberger seconded the motion. The motion passed.

Consent agenda items approved:

- March 2, 2017, Board minutes
- The Ft. Morgan Old Hire Police Pension Plan amendment as set forth in Resolution No. 2017-04-04 will maintain the actuarial soundness of the plan, and further, that the Board permit the plan modifications.
- The Partial Entry Resolution requesting coverage under the FPPA Defined Benefit System as submitted by the City of Thornton for its existing and newly hired firefighters and police officers, such coverage to be effective September 17, 2017.
- The Partial Entry Resolution requesting coverage under the FPPA Defined Benefit System as submitted by the City of Westminster for its existing and newly hired police officers, such coverage to be effective October 2, 2017.

At 7:33 a.m., Ms. Hitchens joined the meeting.

Investment Report

Monthly Investment Report

Mr. Simon presented the economic recap and fund performance for March 2017. After a strong start to the year, domestic stocks fell broadly in the aftermath of the GOP's failure to repeal and replace Obamacare as investors questioned the likelihood and efficacy of future tax reforms in light of political gridlock. Equities recovered towards the end of the month with the S&P 500 eking out a modest gain of 0.1%.

Total Fund performance (net of fees) was +0.79% in March and 3.81% YTD. The implementation benchmark YTD is 3.11%.

As a follow-up to the Board's inquiry regarding a recent RVK survey which showed higher FPPA investment costs relative to its peers, staff engaged RVK to provide a deeper analysis of the data. The analysis concluded that FPPA's costs are lower relative to peers and reasonable given our allocations and structures.

Investment Committee Update

Investment Committee Chair Bomberger updated the Board on the matters discussed at the Investment Committee quarterly meeting.

- Managed Futures
 - Educational Overview by AHL (existing FPPA manager)
 - Portfolio Construction discussion and recommendation
- Asset Liability Study Target Allocation Recommendation
- Investment Consultant RFP Timeline
- Illiquid Alternatives Resources
- Investment Activity Update / Staff approved manager recommendations:
 - FPPA made an additional contribution of \$10 million to Pharo Macro increasing its investment to \$51.7M which is in line with a full-sized core position.
 - FPPA is making a partial redemption of \$17M from MKP Opportunity reducing its investment to \$30M.
 - FPPA will make a full redemption request for Senator (current value \$46M).
 - FPPA is making a partial redemption of \$20M from Numeric reducing its investment to its investment to \$80M.
 - FPPA has elected not to continue with manager Winton under a different structure. The portfolio (\$114M) will be temporarily transitioned to passive global equity until potential replacement strategies are evaluated.
 - The Internal Investment Committee approved an investment recommendation for a \$30M commitment to Arroyo.
 - The Goldman Sachs transition is still pending the completion of a new manager search. On-site diligence is proceeding with Loomis Sayles.

- o Deutsche Bank (Securities Lending). The wind-down of the securities lending program is proceeding, with a target completion date of April 30.

Sudan Divestment

Mr. Simon reviewed FPPA's continued compliance with House Bill 07-1184, requiring all public pension funds in the state of Colorado to divest from companies with active business operations in Sudan.

At 7:55 a.m., Mr. Newton, Gabriel, Roeder, Smith & Co., joined the meeting via teleconference.

Asset/Liability Study

Mr. Simon reviewed the 2017 asset/liability study and the proposed target allocation changes and reminded the Board that the purpose of the asset/liability study is to develop appropriate investment allocation policy targets and ranges which are expected to achieve the long-term performance objectives relative to the liabilities and liquidity needs of the Fund and the overall risk tolerance of the Board.

Mr. Simon guided the Board through the portfolio's performance based on its risk tolerance, trade off, complexity and implementation, its funded status and how it affects the ability to pay benefits and COLAs.

Mr. Linder explained PCA's process when calculating capital market assumptions.

Staff will present the implementation recommendation at the June Board meeting, along with PCA's analysis of the recommendation and GRS's economic assumptions.

At 8:26 a.m., Mr. Newton left the call. Messrs. Cooley, Bronson, and Bryant left the meeting.

Audit Committee Report

Audit Committee Chair Blumenthal updated the Board on the Audit Committee's recommendation of Eide Bailley, LLP, for External Auditor.

Mr. Blumenthal moved that the Board approve FPPA to enter into a services contract with Eide Bailly, in accordance with the issued RFP and negotiated business terms. Mr. Torres seconded the motion. The motion passed.

At 8:35 a.m., Chair Feely called for a break.

At 8:50 a.m., the meeting reconvened and Mr. Woodhouse joined the meeting.

Staff Report

Mr. Woodhouse presented FPPA's video, which was to have been presented at the Rocky Mountain Performance Excellence Awards meeting. This video highlighted FPPA's members and staff's commitment to our members.

At 8:54 a.m., Mr. Woodhouse left the meeting.

Executive Director Report

Mr. Slack updated the Board on matters included under the staff report in the board packet.

Mr. Slack discussed the recent RMPEX award ceremony and FPPA's recognition as a high-performing organization, with its receipt of the Timberline Award.

The office remodeling has commenced and should be completed by mid-June.

Mr. Slack encouraged members to "like" FPPA on Facebook now that FPPA has an active presence on this social media site.

Ms. Hemenway updated the Board on several departments that are interested in informational meetings on partial re-entry.

Mr. Slack shared that several Sheriff's departments are expressing interest in reentry. Unfortunately, within many of these departments the jailer and other positions are not POST-certified and those positions have not been historically viewed as eligible for FPPA membership. This policy issue may come before the Board for further discussion.

The search for a new Chief Benefits Officer is underway. In the meantime, Ms. Hemenway and Mr. Colussy will be reporting directly to Mr. Slack. Ms. Tara will be transitioning to the Field & Education Team; a search for a new Executive Assistant is also underway.

Pensions & Investments has requested that Mr. Slack to speak on the topic "From the Great Financial Crisis to Stability" at a conference in Tokyo in November. Mr. Bomberger moved the Board approve Mr. Slack's attendance at the P&I conference in Tokyo in November. Ms. Morgan seconded the motion. Mr. Bower requested the motion be amended to include meals and other expenses. Mr. Bomberger accepted the amendment to the motion. The motion passed.

Mr. Slack reviewed the Board's upcoming June retreat agenda. Board members are encouraged to convey any topics and ideas for the retreat to Mr. Slack.

Chair Feely approved specially-designated meals at the retreat to include spouses.

Mr. Slack and Ms. Collins discussed Fidelity's recordkeeping fees with respect to departments affiliating with FPPA. Staff will continue to work with Fidelity to

obtain the best terms possible on these affiliations.

The memo to staff with contact information for the external and internal auditors has been updated.

Business Process Management Budget Amendment

Ms. Collins reported to the board on the reallocation of funds from the contingency budget to the capital budget to cover the cost of implementing two new business improvement processes within FPPA's core business system (ASPEN).

Legal Report

Mr. Lindahl updated the Board on FPPA's legal matters.

FPPA and the City of Birmingham have been named co-lead plaintiffs in the derivative action against Wells Fargo.

Both of FPPA's bills have now been signed by the Governor.

On behalf of the Committee, Chair Feely thanked Mr. Esquibel for his time and service to the board. Mr. Esquibel conveyed his appreciation to the Board and expressed his appreciation and support of the Performance Excellence program.

At 9:36 a.m., Mr. Nuanes moved the Board go into executive session to discuss and receive legal advice from legal counsel regarding *Dolan v. FPPA*, as allowed under 24-6-402(4)(b) of the Colorado Revised Statutes. Ms. Morgan seconded the motion. The motion passed. The board authorized Ms. Hitchens, Ms. Hemenway, and Mr. Colussy to stay for the closed session. Mr. Linder and Mr. Lobdell left the meeting.

At 9:55 a.m., Vice Chair Nuanes moved the Board return to its regular meeting. Mr. Bomberger seconded the motion. The motion passed. Chair Feely declared no motions were made and no actions were taken.

Chairman's Report

At 10:05 a.m., Mr. Blumenthal moved to adjourn the meeting. Mr. Torres seconded the motion. The meeting adjourned.