

***Fire & Police Pension Association  
Board of Directors Meeting Agenda***

The Pines Lodge  
Beaver Creek

June 7-9, 2017

**Wednesday, June 7**

- 1:00 p.m.** Arrival luncheon
  
- 2:30 p.m.** Overview of FPPA Plans from an Actuarial Perspective (optional session). *Dana Woolfrey, Gabriel, Roeder, Smith & Co.*
  
- 3:15 p.m.** Break
  
- 3:30 p.m.** Board self-evaluation (study session)
  
- 4:30 p.m.** Investment Committee Meeting
  
- 5:30 p.m.** Adjourn
  
- 6:30 p.m.** Reception & Dinner @ Grouse Mountain Grill, The Pines Lodge

**Thursday, June 8**

- 8:00 a.m.** Breakfast
  
- 9:00 a.m.** Keynote presentation. *Ashby Monk, Executive Director, Global Projects Center, Stanford University*
  
- 10:00 a.m.** Break
  
- 10:15 a.m.** Infrastructure as an asset class. *Dale Martin, moderator. Panelists: Chris Harris, Brookfield Asset Management; Brian Clarke, Industry Funds Management.*
  
- 11:15 a.m.** Break

**11:30 a.m.** Asset/Liability discussion

- Recommendation. *Scott Simon, John Linder, Ryan Lobdell, Pension Consulting Alliance*
- Macroeconomic assumptions review. *Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.*

**12:30 p.m.** Lunch

**1:45 p.m.** Innovative Strategic Class Structures. *John Linder, Pension Consulting Alliance*

**2:30 p.m.** Break

**2:45 p.m.** Statewide Hybrid Plan presentation. *Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.*

**3:05 p.m.** Performance excellence program review. *Dan Slack, Elaine Gorton*

**3:20 p.m.** Board scorecard and strategic plan. *Executive staff*

**3:45 p.m.** Break

**4:00 p.m.** Board policies review. *Pam Feely, Chair*

**4:30 p.m.** Wells Fargo litigation update (executive session). *Lydia Lee, Joy Kruse, Lieff Cabraser Heimann & Bernstein*

**6:30 p.m.** Reception @ Grouse Mountain Grill, The Pines Lodge

**7:30 p.m.** Dinner @ Toscanini, Beaver Creek Village

## **Friday, June 9**

**8:00 a.m.** Breakfast

**9:00 a.m.** Call to order. *Pam Feely, Chair*

- Disclosure of conflicts
- Consent Calendar
  - Approval of May 24 and April 27 minutes
  - Resolution honoring Manuel Esquibel

**9:05 a.m.** Investment report

- Review of April performance and managers. *Scott Simon*
- Investment Committee report. *David Bomberger, Chair of Investment Committee*

**9:45 a.m.** Audit Committee report. *Jack Blumenthal, Chair of Audit Committee*

- Review and acceptance of Comprehensive Annual Financial Report for 2016

**10:00 a.m.** Break

**10:15 a.m.** Actuarial valuations presentation. *Joe Newton, Dana Woolfrey, Gabriel, Roeder, Smith & Co.*

**10:45 a.m.** Approval of 2017 benefit adjustments. *Kim Collins*

**11:00 a.m.** Break

**11:15 a.m.** Staff reports

- Executive Staff Report. *Dan Slack*
- Litigation update. *Kevin Lindahl*
- Employer survey results. *Beth Hemenway*

**11:45 p.m.** Chair's report. *Pam Feely, Chair*

- Evaluation of NCPERS
- Election of 2017-2018 Vice Chair
- Items for future discussion

**12:00 p.m.** Adjournment

**FIRE AND POLICE PENSION ASSOCIATION**  
**Minutes – Board Retreat Meeting**  
**June 7-9, 2017**

**The Pines Lodge**  
**141 Scott Hill Road**  
**Beaver Creek, CO 81657**

**Board Members Present:** Chair Pam Feely, Vice Chair Nick Nuanes, Jack Blumenthal, Dave Bomberger, Tammy Hitchens, Sue Morgan, Guy Torres, Todd Bower, and Tyson Worrell.

**Staff Members Present on Thursday and/or Friday:** Dan Slack, Kim Collins, Kevin Lindahl, Scott Simon, Ben Colussy, Elaine Gorton, Beth Hemenway, Dale Martin, Karen Moore, and Jacqueline Tara.

**Others Present on Thursday and/or Friday:** Joe Newton and Dana Woolfrey, Gabriel, Roeder, Smith & Co.; John Linder and Ryan Lobdell, Pension Consulting Alliance; Chris Harris, Brookfield Asset Management; Rena Pulido, Industry Funds Management; Lydia Lee and Joy Kruse, Lieff Cabraser Heimann & Bernstein.

**Guests Present on Thursday:** Ashby Monk, Stanford, Global Projects Center, Stanford University.

*Notice of this meeting and a copy of the agenda were posted at 5290 DTC Parkway Ste. 100, Greenwood Village, CO 80111 and on the FPPA website at least twenty-four hours prior to the meeting.*

**Wednesday, June 7<sup>th</sup>**

At 2:30 p.m., Dana Woolfrey, Gabriel, Roeder, Smith & Co., provided an Overview of the FPPA Plans from an Actuarial Perspective.

At 3:30 p.m., the Board conducted a self-evaluation.

At 4:30 p.m., Investment Committee met.

At 5:00 p.m., the meeting ended.

**Thursday, June 8<sup>th</sup>**

At 9:01 a.m., Chair Pam Feely called meeting to order.

At 9:06 a.m., Mr. Monk, Executive Director of the Global Projects Center at Stanford University, delivered a presentation on Innovation in Institutional Investment.

At 10:23 a.m., Chair Feely called for a break.

At 10:41 a.m., the meeting reconvened.

At 10:42 a.m., Mr. Harris, Brookfield Asset Management, and Rena Pulido, Industry Funds Management, delivered a presentation on infrastructure as an asset class and Mr. Martin moderated.

At 11:30 a.m., Mr. Monk left the meeting

At 11:43 a.m., Chair Feely called for a break.

At 11:43 a.m., Mr. Harris and Ms. Pulido left the meeting.

At 11:53 a.m., the meeting reconvened.

### **Strategic Planning & Development**

#### **Asset/Liability discussion**

At 11:54 a.m., Mr. Simon reviewed the 2017 Asset/Liability Study Recommendation.

At 12:06 p.m., John Linder, Pension Consulting Alliance, reviewed PCA's engagement and review of the asset/liability study. PCA was engaged to review the analytical framework and procedures that staff conducted in creating the asset and liability study to make recommendation to governing board as to the strategic asset allocation for the organization. PCA worked with the staff, investment committee and the board. Major changes are moving from a liquid equity-centric portfolio to a more illiquid equity-centric portfolio. PCA concurred that the methodology and assumptions employed by staff are reasonable and that the recommendations made by staff are reasonable.

At 12:11 p.m., the Board discussed the recommendation. The Investment Committee and staff will study what steps and resources are needed to implement the recommendation.

At 12:14 p.m., Mr. Newton, Gabriel, Roeder, Smith & Co, presented a review of the reasonableness of FPPA's current macroeconomic assumptions on inflation and investment return. Mr. Newton also reviewed the assumptions used by peers in comparison to assumptions currently in use by FPPA.

GRS did not recommend a change in the investment return assumption at this time. The Board discussed the recommendation.

At 12:47 p.m., Chair Feely called for a break.

At 1:50 p.m., Chair Feely reconvened the meeting.

### *Innovative Strategic Class Structures*

At 1:50 p.m., Mr. Linder, Pension Consulting Alliance, presented on Innovative Strategic Classes, including Crisis Risk Offset Classes and Private Income-Driven Classes.

Mr. Martin and Executive Director Slack provided further discussion.

### *Statewide Hybrid Plan presentation*

At 2:21 p.m., Mr. Newton, Gabriel, Roeder, Smith & Co, presented information on the Statewide Hybrid plan. Mr. Newton reviewed possible risks associated with this plan and discussed what strategies the Board can consider long-term. This topic will be addressed further at the November Board education meeting.

At 2:34 p.m., Chair Feely called for a break.

At 2:50 p.m., the meeting reconvened.

### *Performance excellence program review*

At 2:50 p.m., Executive Director Slack and Ms. Gorton updated the Board on the status of the Performance Excellence program and FPPA's progress in evaluating, measuring, and affirming that the mission of FPPA is being accomplished.

### *Board scorecard and strategic plan*

At 3:04 p.m., Executive Director Slack provided highlights to the strategic plan objectives and board scorecard. Ms. Hemenway provided an update on reentries and explained the reentry process. The Board and staff discussed challenges faced by staff in this process and the resources required for prospective reentries. Staff will provide the Board with further information on the reentry process.

At 3:45 p.m., Mr. Slack reviewed proposed changes to Board's Investment Policy Statement and Board Travel Policy. Mr. Slack and Mr. Simon reviewed substantive proposals to add the Chief Investment Officer to the Internal Investment Committee, to designate the Executive Director as chair of that committee, to require the investment consultant's concurrence prior to implementing certain actions, to update the Board's investment allocation policy targets and ranges, and to include language governing the relationship with currency managers. Mr. Slack reviewed substantive changes to travel policies regarding telephone and cellular use and timeliness of expense report submissions. The Board discussed possible additional changes to the policy.

At 4:00 p.m., Chair Feely called for a break.

At 4:13 p.m., the meeting reconvened. Vice Chair Nuanes moved that the board adjourn for executive session to receive a litigation update containing confidential

information and receive legal advice from legal counsel regarding the Wells Fargo case as allowed pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes. Mr. Bomberger seconded the motion, and it was approved. Mr. Blumenthal and Mr. Torres recused themselves.

At 4:15 p.m., the Board convened into Executive Session.

Wells Fargo litigation update (executive session)

Ms. Lee and Ms. Kruse, Lief Cabraser Heimann & Bernstein, and Mr. Lindahl provided an update on the Wells Fargo litigation.

At 4:36 p.m., Chair Feely moved to exit executive session. Mr. Bower seconded the motion.

At 4:36 p.m., the executive session adjourned. Chair Feely reported that no motions were made and no actions were taken during the executive session.

**Friday, June 9<sup>th</sup>**

At 9:00 a.m., Chair Feely called meeting to order. There were no conflicts for discussion. Vice Chair Nuanes moved to approve the Consent Calendar without discussion, with no objections. The Consent Calendar was approved.

**Investment report**

Review of April performance and managers

At 9:05 a.m., Mr. Simon provided the economic recap and fund performance for April 2017. Total Fund performance (net of fees) was +0.96% in April and 4.81% YTD. Implementation benchmark performance was +3.93% YTD. Net Investible Assets for the Total Fund were \$4.49 billion as of April 30, 2017.

Mr. Simon reviewed the RVK peer survey.

Investment Matters Investment Activity:

- OSP Value Fund II (private capital). Staff approved a \$20 million commitment to OSP Value Fund II. The \$600 million fund will invest in overlooked commercial and industrial private credits. This is FPPA's second investment with O'Brien-Staley Partners, having committed \$30 million to OSP Value Fund I.
- Commonwealth Opportunity Capital (absolute return). Staff approved a \$20 million investment with Commonwealth Opportunity Capital, a \$2 billion discretionary global macro manager. This is FPPA's first investment with this firm.

- Loomis Sayles (fixed income). Staff approved a \$125 million investment in the Loomis Sayles Core Disciplined Alpha strategy. Loomis Sayles is a \$240 billion multi-asset investment manager based in Boston. Funding of the investment will come primarily from the termination of Goldman Sachs and a portion from passive fixed income at SSgA.
- Citadel Advisors (absolute return). Staff approved a \$40 million in the Citadel Kensington Global Strategies Fund, an \$11.6 billion multi-strategy, platform structure hedge fund. This is FPPA's first investment with this firm.
- Winton Global Equity (global equity). Staff utilized transition manager State Street (SSgM) to transition the Winton Global Equity portfolio (\$116 million) to existing passive equity exposure at State Street (SSgA).

### Investment Committee Report

Mr. Bomberger and Mr. Simon briefly discussed an investment that Staff recommended into the Real Assets portfolio.

### PCA quarterly report

At 9:16 a.m., Mr. Linder, Pension Consulting Alliance, reviewed the June PCA Investment Market Risk Metrics.

At 9:25 a.m., Mr. Lobdell, Pension Consulting Alliance, presented the Q1 2017 portfolio review.

### **Audit Committee report**

At 9:35 a.m., Mr. Blumenthal moved to approve the Comprehensive Annual Financial Report for 2016. Mr. Bower seconded the motion. The motion was unanimously approved.

At 9:37 a.m., Chair Feely called for a break.

At 9:51 a.m., the meeting reconvened.

### **Actuarial valuations presentation**

At 9:51 a.m., Ms. Dana Woolfrey, Gabriel, Roeder, Smith & Co., presented the January 1, 2017, Valuation Results for the Statewide Defined Benefit Plan, Statewide Death & Disability Plan, Statewide Hybrid Plan – Defined Benefit Component, and the Colorado Springs New Hire Plan.

Ms. Woolfrey, the Board, and staff discussed eliminating verification of beneficiary remarriage within the Statewide Death & Disability Plan for the Old Occupational Disabilities (pre 10/2002). Staff had requested this research to determine if the verification should continue. Based on this research, staff may make a



recommendation to the board. Mr. Bower would like the funding mechanism of this plan reviewed prior to eliminating the verification.

Ms. Woolfrey, Mr. Newton, the Board, and staff discussed the Statewide Hybrid Plan and different strategies for improving the plan, and discussed the impact of reentry departments.

### **Approval of 2017 Benefit Adjustments**

At 10:39 a.m., Ms. Collins reviewed the Board action items from the results of the actuarial valuations of the Statewide Defined Benefit Plan, Statewide Death & Disability Plan, and Statewide Hybrid Plan – Defined Benefit Component.

#### **Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate**

Mr. Blumenthal moved to set the SRA contribution rate for the members of the Statewide Defined Benefit Plan at 0%, effective July 1, 2017, through June 30, 2018. Ms. Morgan seconded the motion. The motion passed.

#### **Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate for Members of Departments that have Reentered the Plan**

Mr. Bomberger moved to set the Reentry SRA contribution rate for members of departments that have reentered the Statewide Defined Benefit Plan at 3.7%, effective July 1, 2017, through June 30, 2018. Mr. Bower seconded the motion. The motion passed.

#### **Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate for Members of the Supplemental Social Security Plan**

Ms. Morgan moved to set the SRA contribution rate for the members of the supplemental Social Security program within the Statewide Defined Benefit Plan at 0%, effective July 1, 2017, through June 30, 2018. Mr. Bomberger seconded the motion. The motion passed.

#### **Benefit Adjustment for the Statewide Defined Benefit Plan (including Members of Departments that have Reentered the Plan and Members of the Supplemental Social Security Plan)**

Mr. Bomberger moved to set the ad hoc benefit adjustment for retirees and beneficiaries of the Statewide Defined Benefit Plan at 0.25%, effective October 1, 2017, through September 30, 2018. Mr. Bower seconded the motion. The motion passed.

#### **Statewide Hybrid Plan – Defined Benefit Component Contribution Rate**

Mr. Nuanes moved to set the Statewide Hybrid Plan – Defined Benefit Component contribution rate at 14.8%, effective July 1, 2017, through June 30, 2018. Mr. Torres seconded the motion. The motion passed.

*Benefit Adjustment for the Statewide Hybrid Plan – Defined Benefit Component*

Mr. Bomberger moved to set the ad hoc benefit adjustment for retirees and beneficiaries of the Statewide Hybrid Plan – Defined Benefit Component at 2.71%, effective October 1, 2017, through September 30, 2018. Mr. Torres seconded the motion. The motion passed.

*Benefit Adjustment for the Statewide Death & Disability Plan (including Members of the Supplemental Social Security Plan)*

Mr. Blumenthal moved to set the ad hoc benefit adjustment for the Statewide Death & Disability Plan for occupational disability retirees and their beneficiaries and to survivors of active members at 0.29%, effective October 1, 2017, through September 30, 2018. Ms. Hitchens seconded the motion. The motion passed.

At 10:49 a.m., Chair Feely called for a break.

At 11:00 a.m., the meeting reconvened.

**Staff Reports**

*Executive Director Report*

Mr. Slack updated the Board on matters included under the staff report in the Board packet. Mr. Slack reviewed a police officer's concern on FPPA's policy on guns at the office for on-duty officers.

*Board Approval of Policy Updates*

At 11:03 a.m., Mr. Nuanes moved to approve the changes to the Investment Policy Statement. Mr. Torres seconded the motion. The motion passed.

Mr. Nuanes moved to approve the changes to the Board Travel Policy. Mr. Torres seconded the motion. The motion passed.

*General Counsel Report Kevin Lindahl*

At 11:06 a.m., Mr. Lindahl presented the litigation report on the Cognizant Technologies Solutions Corp. securities litigation.

At 11:08 a.m., Vice Chair Nuanes moved that the Board adjourn into executive session to receive a litigation update containing confidential information and receive legal advice from legal counsel regarding the Cognizant Technologies Solutions Corp. case as allowed pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes. Mr. Blumenthal seconded the motion. Non-FPPA staff left the meeting.

At 11:18 a.m., the Board returned to regular session. Chair Feely reported that no motions were made and no actions were taken during the executive session.

Employer survey results

At 11:18 a.m., Ms. Hemenway reviewed the employer survey results.

**Chair's Report**

At 11:20 a.m., Chair Feely provided her evaluation of attendance at NCPERS NAF and Annual Conferences.

Election of 2017-2018 Officers

Mr. Bower moved that Nick Nuanes become Chair, effective September 1, 2017. Mr. Torres seconded the motion. The motion passed.

Mr. Bower moved that Mr. Bomberger become Vice Chair, effective September 1, 2017. Mr. Blumenthal seconded the motion. The motion passed.

There were no items for future discussion.

At 11:24 a.m., Mr. Bower moved to adjourn. Ms. Morgan seconded the motion. The motion passed and the meeting adjourned.