<table>
<thead>
<tr>
<th>Time</th>
<th>Agenda item</th>
</tr>
</thead>
<tbody>
<tr>
<td>7:30 a.m.</td>
<td><strong>Call to order</strong>&lt;br&gt;Tim Nash, Chairman</td>
</tr>
<tr>
<td>7:35 a.m.</td>
<td><strong>Remarks from Aurora Old Hire Police Pension Board</strong>&lt;br&gt;Steve Neumeyer, Chairman</td>
</tr>
<tr>
<td>7:50 a.m.</td>
<td><strong>Audit Committee Report</strong>&lt;br&gt;Jack Blumenthal, Chairman&lt;br&gt;1. Internal Audit&lt;br&gt;2. External Audit</td>
</tr>
<tr>
<td>7:55 a.m.</td>
<td><strong>Independent Auditor’s Report</strong>&lt;br&gt;Clifton Gunderson&lt;br&gt;Bill Petri, Steve Shanks, Myriah Milton</td>
</tr>
<tr>
<td>8:10 a.m.</td>
<td><strong>Presentation of December 31, 2010, Actuarial Studies</strong>&lt;br&gt;Gabriel Roeder Smith &amp; Co.&lt;br&gt;Joe Newton, Dana Woolfrey</td>
</tr>
<tr>
<td>8:50 a.m.</td>
<td><strong>Determination of contribution rates, SRA and COLAS in the Statewide Plans</strong>&lt;br&gt;Kim Collins</td>
</tr>
<tr>
<td>9:10 a.m.</td>
<td><strong>Approval of certification to Joint Budget Committee re Old Hire Employers receiving state assistance</strong>&lt;br&gt;Kim Collins</td>
</tr>
<tr>
<td>9:15 a.m.</td>
<td><strong>Break</strong></td>
</tr>
<tr>
<td>9:30 a.m.</td>
<td><strong>Investment Risk Committee report</strong>&lt;br&gt;Todd Bower, Chairman</td>
</tr>
<tr>
<td>9:35 a.m.</td>
<td><strong>K2 presentation</strong>&lt;br&gt;Joe Hernandez, David Saunders, Raphael Blunschli</td>
</tr>
<tr>
<td>10:35 a.m.</td>
<td><strong>Break</strong></td>
</tr>
</tbody>
</table>
10:50 a.m.  **Investment Report**  
*Scott Simon*

1. Review of March 2011 performance  
2. Review of managers  
3. Sudan divestment semi-annual review  
4. U.S. Small Cap Equity Recommendation  
5. Master Investment Policy and Benchmarks Review  
6. Other matters

11:35 a.m.  **Target Date Funds presentation**  
*Mike Fleiner, Bidart & Ross*

11:55 a.m.  **Staff report**

1. CEO report  
   *Dan Slack*
2. Legal report and legislative update  
   *Kevin Lindahl*
3. Discussion and approval: Revised proposed First Amendment to SWMPP  
   *Kevin Lindahl*
4. Colorado Springs actuarial study request  
   *Gina McGrail*
5. Strategic plan update  
   *Dan Slack*
6. Other matters

12:35 p.m.  **Chairman’s report**  
*Tim Nash, Chairman*

1. Conference Evaluation Update  
   a. IMN Public Funds Summit & Distressed Investment Summit  
      *Kirk Miller*
   b. Fiduciary College at Stanford Law School  
      *Todd Bower*
2. Other matters

12:45 p.m.  **Adjourn**
Audit Committee Report

Audit Committee Chairman Jack Blumenthal reported that the audit committee met on April 18, 2011, and that all committee members were present. Mr. Blumenthal reported that the committee had reviewed in detail the Clifton Gunderson independent audit report. He stated the committee reviewed the tasks and testing procedures, the Financial Statements, notes to the Financials and the management letter. He reported that the committee had met in executive session with Bill Petri, Steve Shanks and Myriah Milton, auditors with Clifton Gunderson LLP, to establish open communication and to determine if there were any issues during the audit. He stated there were no issues. Mr. Blumenthal reported Clifton Gunderson declared the audit an unqualified (clean) opinion.

He reported that the committee subsequently met with Tim O’Brien, FPPA internal auditor, who presented two audits:
Mr. Blumenthal reported that there were no issues with these two audits. He noted that Mr. O’Brien suggested expanding the scope of the audits by adding an additional audit of investments in 2011. It was the consensus of the committee that this information is covered by independent auditors, investment staff, the Investment Review Committee (IRC), and SAS 70s.

Mr. Blumenthal reported the committee was committed to the 2011 budget amount for the internal auditor’s contract, as approved by the board. The committee agreed to contact Mr. O’Brien if another audit became necessary later in the year. Mr. Blumenthal reported that the audit committee recommended board approval of the 2010 audit report.

Independent Auditor’s Report – Clifton Gunderson LLP

Chairman Nash welcomed Bill Petri, partner with Clifton Gunderson LLP. Mr. Petri commented on audit committee materials, FPPA Financial Statements and Supplementary Information, Management Letter comments, and a letter to the board about matters related to the audit. He presented a high level overview of risk areas and testing procedures. Mr. Petri stated the audit report is an unqualified (clean) opinion and congratulated the board and staff for this achievement. Mr. Petri reviewed the basic Financial Statements and noted the change in investment categorization from the prior year to be more in line with the current investment allocation strategy. Mr. Petri reviewed Financial Statements of plan net assets and the statement of changes in plan net assets for the year ended December 31, 2010, and noted the financials by plan. He noted the increase in Cash and Short Term Investments due to transitions to the new investment vehicles at year end. He reviewed the Notes to the Financial Statements, noting that derivatives held by FPPA are normal for plans of this size and are not highly risky or speculative. He reported on the funded status of each plan and the percent of required contributions made. Mr. Petri presented the SAS 114 required communications letter dated April 25, 2011. He reported that CG found no material weaknesses or other items that are required to communicate to the board.

Mr. Petri reviewed items in the Management Letter regarding matters which were identified and reported in the prior year’s audit and were currently in existence.

(1) Mr. Petri noted that Clifton Gunderson had recommended making changes to FPPA’s systems to report employer and member contributions separately at Fidelity Investments. Kim Collins reported that in March 2011
FPPA completed implementation of these changes. Mr. Petri considered this matter closed.

(2) Clifton Gunderson noted weaknesses in general and application controls related to some security management, but noted that the weakness was in policies, not in actual operations. Clifton Gunderson recommended formal written policies regarding comprehensive security orientation, training, and periodic refresher programs to communicate security guidelines to both new and existing employees and contractors. Several information technology security policies and procedures to more effectively strengthen IT controls have not been formalized to date. Ms. Collins reported that these policies will be formally written by October 2011. She will provide an update on this project at the next audit committee meeting.

(3) Mr. Petri noted that Clifton Gunderson found FPPA’s computer room does not have an adequate fire suppression mechanism in place. He stated that FPPA is currently evaluating backup options through Agility Recovery Solutions and implementing an off-site backup service to reduce FPPA’s Recovery Point Objective to less than 24 hours. Ms. Collins reported that the 2011 budget includes funding to complete this project. She will provide an update to the board and audit committee on progress of the research and implementation.

Mr. Petri concluded his presentation and answered questions from the board and audit committee. Chairman Nash commended the audit committee and staff for an excellent 2010 audit.

Mr. Blumenthal moved on behalf of the audit committee to approve the 2010 audit report. MOTION CARRIED IN FAVOR UNANIMOUSLY.

**Actuarial Valuation Report for January 1, 2011**

Chairman Nash noted that the actuarial report is typically presented annually in May and he expressed appreciation to Joe Newton and Dana Woolfrey, actuaries with Gabriel Roeder Smith & Company (GRS), for an early presentation of information. Mr. Newton and Ms. Woolfrey presented highlights of the actuarial valuation results in the Statewide Defined Benefit Plan (SWDB), the Statewide Death & Disability Plan (SWDD), the Statewide Hybrid Plan – Defined Benefit Component (SWH), and the Colorado Springs New Hire Plans (CSNH). Mr. Newton noted that the results of the Experience Study will be presented in June. He stated that many pension funds across the country have been seeing spikes in life expectancy in the last few years and, subsequently, GRS will likely make adjustments to the final data presented in June that may increase costs and lower the funded ratio of the plans. He reported that all of the 2008 asset losses have been realized in today’s valuation reports and the funded status of all plans (SWDB, SWDD, SWH and CSNH) has improved, due to favorable investment returns on a
market value basis, lower than expected salary increases, and no discretionary COLAs being granted in 2010. He reported that GRS will recommend a 0.0% SRA for the SWDB and CSNH plans. He subsequently noted that the SWDB plan will need further recovery to provide future COLAs at historical levels without a contribution increase.

Ms. Woolfrey discussed the SWDB plan’s market return of 13.5%, well above the 8% actuarial assumption for 2010. Ms. Woolfrey reported a 9.96% average compound return since plan inception. Ms. Woolfrey reviewed the impact of the 2008 asset losses to the plans. She reviewed the historical funded ratios of the SWDB plan and noted the actuarial value of the plan stayed 100% funded due to smoothing of fluctuations and market volatility.

Ms. Woolfrey provided a comparative summary of key demographic data and noted the active population has increased and continues to sustain the long term benefits. The retiree population has increased but not as rapidly as expected because members have deferred retirement and continue to work longer. She reported the total present value of future SWDB benefits indicates the improbable sustainability of permanent future COLAs. Mr. Newton stated that the current 16% contribution rate will support a 1.34% maximum discretionary COLA in 2011. Dan Slack noted that the Experience Study results to be presented in June will have an impact upon the numbers presented and the board may wish to delay COLA decisions until after that presentation, but prior to COLA implementation date of October 1, 2011.

Ms. Woolfrey compared unfunded accrued liabilities on January 1, 2010 to January 1, 2011, noting that the surplus increased to $30 million within the SWDB plan. She reviewed the development of the SRA contribution rate and reported GRS’s recommendation to set the SRA contribution rate at 0.0%. Mr. Newton recommended delaying the board decision on the COLA until the results of the Experience Study are presented in June. Ms. Woolfrey reported the board has historically granted discretionary COLAs based on CPI-W. Ms. Collins noted that the CPI-W for 2010 is 2.1%.

Todd Bower suggested that the board consider establishing a task force to review the issue of raising the contribution rate so the COLAs can continue to be granted to future retirees in the SWDB plan. Mr. Blumenthal concurred with Mr. Bower to establish a task force to research this issue. Mr. Slack noted that the Experience Study will study and present the effect of increases in the contribution rate.

Ms. Woolfrey reviewed the 20% contribution rate of newly affiliated departments, which reflects a 4.00% surcharge to reflect higher cost of older new members entering the plan. She explained how GRS uses actual data to determine what the surcharge should be. In 2010 the surcharge amount was 0.34% and the actuarial valuation shows the surcharge for this year is 0.26%. Historically, the excess amount is credited to the SRA for the re-entry group to prevent that group from
subsidizing other groups. This year that amount is 3.74%. Mr. Newton stated that continuing the 4.00% surcharge is appropriate to protect the fund at this time.

Mr. Newton reviewed demographic information of the SWDD plan. He reported the SWDD fund ratio improved and the 2.60% contribution rate provides a surplus (unfunded liability) and supports a permanent 0.5% COLA for current occupational and survivor benefits. He noted current law includes a 3% COLA for total disability by statute. Mr. Newton reported that the SWDD contribution rate will not be reviewed by the board until 2012.

Mr. Newton reviewed the SWH plan. He reported the plan is 133% funded. He stated that the plan can provide a 3.0% permanent COLA. Mr. Newton noted that the board is required to determine the allocation of contributions to the defined benefit component of the SWH plan. He reviewed the actuarial results and reported GRS’s recommendation of 11.30% for the defined benefit allocation and the remaining contribution to the defined contribution allocation.

Mr. Newton provided demographic information for the Fire component and the Police component of the CSNH plan, noting that these are closed plans. All new members enter the SWDB plan. Mr. Newton reported increased funding ratios for both components of the CSNH plan. He reported that there are two supplemental studies to be completed: the inclusion of “acting pay” in the definition of salary, and legislation regarding civil unions.

Mr. Newton and Ms. Woolfrey concluded the actuarial valuation presentation and answered questions from the board.

**Determination of Contribution Rates, SRA and COLAs in Statewide Plans**

Ms. Collins reviewed her board memorandum and the details of the actuarial valuation results as of January 1, 2011 for the board’s consideration.

**Defined Benefit System: Statewide Defined Benefit Plan**

Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate:

Based on the board’s practice to fund for a COLA, GRS is recommending an SRA rate of 0.0%. The current SRA rate is 0.0%.

Mr. Bower moved to set the SRA contribution rate for the members of the Statewide Defined Benefit Plan at 0.0%, effective July 1, 2011, through June 30, 2012. Cliff Stanton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.
Statewide Defined Benefit Plan Stabilization Reserve Account Contribution Rate for Members of Departments that have Re-entered the Plan:

GRS is recommending an additional SRA rate of 3.74%. This will be added to the base SRA rate of 0.0% that GRS is recommending. The current SRA rate (combined) is 3.66%.

Mr. Bower moved to set the SRA contribution rate for members who are subject to the 20% continuing rate of contribution with the Statewide Defined Benefit Plan at 3.74% plus 0.0% for the base SRA, effective July 1, 2011, through June 30, 2012. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

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

Based on the board’s practice to fund for a COLA, GRS is recommending an SRA rate of 0.0%. The members of this new plan will get one-half of the SRA granted to the Statewide Defined Benefit Plan members. The current SRA rate is 0.0%.

Mr. Johnson moved to set the SRA contribution rate for the members of the Supplemental Social Security program within the Statewide Defined Benefit Plan at 0.0%, effective July 1, 2011, through June 30, 2012. Mr. Stanton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Cost-Of-Living-Adjustment for the Statewide Defined Benefit Plan (including Members of Departments that have Re-entered the Plan and Members of the Supplemental Social Security Plan):

GRS reported that there is a surplus of $31M in this plan using smoothed assets under current law. GRS noted that the current contribution rate of 16% would support a 1.34% permanent COLA (smoothed assets). An ad hoc 1.34% Cost-Of-Living-Adjustment (“COLA”) would cost the plan approximately $2.5M. The CPI-W for 2010 was 2.1%. The Social Security Administration did not grant a COLA on January 1, 2011. While Social Security recipients will not be learning officially about a COLA for 2012 until mid-October, early indications point to a slight increase of 1.1%. The board did not grant a COLA in 2010. The COLA increase would apply to benefits paid October 1, 2011, through September 30, 2012. GRS is recommending that the COLA not exceed 1.34%. Mr. Stanton suggested deferring this item until results of the Experience Study are presented.

Mr. Stanton moved to defer the setting the COLA for the Statewide Defined Benefit Plan until the Experience Study is completed. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.
Defined Benefit System: Statewide Hybrid Plan – Defined Benefit Component

Statewide Hybrid Plan – Defined Benefit Component Contribution Rate:
Ms. Collins noted that the SWH-DB plan is 132.6% funded and can support a permanent 3.0% COLA. GRS is recommending the current contribution rate be decreased from 11.5% to 11.3% and the remainder will go into the Defined Contribution (DC) portion of the plan. Mr. Slack noted that GRS reported a split between what goes into the DB benefit and what goes into the member’s DC account, where the member can invest the money in the DC investment options offered within the plan. Mr. Slack stated that historically the DB contribution rate has been set based upon a full 3% COLA. He explained his concern regarding the interplay of the COLA and the DB contribution rate – is this an annuity or an actual COLA? Ms. Collins noted that what is currently going into that plan expires June 30, 2011. She suggested that the new split could be made effective for a shorter period of time, until December 31, 2011. She noted that the assumptions for the new plan would not become effective until January 1, 2012. Mr. Slack suggested waiting to make a decision on COLA until the results of the experience study are presented and the impact to the funding status of the plan is known.
Ms. Eaton noted that the expectation of the participants in the plan could be a factor.

Mr. Johnson moved to decrease the Statewide Hybrid Plan – Defined Benefit Component contribution rate from 11.5% to 11.3%, effective July 1, 2011, through December 31, 2011. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Cost-Of-Living-Adjustment for the Statewide Hybrid Plan – Defined Benefit Component:

Mr. Blumenthal moved to defer setting the COLA for the Statewide Hybrid Plan – Defined Benefit Component until results of the experience study are known. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Defined Benefit System: Colorado Springs New Hire Pension Plans

Ms. Collins reported that the items regarding the Colorado Springs plans will not be discussed or voted on until the July 14, 2011, board meeting, allowing the City of Colorado Springs the opportunity to review the results of the actuarial studies. These benefit matters will take effect on January 1, 2012, per the plan documents.
Statewide Death & Disability Plan

Statewide Death & Disability Plan (including Members of the Supplemental Social Security Plan) Contribution Rate:

Ms. Collins noted that no board action is required on this matter at this time. The contribution rate is set for a two-year period and is currently set at 2.6%, effective January 1, 2011, through December 31, 2012.

Cost-Of-Living-Adjustment for the Statewide Death & Disability Plan (including Members of the Supplemental Social Security D&D Plan):

Per the Statewide Death & Disability Plan, on an annual basis the benefits for occupational disability retirees and their beneficiaries and for survivors of active members may be increased by a percentage to be determined by the board, but not more than 3%. The statutes require an annual 3% COLA for totally disabled retirees and their beneficiaries. GRS reported that this plan has a surplus of $21 million using smoothed assets under current law. GRS noted that the current contribution rate of 2.6% would support a 0.5% permanent COLA (smoothed assets). An ad hoc 0.5% COLA would cost the plan approximately $0.8M. Ms. Collins noted the experience study might provide additional information regarding this decision.

Mr. Johnson moved to defer setting the ad hoc COLA for the Statewide Death & Disability Plan for occupational disability retirees and their beneficiaries and survivors of active members. Mr. Blumenthal seconded the motion.
MOTION CARRIED IN FAVOR UNANIMOUSLY.

Approval of Certification to Joint Budget Committee re Old Hire Employers Receiving State Assistance

Ms. Collins discussed a letter from GRS dated April 19, 2011, and exhibits from Mr. Newton regarding the projected liability and funding position of the old hire pension plans receiving State assistance. Ms. Collins noted that those plans include: Denver Police, Grand Junction Police, Greeley Fire, Lakewood Fire, North Washington Fire and Pueblo Fire. She stated that several employers, including Aurora Old Hire Police and Denver Old Hire Fire, are no longer eligible for State funding. She noted that there is pending legislation that may affect this matter. Ms. Collins reported that the unfunded liability had increased. Based on the current funding strategy, employer contributions are expected through 2015 and beyond in some plans, once the State completes their portion of the funding of those old hire plans.

Per statutory requirements, this report must be provided to the Joint Budget Committee (JBC). In accordance with this requirement, Ms. Collins has prepared a
letter over FPPA Board Chairman Nash’s signature with an attachment showing the history of the unfunded liability under old hire plans to be sent to all members of the JBC. She explained that the attachment provided information regarding the projected year the employer contribution for final level funding would drop off the payment schedule. This additional information was provided due to several suspensions of State payments. Ms. Collins requested authorization for the chairman to sign the letter and send the report to the JBC. Mr. Newton provided comments on risks to the plan with continued suspensions of payment by the State. Mr. Newton and FPPA staff answered questions from the board regarding their fiduciary obligations with respect to members. Mr. Newton and Ms. Woolfrey left the meeting.

Mr. Johnson moved to authorize the FPPA board chairman to sign the letter and send the unfunded liability report to the Joint Budget Committee. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

The meeting recessed for break.

**Investment Risk Committee Report**

Investment Risk Committee (IRC) member Cliff Stanton and CIO Scott Simon provided an update on investment matters discussed during four IRC meetings held February 24, March 3, April 8, and April 14, 2011. Detailed background for all recommendations is set forth in documents regarding EIG Energy Fund, Aetos Capital, K2 Advisors and the FPPA Master Statement of Investment Policies and Objectives on the board website. Mr. Simon reported that the recommendation presented today of a $100 million discretionary commodities mandate in a separately managed account with K2 Advisors was a two year research process and is the final component within the new absolute return portfolio construction, along with a $100 million global macro mandate with GAM and a $130 million long/short equity mandate with Aetos. Mr. Stanton stated that K2 Advisors would be making a presentation to the board today.

**K2 Advisors, L.L.C. Presentation**

Austin Cooley presented a memorandum regarding K2 Advisors, L.L.C. (K2) and reviewed the selection process of hedge Fund-of-Fund (HFOF) managers and the ability and willingness of a HFOF manager to build a customized solution for FPPA. Mr. Cooley reported on the various aspects of the separate account mandate which staff discussed with K2:

- Concentrated portfolio preferred by staff
- Clarification of “risk reducing” metrics
- Risk thresholds limit of 3x gross exposure
- Sub-strategy preferences
Mr. Cooley reported on the portfolio construction and the fee structure, which has both a management fee and performance fee. He reported that the Investment Risk Committee and PCA concur in the recommendation to retain K2. Mr. Cooley reported that staff is targeting a May 1st funding of the K2 discretionary commodities mandate. Mr. Simon and Mr. Cooley answered questions from the board.

Chairman Nash welcomed K2 and Mr. Simon introduced David Saunders, Raphael Blunschi and Joe Hernandez. Mr. Hernandez reviewed each individual’s responsibilities in the firm and how management of the portfolio will occur. He provided an overview of K2 and a current client listing of public pension funds currently managed by the firm. Mr. Saunders reviewed the manager evaluation and selection process for fund of fund managers. He reviewed the ongoing manager due diligence and the monthly score cards tracked by manager. Mr. Saunders provided risk management objectives, types of risk and benefits of risk transparency by all managers. He provided a sample value at risk report of an aggregate portfolio, showing management data contributing to portfolio gains or losses in the event of market decline or other stresses. Mr. Blunschi reviewed the investment objectives and market opportunities within the commodities portfolio and the K2 organizational strengths. Mr. Blunschi reviewed the portfolio allocation and exposure to commodities and the value of active management to market environment. He provided a hypothetical performance comparison of results of the proposed portfolio during the volatile 2008-2009 market. Mr. Hernandez, Mr. Saunders and Mr. Blunschi answered questions from the board, staff and PCA consultant John Linder.

Lyle Hesalroad moved to hire K2 Advisors, LLC, to manage a $100 million discretionary commodities mandate in a separately managed account format. Mr. Johnson seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY. The meeting recessed for break.

**Investment Report**

Mr. Simon provided a March economic and market summary, reporting markets were shaken twice: first as violent conflict in Libya led to a mid-February surge in old prices, and second by the massive March earthquake that struck the North Pacific, sending a tsunami into Japan’s northeastern coast. As a result, equity and aggregate commodity prices fell, bond yields fell, and credit spreads widened. But by quarter-end, the U.S. economic recovery gained momentum, stocks had recovered most of their losses, labor markets improved despite waning consumer confidence, and the unemployment rate fell.

Mr. Simon reported the FPPA Total Fund net performance at 0.10% in March and 3.35% for Q1 2011, underperforming the custom benchmark of 3.87% year-to-date. Mr. Simon reported that transaction costs affected the portfolio, as a good portion of its passive equity overweight was transitioned to new strategies, including GAM,
Aetos, JPMorgan and Driehaus. He reported that the fixed income portfolio outperformed the benchmark in Q1. Mr. Simon reported underperformance against the benchmark by Baillie Gifford, due primarily to security selection in Asia and the absence of exposure to Gazprom (Russia energy).

Mr. Simon reported a shift in ownership percentages at ClariVest because certain hurdles were not met. He noted that this will not change ClariVest’s control, business operations, or investment focus. Mr. Simon reported on a recommendation by staff of a $20 million commitment to EIG Energy Fund XV, L.P., a $4.0 billion energy fund that will be part of FPPA’s real assets portfolio. He reported that PCA concurred with staff’s recommendation and the IRC concurred that the recommendation was in compliance with board policies. He reported that Hamilton Lane recommended a $15 million commitment to American Securities Partners VI, L.P., a $4.0 billion private equity fund focused on lead control equity investments in middle-market U.S. companies. FPPA previously made a $10 million commitment to American Securities Opportunities Fund II in 2010, which is a separate distressed debt focused strategy.

Pantheon Asia Trip Report

Mr. Simon and Mr. Slack discussed a memorandum in the board packet regarding their recent participation in a due diligence trip to Shanghai and Mumbai organized by Pantheon. Their trip objective was to explore how FPPA might approach emerging markets exposure via private equity and assess the investment opportunities in the region. Mr. Simon noted that staff will continue to analyze the risks, conduct diligence on emerging markets fund-of-funds and assess direct manager opportunities to structure a program. Mr. Slack noted that risks and the opportunities were worth exploring but suggested being a wary investor is the best approach. Mr. Simon and Mr. Slack answered questions from the board.

Sudan divestment semi-annual review

Mr. Simon presented a memorandum and list of FPPA Sudan scrutinized companies, which is required by Colorado law to be updated every six months. He reported FPPA had no exposure to any of the securities on the list and FPPA is in compliance with the 2007 legislation.

Master Investment Policy and Benchmarks Review

Mr. Simon presented a red-lined draft copy of the FPPA Master Statement of Investment Policies and Objectives of the Fire and Police Members’ Benefit Investment Fund (“Master IPS”) dated April 28, 2011. Mr. Simon provided an overview of the recommended changes of the “Master IPS” and reviewed the interim target allocations and ranges adopted by the board at their February meeting resulting from the Annual Investment Allocation Review.
Mr. Simon presented a memorandum with the approved 2011 Annual Asset Allocation revised interim targets and ranges. He reviewed the recommended benchmark change for the Absolute Return investment class from the current HFR indices (a market-based benchmark) to annualized cash plus 4% (an objective-based benchmark). Mr. Simon stated that the objective-based benchmark is more flexible and appropriate to how the portfolio is being implemented. The “Master IPS” draft was presented during the April 14th meeting of the IRC. Mr. Simon reported that the IRC supported the changes, but expressed concern that the objective-based benchmark would not appropriately measure the risk-adjusted relative performance of the portfolio. Staff agreed that the portfolio would still need to be monitored secondarily by market-based benchmarks and that continued evaluation will be completed to determine relevant benchmarks appropriate for the increased exposure. Mr. Simon reported that, in moving to a 4% hurdle, the IRC discussed the environment necessary for the portfolio to achieve the originally targeted 8.0% nominal return. He reported the IRC and PCA supported the change in benchmark for the Absolute Return portfolio.

Mr. Simon provided a benchmark implementation schedule corresponding with the dates of implementation of global equity, fixed income restructuring and the absolute return portfolio implementation. He reported staff recommended an incremental approach to implementing the benchmark that matched the incremental implementation of the portfolio. He noted that the Absolute Return portfolio will be fully implemented on May 1, 2011. Mr. Simon reported the IRC and PCA supported the benchmark implementation schedule. Mr. Simon, Mr. Slack and Mr. Linder answered questions from the board. At the request of Mr. Blumenthal, a snapshot analysis of asset classes for the past five years comparing performance by manager to the benchmarks will be provided by Mr. Simon at the June strategic planning session.

Mr. Johnson moved to approve the Master Statement of Investment Policies and Objectives of the Fire and Police Members’ Benefit Investment Fund dated April 28, 2011, and approve Cash (3-month T-Bills) plus 4% per annum as an appropriate benchmark for the FPPA Absolute Return portfolio. Mr. Hesalroad seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

U.S. Small Cap Equity Recommendation

Claud Cloete presented a memorandum regarding the small cap manager recommendation that was presented to the IRC at their April 14th meeting. In moving to a global equity framework, Mr. Cloete reported that FPPA was over-allocated to U.S. small cap stocks and needed to shift to non-U.S. exposure. He reported that staff had conducted a performance analysis of FPPA’s three current U.S. small cap managers, as well as the potential benefits of adding an additional manager alongside Cortina in restructuring the portfolio. Mr. Cloete reviewed the manager qualities used to rank the current managers. Staff’s analysis supported moving to a single manager structure. Mr. Cloete reported on staff’s
recommendation to terminate Clarivest Asset Management and Thomson, Horstmann & Bryant. He reported that staff recommends retaining Cortina Asset Management as FPPA’s only U.S. small cap manager and providing Cortina with an additional $40 million, making excess funds available for rebalancing within FPPA’s total fund. Mr. Cloete reported that the IRC and PCA supported the recommendation. He answered questions from the board.

Mr. Johnson moved to terminate Clarivest Asset Management and Thomson, Horstmann & Bryant and to give Cortina an additional $40 million with funds remaining after this transition used for rebalancing within FPPA's total fund. Mr. Stanton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Target Date Funds Presentation

Mr. Slack introduced Mike Fleiner, consultant and principal with Bidart & Ross, who presented an overview of Target Date Funds (TDFs). Mr. Slack stated that Bidart & Ross was initially contracted to develop a Request for Proposals and to advise FPPA in the search for a recordkeeping service provider to manage the self-directed plans. He noted the board’s decision in December 2010 to remain with Fidelity Investments, pursuant to the staff recommendation. Mr. Slack stated that Bidart & Ross had worked with staff to negotiate the new Fidelity contract and to create and implement a new TDF line-up to get member investors successfully to their retirement target date. He stated the new line-up has been implemented, effective April 6, 2011. Mr. Slack reported that a staff committee has been created to oversee the self-directed plan options and Mr. Fleiner will meet with this committee later today.

Mr. Fleiner gave the historical background of how the TDF funds came to be and provided a review of four key characteristics of TDFs: glide path to retirement, structure, active vs. passive, and fees. He stated that the design of TDFs in 1994 created market competition, provided a simplified solution for participants who were uneasy about making asset allocation decisions on their own, and allowed participants’ accounts to be invested and managed prudently in a Qualified Default Investment Alternative with equity exposure.

Mr. Fleiner noted that the TDFs being used by FPPA fit the plan demographics by factoring in the early retirement age information to the appropriate target retirement date. Mr. Fleiner reported that Wells Fargo Advantage Dow Jones Target Date Funds were selected because of their glide path management and their risk/return relationship. He provided a graph charting various glide paths for particular TDFs in the years before retirement and into the years following retirement, so that the equity roll-down continues after the target date. Mr. Fleiner noted that Wells Fargo offers the most efficient roll-down of a glide path stand point from a risk perspective, positioning the participant at retirement age to have a diversified portfolio. Mr. Fleiner provided a chart measuring the volatility in the various strategies for the past five years. He reported Wells Fargo provides passive
TDFs. Mr. Fleiner stated that fees were an important differentiator comparing different fund groups, but not the only criteria used to select an appropriate TDF. He reported the Wells Fargo range of fees averaged between 45 to 52 basis points. Mr. Fleiner reported that the current funds that were added to the plan provide a conservative “near target date” allocation to equities.

Mr. Slack stated that the expectations of participants in TDFs, in general, were that a near-date target fund should be less risky. Mr. Fleiner noted that Wells Fargo has a conservative glide path in regard to risk balance and their TDFs have historically done well. Mr. Fleiner answered questions from the board and concluded his presentation.

**Staff Report**

**Open Records Act request**

Mr. Slack discussed his memorandum regarding an Open Records Act request for Aurora police and fire pension information from James Frye. The requested information consists of retiree’s or survivor’s names, rank description, member or spouse designation, and current monthly pension benefit. Mr. Slack provided background details, the timeline and the scenario of the matter. He noted that FPPA has 72 hours (not including weekends) to respond to such requests.

Mr. Slack reported that the requested information was compiled and Mr. Frye was advised by Kevin Lindahl, FPPA General Counsel, on March 10th via email of the cost to receive copies. On March 15th FPPA released the information to Mr. Frye, who came to FPPA’s office. FPPA subsequently received a phone call on March 18th from the Aurora assistant city attorney, who requested a copy of the same documents provided to Mr. Frye. A copy was provided that day. FPPA staff, under the direction of Ms. Collins, prepared and mailed a letter of explanation on March 21st to individuals whose information had been released. A copy of this letter was also sent to Dave Day, Chairman of the Aurora Old Hire Fire Pension Board. Mr. Slack subsequently received a call from Steve Neumeyer, Chairman of the Aurora Old Hire Police Pension Board, who expressed concern regarding the release of information and requested an opportunity to address the FPPA board at today’s meeting. Mr. Neumeyer was placed on the agenda at his request, but subsequently cancelled his attendance due to a scheduling conflict. Mr. Slack faxed Mr. Neumeyer a copy of the statutory provisions authorizing FPPA to release the information. Mr. Slack reported that he believed FPPA was in full accordance with applicable law and appropriately handled the Open Records Act request.

Mr. Slack provided the CEO report and reviewed department activities and staff projects, which included two internal audits, the annual financial statements, the actuarial valuation, the actuarial experience study, Aurora fire re-entry, Aurora police interest in possibly re-entering, several compliance matters and investment portfolio issues. He answered questions from the board.
Legal report and legislative update

Mr. Lindahl provided a copy of the litigation report in the board packet. He reviewed the legal proceedings of FPPA vs Glenn D. Guyman case regarding interpretation of a domestic relations order (DRO). He stated that FPPA had filed a Petition for Declaratory Judgment regarding the payment of benefits, seeking a judgment declaring that FPPA’s interpretation of the DRO is final and not subject to judicial review. He reported that FPPA had served the parties with the Petition. Mr. Lindahl reported that, without the filing of any briefs, the District Court ruled that the DRO did not affect the benefit payments that Mr. Guyman has been receiving. FPPA is currently evaluating an appeal and considering filing a motion to reconsider the Court’s decision. Mr. Lindahl and Mr. Slack answered questions from the board.

HB11-2011 update

Mr. Lindahl provided the legislative update. He reported the Senate had passed on second vote HB11-1211, which will restrict reimbursable travel expenses for state and local agencies, boards, and commissions. He reported that hotel and meal costs would be restricted to 1½ times the published federal reimbursable rate when on official business. Transportation rates are not included within these caps. Mr. Lindahl reported that these limitations could potentially affect FPPA board and staff because FPPA is not recognized by some hotels as a government agency. He reported the bill includes an exception for conference attendance, when the conference hotel exceeds the federal reimbursement rate limit. Mr. Lindahl reported that county, city, town governments, and special districts were exempted from this bill by an amendment. He noted that the bill retains extenuating circumstances language and excludes any reimbursement of travel expenses for spouses and guests. He anticipates the bill to pass; however, it will go to conference committee and be reapproved by the House before going to the Governor. Mr. Lindahl answered questions from the board.

Old Hire funding update

Mr. Lindahl reported on the Old Hire funding. He stated he anticipates that the plans will receive a little over $5 million in 2012, after which current legislation would reinstate the $25 million payments beginning in 2013 with the present value amount that is amortized through 2019 at 8.0%. He noted that there is language in the statute that places an obligation on the State to make up losses attributable to delay of payments.
Aurora Fire partial re-entry update

Mr. Lindahl and Gina McGrail reported on the Aurora Fire partial re-entry into the Statewide Defined Benefit Plan. Ms. McGrail reported that the City of Aurora called to discuss changing to the full-entry option, as only 2-3 members had declined the option of re-entry. She reported that the union local had called to inquire about including retirees and actives. Mr. Lindahl and Ms. McGrail reported that the deadline to vote had been extended to May 10th in order to allow the few remaining members to reconsider their vote. Mr. Lindahl and Ms. McGrail answered questions from the board.

Foreign exchange transaction issue update

Mr. Lindahl provided an update on the continuing Securities and Exchange Commission (SEC) investigation regarding foreign exchange trading on behalf of state and local pension funds and whether custodial banks properly processed foreign exchange to complete global securities transactions. Mr. Lindahl noted that Mr. Simon had raised this issue with the board in 2010. Mr. Lindahl reported that Mr. Simon was researching whether the fees charged to FPPA were appropriate. Since the issue first came to light, Mr. Simon has worked to ensure that the calculation of the exchange rate be more transparent. Mr. Lindahl reported that there had been recent litigation filed against BNY Mellon by other groups regarding foreign exchange practices. Mr. Lindahl and Mr. Simon will continue to research the issue of possible fraudulent charges, the latitude of custodial agreements and the possible impact to FPPA if fraud can be proven. They will report to the board on any potential claim against FPPA’s custodial bank or a third party involved in the transactions. Mr. Lindahl suggested that FPPA might want to request a formal evaluation be conducted by an outside law firm. Mr. Lindahl answered questions from the board.

Security class action claims update

Mr. Lindahl reported on security class action claims that have been filed. He provided details of all information included on the claim which helps determine the payout received following the judgment. Mr. Lindahl reported that FPPA’s custodian, BNY Mellon, files and monitors these claims on behalf of FPPA. Mr. Lindahl reported that staff has recently become aware of other funds whose claims have not been properly filed and they are concerned that FPPA claims may not have been filed correctly. Mr. Lindahl recommended that the board authorize having a complete review of FPPA’s filed claims, to be conducted by Berman DeValerio, so that any claims not properly filed can be identified and any payout recovered, where applicable. He noted that contingency fees of about 20% of the amount recovered are standard for the industry. Mr. Lindahl requested approval from the board to engage Berman DeValerio to conduct this review. He answered questions from the board. It was the consensus of the board to engage Berman DeValerio to review...
the filing of security class action claims and provide a report to the board with results of its analysis.

Amendment to Statewide Money Purchase Plan (SWMPP) for IRS qualification

Mr. Lindahl discussed his memorandum regarding a proposed amendment to the Statewide Money Purchase Plan. He reported receiving a determination letter from the Internal Revenue Service (IRS) based on FPPA’s 2009 application. The determination letter is conditioned upon the adoption of certain language within the plan. Mr. Lindahl reported that the board has authority to adopt amendments to the SWMPP without further approval from the members and employers when such amendments are required in order to comply with federal law. He reported the IRS has indicated to FPPA that the proposed plan amendments are required for compliance with the Internal Revenue Code. Chairman Nash suggested making a change in language of the amendment document prior to execution. Mr. Lindahl answered questions from the board and requested board authorization to approve the amendment.

Mr. Johnson moved to approve the First Amendment to the FPPA Statewide Money Purchase Pension Plan as corrected, to authorize the chairman to sign it, and to direct staff to prepare an amended and restated plan document that includes the amendment. Mr. Bower seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

Colorado Springs actuarial study request

Ms. McGrail discussed her memorandum regarding a request from the City of Colorado Springs for an additional supplemental actuarial study. She reported that Colorado Springs wants to review the actuarial impact to the Fire Component of the Colorado Springs New Hire Pension Plan if a firefighter with 20 years of service credit were permitted to draw an early retirement benefit at age 50 following a vested separation at an earlier age. Ms. McGrail stated that there will be no FPPA staff time costs associated with conducting this study. Ms. Collins explained that the annual actuarial contract with GRS includes the cost of up to three studies per plan. Ms. McGrail requested board approval for this actuarial study.

Mr. Johnson moved to approve the supplemental actuarial study for the Colorado Springs New Hire Pension Plan as presented. Ms. Eaton seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.

2010-2012 Strategic Plan update

Mr. Slack discussed the strategic plan status update, as of March 31, 2011. Mr. Slack noted that technology is being implemented to increase the efficiency of the organization and to enhance communications. He reported a soft roll out of the Member Account Portal (MAP) and the set-up of GoTo Meetings as an alternative to
face to face retirement counseling sessions. He reported the new fund line-up for self-directed funds became effective April 6, 2011. He reported that with the hiring of K2 Advisors (approved at today’s meeting) the absolute return asset class is complete. He reported the ASPEN system benefit calculation program has been upgraded to latest framework and will be completed by June 1st. He reported that procedures within the general ledger and accounts payable (GL/AP) system have been implemented to identify fees and expenses and to accurately charge the costs to the appropriate plan. He reported continued work on document retention and evaluation of enterprise content management.

Mr. Slack reported that an RFP has been issued for non-investment staff compensation survey and he anticipates making a vendor recommendation at the May board meeting. He noted that an in-depth review of the strategic plan will take place during the June session.

**Chairman’s Report**

Chairman Nash stated that copies of two internal audits reviewed by Mr. Blumenthal in the audit committee report and a copy of Kirk Miller’s conference evaluation form were available in the board packet.

At 1:08 p.m., Mr. Johnson moved to adjourn the meeting. Monica Cortez-Sangster seconded the motion. MOTION CARRIED IN FAVOR UNANIMOUSLY.