

**FIRE AND POLICE PENSION ASSOCIATION
BOARD OF DIRECTORS**

March 18, 2010

Final Agenda

- 7:30 a.m. Call to Order**
Approval of February 25, 2010 Board Meeting Minutes
Approval of February 25, 2010 Executive Session Minutes
- 7:35 a.m. Investment Report**
1. Review of February Performance (estimated)
2. Review of Managers
3. Other Matters
- 8:15 a.m. Legal Report**
1. Litigation Update
2. Legislative Update
3. Other Matters
- 8:30 a.m. *BREAK (15 minutes)***
- 8:45 a.m. Consideration of Hearing Officer Recommendation
Regarding a Request for Upgrade in Disability Status
For Jayne E. Schwenger**
- 9:15 a.m. Staff Report**
1. CEO Report
2. Other Matters
- 9:30 a.m. Chairman's Report**
1. Monthly Discussion
2. IMN Public Funds Summit Evaluation (Kirk Miller)
3. Other Matters
- 9:45 a.m. *ADJOURN***

**FIRE AND POLICE PENSION ASSOCIATION
MINUTES - BOARD OF DIRECTORS MEETING
March 18, 2010**

FPPA Office
5290 DTC Parkway, Suite 100
Greenwood Village, CO 80111

BOARD MEMBERS PRESENT: Chairman Leo Johnson, Vice Chairman Tim Nash, Kirk Miller, Jack Blumenthal, Todd Bower, Cliff Stanton, and Sue Eaton.

BOARD MEMBERS ABSENT: Lyle Hesalroad and Monica Cortez-Sangster.

STAFF MEMBERS PRESENT: Dan Slack, Kevin Lindahl, Scott Simon, Gina McGrail, Kim Collins, Austin Cooley, Claud Cloete, Jeff Kaszubowski, Sean Ross, and Janette Hester.

Notice of this meeting and a copy of the agenda were posted in the building lobby of the FPPA office and on the FPPA website at least twenty-four hours prior to the meeting.

At 7:31 a.m., Chairman Leo Johnson called the meeting to order and noted that there was a quorum present. Chairman Johnson called for a motion to approve the minutes.

Kirk Miller made a motion to approve the minutes of the February 25, 2010 Board Meeting. Cliff Stanton seconded the motion. Todd Bower abstained. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Jack Blumenthal made a motion to approve the executive session minutes of the February 25, 2010 Board Meeting. Mr. Stanton seconded the motion. Mr. Bower abstained. MOTION CARRIED IN FAVOR UNANIMOUSLY.

LEGAL REPORT

Kevin Lindahl reported there had been no new developments in the G-1 Holdings and the Countrywide Derivative litigation cases involving FPPA. He referenced the updated Litigation Report, available in the board packet.

As directed by the board at the special board meeting held by conference call on March 16, 2010, Mr. Lindahl reported that he had been working with Tony Lombard and Bill Clayton, FPPA's lobbyists, to amend HB 10-1354. As currently written, this bill repeals the interim committees established in statute. Mr. Lindahl was authorized by the board to request an amendment to the bill which would assign FPPA to a joint House and Senate Finance Committee. The joint committee, which meets within the first thirty days of the legislative session, would hear and consider FPPA bills presented for sponsorship. Gina McGrail stated that approval of an

amendment to permit the legislators on the committee to sponsor bills brought to the committee without those bills counting against their overall limit would be very helpful, since in accomplishing the task of plan simplification legislation FPPA may need to run multiple bills or some smaller clean-up bills, as in the past. Mr. Lindahl reported that he would attend the Senate hearing at the Capitol with Mr. Lombard and Mr. Clayton to be held later in the day. He stated he was prepared to offer remarks in support of the amendment and to respond to any questions during the hearing. Mr. Lindahl answered questions from the board.

INVESTMENT REPORT

Scott Simon provided investment packets for February 2010, as well as the new consolidated investment report in the board packet. He requested continued feedback from the board regarding the summarized reporting method. Dan Slack noted that the modified format would decrease printing and mailing costs, while continuing to capture the investment performance information in a concise reporting summary. Mr. Slack stated that detailed reports would still be available or could be downloaded to the secure board website.

Mr. Simon presented an economic and market summary. He reported that, although the January unemployment rate fell to 9.7%, labor markets continue to struggle. He reported the Federal Reserve had raised the discount rate one-quarter point and was winding down its emergency loans. Outside the U.S., he reported concern over the elevated levels of sovereign debt and budget deficits in Greece, resulting in a weakening of the Euro. Mr. Simon reported that markets were beginning to stabilize but concern remains that other countries could be facing similar sovereign debt troubles.

Mr. Simon reported that the FPPA Total Fund net performance is estimated to be 1.21% for February 2010, bringing year-to-date performance to -0.73%. The Total Fund closed the month of February with \$2.80 billion in defined benefit assets. Mr. Simon reported positive relative performance coming from domestic large cap equity, emerging markets and fixed income. A relatively flat performance showed for hedge funds, private equity and real estate. The asset allocation still closely tracks the targets of the previous asset allocation policy, as the shift into a global equity framework continues. Mr. Simon answered questions from the board.

Mr. Simon presented an overview of manager performance. He reported that staff continues to evaluate Trust Company of the West (TCW) following its acquisition of MetWest. A meeting was held with LSV, as staff continues to evaluate the fit of their international strategy within FPPA's future global equity portfolio construction. Mr. Simon thanked board members and staff who attended a meeting with Prudential Real Estate Investors on February 16th. Prudential presented an optimistic state of the Real Estate Market, but were more guarded in their comments about the financial condition of their PRISA and PRISA II funds. Staff continues to closely scrutinize the core portfolio actions Prudential might take.

Mr. Simon reported that staff met with RREEF at Townsend Real Estate's office for an economic overview. RREEF is also forecasting a recovery of the core real estate market, but was less bullish than Prudential. Staff met with JP Morgan to receive an update on FPPA's exposure to the Strategic Property Fund (core) and the Alternative Property Fund (value added). Staff reported that the core Fund appears well-positioned in the current market. The value added Fund continues to seek the sale of existing assets, following the decision in October 2009 to wind down the Fund. FPPA's current exposure to this Fund is \$3.6 million. Mr. Simon reported strong February performance by Baillie Gifford - Emerging Markets Fund. Baillie Gifford has proven to be a strong manager with global equity capabilities.

Mr. Simon gave an overview of SAIF Partners IV, L.P., a growth equity fund in the China, India and Asian Pacific region. Hamilton Lane recommends an investment in this Fund. Mr. Simon stated that staff is working with Hamilton Lane consultants to better understand how investments are allocated. He answered questions from the board.

Mr. Simon reported on the new Securities and Exchange Commission Rule 201 that will be put into effect in the near future. The new rule places restrictions on short selling when a stock experiences a price decline in excess of 10% in one day. This regulatory change applies to all equity securities and is intended to promote market stability and investor confidence. The new rule is not anticipated to have a significant effect on FPPA's securities lending program or hedge fund exposure.

Mr. Simon reported on the acquisition of RiskMetrics Group, Inc. by MSCI Inc. RiskMetrics Group is FPPA's service provider for proxy voting. Staff does not expect the merger to have any effect on FPPA.

Mr. Simon referenced several articles on using hedge fund investment strategy to mitigate portfolio risk and to close benefit-payments deficits. He noted that some pension funds are bringing investing in-house for some investment classes. Mr. Blumenthal suggested exploring the opportunity of aligning with other pension funds to share expenses and offset costs. Mr. Simon discussed different options of co-investment structures.

Mr. Simon reported that the draft of the revised Master Investment Policy statement would be presented to the board at the April 22nd meeting. At that time the board will have further opportunity to discuss the details of the policy and the investment resources of FPPA. Mr. Simon and Mr. Slack answered questions from the board. The investment report concluded at 8:47 a.m.

Hearing for Consideration of Hearing Officer Recommendation Regarding a Request for Upgrade in Disability Status for Jayne E. Schwenger

At 8:48 a.m., Chairman Johnson called the Hearing to order and asked

Mr. Lindahl to present background information in the matter of Jayne E. Schwenger's request for upgrade in disability status.

Mr. Lindahl reported that Jayne E. Schwenger filed for disability benefits on March 8, 2006. On June 13, 2006, the application was referred to Hearing Officer David R. Hansen by the Death and Disability Review Committee (DDRC). On July 25, 2006, Hearing Officer Hansen recommended that the DDRC find Applicant eligible for temporary occupational disability benefits. The DDRC affirmed this recommendation on July 25, 2006. On August 25, 2009, Applicant's status was upgraded from temporary occupational disability to permanent occupational disability by the DDRC. Applicant appealed the decision of the DDRC and requested an evidentiary hearing on September 22, 2009. An evidentiary hearing was held before Hearing Officer Stacy J. Tarler on December 8, 2009. Applicant and Mark Scheuneman (Applicant's spouse) were present and testified. Mr. Lindahl reported that it was the recommendation of Hearing Officer Tarler that the status of permanent occupational disability was appropriate and that the request for upgrade to total occupational disability be denied. Mr. Lindahl reported that the issue for determination is whether Applicant's request for upgrade in disability status to total disability should be granted. Mr. Lindahl answered questions from the board.

At 8:50 a.m., Mr. Bower made a motion to affirm the written Findings, Conclusions, and Recommendation of Hearing Officer Tarler, dated January 6, 2010, with respect to Jayne E. Schwenger's request for an upgrade to Total Disability and to affirm the determination of the DDRC that Applicant's disability status be upgraded to Permanent Occupational Disability. Mr. Miller seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY. Chairman Johnson declared the Hearing closed.

At 8:56 a.m., the meeting recessed for break and reconvened at 9:15 a.m.

STAFF REPORT

Mr. Slack reported that the financial reports beginning January 2010 have been updated to align with FPPA's two investment funds: The Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund.

Mr. Slack reported that he has been invited to speak at the Association of Public Pension Fund Auditors Professional Development Conference to be held in Denver, CO, on May 2-5, 2010. The topic of his presentation on Wednesday, May 5th will be Plan Qualification and Fiduciary Rules.

Mr. Slack reported that he and Mr. Simon had met with a real estate broker regarding the possible sale of the FPPA building. Because of depressed commercial real estate prices, it was determined that now is not the best time to sell, and the

option to sell will be addressed at a later date. Mr. Slack answered questions from the board.

Mr. Slack reported that the next area of internal audit has been developed with Tim O'Brien, FPPA internal auditor. It will that will focus on three areas within investments: (1) the cash flow authorization process; (2) reconciliation of investment reporting to financial reporting (CAFR); and (3) processes and procedures for alternative investments.

Mr. Slack requested board approval to attend the Global Markets Forum 2010 in Quebec City, Canada, July 11-13, 2010. He stated that the by-invitation-only conference was limited to 35 attendees and will be sponsored by Baillie Gifford. It was the consensus of the board that Mr. Slack should attend.

Mr. Slack reported that planning has begun on the agenda for the Board Educational Training Session to be held on June 11th from 9 a.m. to noon. He requested topics of educational interest and the board suggested the following areas of interest:

- economist presentation;
- public safety plans;
- emerging markets;
- disability benefits of members;
- how the DDRC reaches a decision;
- the fiduciary duties relating to benefit decisions;
- the future of public sector defined benefit plans and how they will need to adapt for survival.

After discussion, it was the consensus of the board to change the date of the training session from Friday, June 11th to Thursday, June 10th. A request was made to appropriately notify all board members and change the website.

At 9:31 a.m., Mr. Bower left the meeting.

Mr. Slack requested board approval to modify the Death & Disability Approvals section of the board packets. Ms. McGrail explained that the change suggested would be to supply only the D&D approvals cover sheet and to discontinue including the D&D decision and summary sheets. This would be consistent with the retirement approval data that is provided to the Board. Ms. McGrail assured the board that all supporting documentation would be included in the hearing packets when members appeal the findings, conclusions and recommendation of the hearing officer. It was the consensus of the board that only the D&D approval cover sheet would need to be provided in future board packets.

CHAIRMAN'S REPORT

Chairman Johnson asked Mr. Miller for his evaluation of the IMN Public Funds Summit. Mr. Miller reported good attendance at the event and the opportunity for excellent fiduciary education with two conferences being held at the same time and venue (IMN 15th Annual Public Funds Summit and the IMN 2nd Annual Distressed Investment Summit). Both events offered the opportunity to network and participate in interactive panel discussions regarding new investment opportunities, such as managed futures and uncorrelated fixed income.

At 9:52 a.m., Mr. Blumenthal made a motion to adjourn the board meeting. Mr. Stanton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.