



# Fire & Police Pension Association Ad Hoc Investment Committee Meeting Agenda

## Meeting Date, Time, and Location

Friday, January 30, 2026, at 8:45 a.m.  
7979 East Tufts Avenue, Suite 900  
Thunderbird Conference Room  
Denver, CO 80237

<u>Time</u>	<u>Topic / Speaker</u>
8:45 a.m.	<b>Call to Order</b>
8:45 a.m.	<b>Consent Calendar</b> <i>Karen Frame</i> a. Approval of December 10, 2025, meeting minutes
8:45 a.m.	<b>2026 Commitment Pacing Recommendation</b> <i>Cambridge Associates</i>
9:00 a.m.	<b>Private Markets Benchmark Recommendation</b> a. <b>IRR versus Time Weighted Performance</b> <i>Cambridge Associates</i> b. <b>Median versus Pooled Average</b> <i>Cambridge Associates</i> c. <b>Benchmark Recommendation</b> <i>FPPA Staff</i>
9:45 a.m.	<b>Investment Staff Incentive Compensation</b> <i>Scott Simon</i>
10:10 a.m.	<b>Other Business Matters</b>
10:15 a.m.	<b>Adjourn</b>



## Fire & Police Pension Association Investment Committee Meeting Minutes

### Meeting Date, Time, and Location

Wednesday, December 10, 2025, at 1:00 p.m.  
7979 East Tufts Avenue, Ste. 900  
Thunderbird Conference Room  
Denver, CO 80237

### Investment Committee Members Present

Chair Karen Frame, Jason Mantas, William Clayton, and Caleb Sevia.

### Staff Members Present

Scott Simon, Kevin Lindahl, Ahni Smith, Chip Weule, Adam Franklin, Elaine Gorton, Jack Wilson, Sean Ross, Tim O'Connell, Bryce Murphy, Ben Wisdorf, Riley Dinnison, Jane Freda, Steven Miller, Corbin Coffey, and Andrea Koelzer.

### Others Present

Brian McDonnell, Cambridge Associates

*Notice of this meeting and a copy of the agenda were posted on the FPPA website and at 7979 East Tufts Avenue, at least twenty-four hours prior to the meeting.*

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### Call to Order

At 1:00 p.m., Chair Frame called the meeting to order.

### Consent Calendar

At 1:00 p.m., Mr. Mantas moved the Committee to approve the Consent Calendar which consists of the October 8, 2025, meeting minutes. Mr. Clayton seconded the motion. The motion passed.

### Risk Report – 3Q 2025

At 1:01 p.m., Mr. Wilson presented the 2025 3<sup>rd</sup> Quarter Risk Report.

### Private Markets Trends

At 1:28 p.m., Mr. McDonnell presented the Private Markets Trends report.

At 2:15 p.m., Chair Frame called for a break.

At 2:31 p.m., the meeting reconvened.

### Management Fees

At 2:31 p.m., Mr. Simon presented Management Fees to the Committee.

### Strategic Plan Updates

At 2:43 p.m., Mr. Simon provided an update on the Strategic Plan Objectives, including the analysis of the private markets' exposure within the Glide-Path-Pool.

## **Benchmarks / Incentive Compensation**

At 2:51 p.m., Mr. Simon discussed Benchmarks and Incentive Compensation.

## **Adjournment**

At 3:50 p.m., the meeting adjourned.

DRAFT



# Colorado FPPA

## Long-Term Pool Exposure Model

January 2026

## Exposure Modeling Overview

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CA's proprietary model utilizes long-term assumptions about cashflow patterns and expected performance at the individual fund level as determined by age of fund and asset class (venture capital, buyouts, natural resources, etc.)

### Relevant Assumptions:

- Beginning Total Asset Value is as of June 30<sup>th</sup>, 2025
- Total Assets are modeled to grow at a rate of 7% per annum, net of spending
- PI target of 30% (34% total minus ~4% of core real estate)

### Scenario 1:

- Maxes out at the 30% target
- Recommended pace is \$550 million

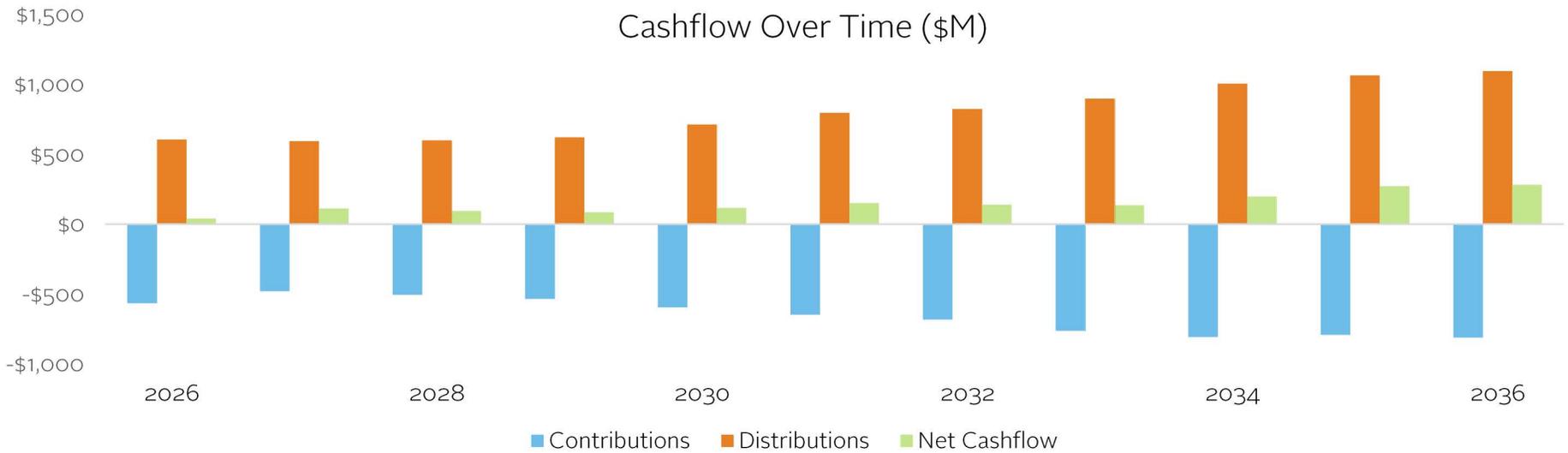
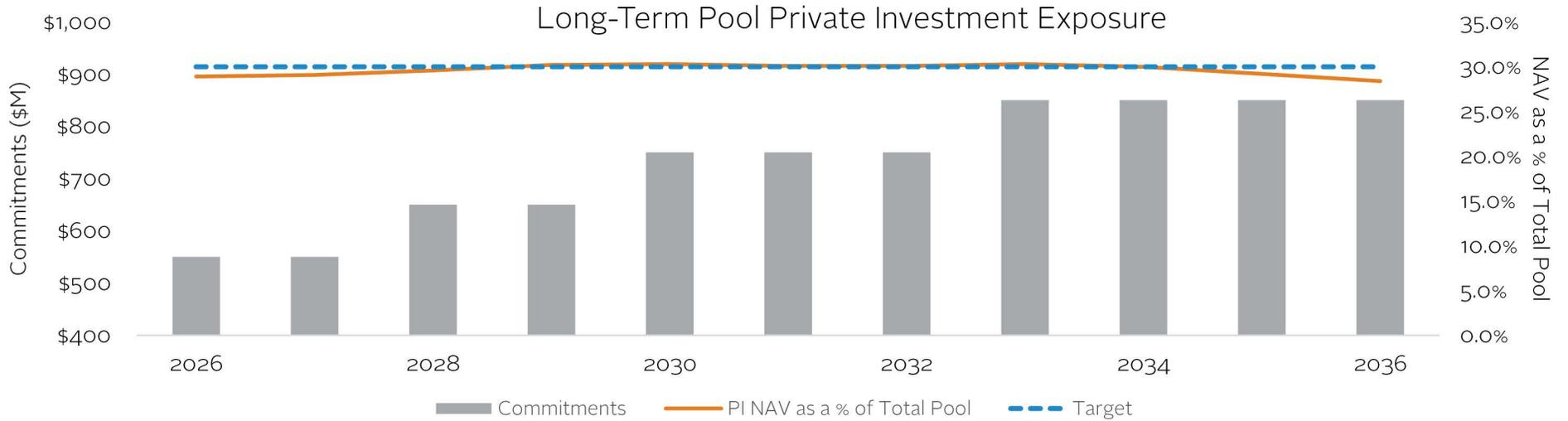
### Scenario 2:

- Floats slightly above 30% target before settling back to 30% over time
- Recommended pace is \$600 million

### Recommendation:

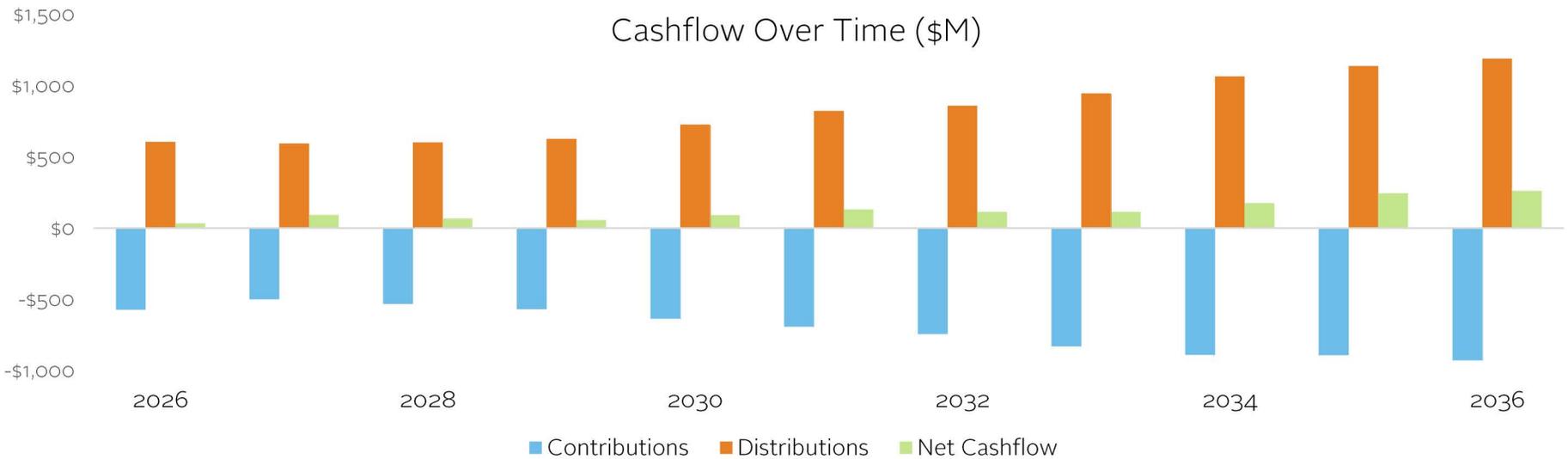
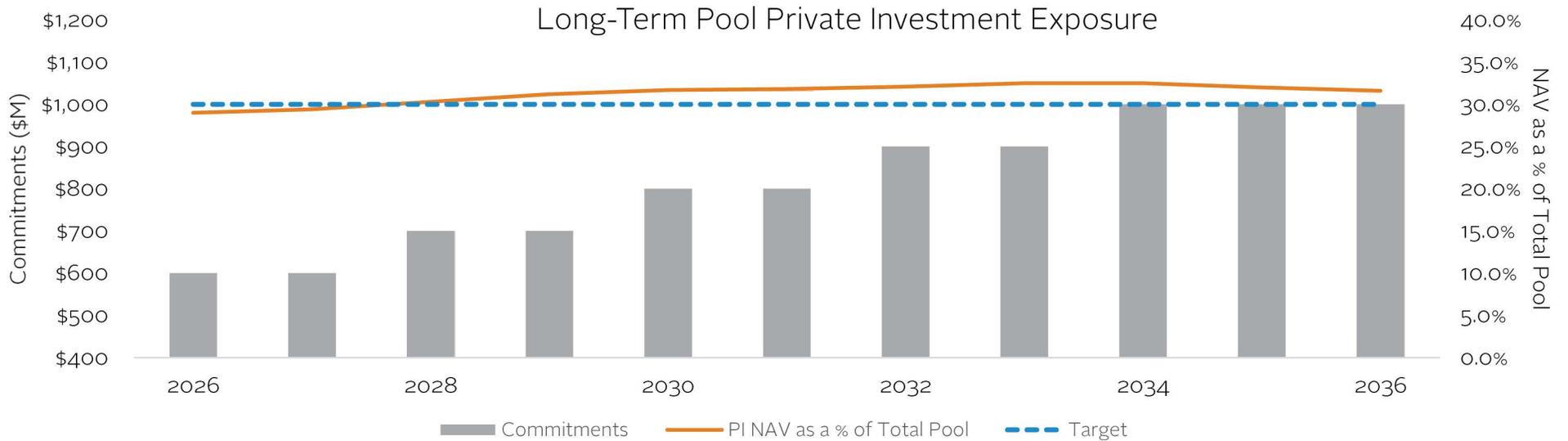
- Set 2026 targeted pace at midpoint - \$575 million with a band of \$525 to \$625 million

# FPPA Long-Term Pool Exposure Model – \$550 million pace



Note: Modeling based on 06/30/2025 Total Assets value and 06/30/2025 PI NAVs; Assumes 7% Total Assets growth.

# FPPA Long-Term Pool Exposure Model – \$600 million pace



Note: Modeling based on 06/30/2025 Total Assets value and 06/30/2025 PI NAVs; Assumes 7% Total Assets growth.

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## Private Investment Benchmarking: Using the Right Return Metric

- The two most common measures of investment performance—time-weighted returns (TWRs) and money-weighted returns, typically an internal rate of return (IRR)—differ in meaningful ways.
- The use of TWRs is necessary to incorporate private performance into total portfolio returns and to construct the policy benchmark. **However, private investment performance is best evaluated using IRRs.**

### Time-Weighted Returns (TWR)

- ❖ Measures the return of the same dollar invested continuously for a specific time period
- ❖ Returns are calculated for a series of sub-periods that are then geometrically linked
- ❖ Each period is given equal weight, regardless of how much money was invested
- ❖ Returns depend only on the length of investment and do not incorporate the amount invested, so the impact of cash flows is neutralized

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- ❖ **Accurate for calculating a multi-period return for a fixed initial investment amount**
  - ❖ **Most appropriate for marketable managers who do not have control over the size and timing of cash flows**

### Dollar-Weighted Returns (IRR)

- ❖ Synonymous with internal rate of return (IRR), reflecting the discount rate that equates the ending value with the compounded value of the beginning investment, including all cash flows occurring during the time period
- ❖ Measures the average return on all invested dollars for a specified time period
- ❖ Takes into account changes in invested capital by weighting inflows and outflows for the amount of time the funds are invested

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- ❖ **Accurate for calculating returns when there are periodic capital inflows and outflows**
  - ❖ **Most appropriate for private investment managers who control the size and timing of cash flows**

## Private Investment Benchmarking: Illustrating the Difference between IRRs and TWRs

**Figure 1. The Disconnect Between IRRs and TWRs for a Single Private Investment**

Hypothetical Example

Period Date	Quarterly Contribution	Quarterly Distribution	Quarterly Net Cash Flow	Quarter Ending NAV	One-Quarter Return
Quarter 1	-150,000		-150,000	143,864	-8.0%
Quarter 2	-150,000		-150,000	278,709	-6.9%
Quarter 3	-100,000		-100,000	362,427	-4.9%
Quarter 4	-300,000		-300,000	645,672	-3.3%
Quarter 5	-200,000		-200,000	831,179	-1.9%
Quarter 6	-150,000		-150,000	999,139	2.0%
Quarter 7	-333,000		-333,000	1,570,269	20.6%
Quarter 8	-266,667	136,137	-130,530	1,733,789	2.0%
	<u>-1,649,667</u>	<u>136,137</u>			
			IRR	15.3%	
			TVPI	1.1x	
			TWR		-1.6%

- To highlight the differences in these calculations, Figure 1 shows an extreme, but not uncommon, example of how compounded TWRs can misrepresent the performance of private investments.
- In this example, the fund is valued at a 1.1x multiple of invested capital, so one would expect the return to exceed 0%, and it does with a positive IRR of 15.3%.
- However, negative returns in early periods result in a TWR of negative 1.6% over the full period, which is certainly not representative of actual performance—those early periods have little capital at work, which is accounted for in the IRR.

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## Private Investment Benchmarking: Choosing the most representative methodology

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- Private investment benchmarks are commonly reported using various summary statistics, including pooled return and median return, which differ in meaningful ways. **Median returns are often most representative of the entire opportunity set.**

- Pooled return

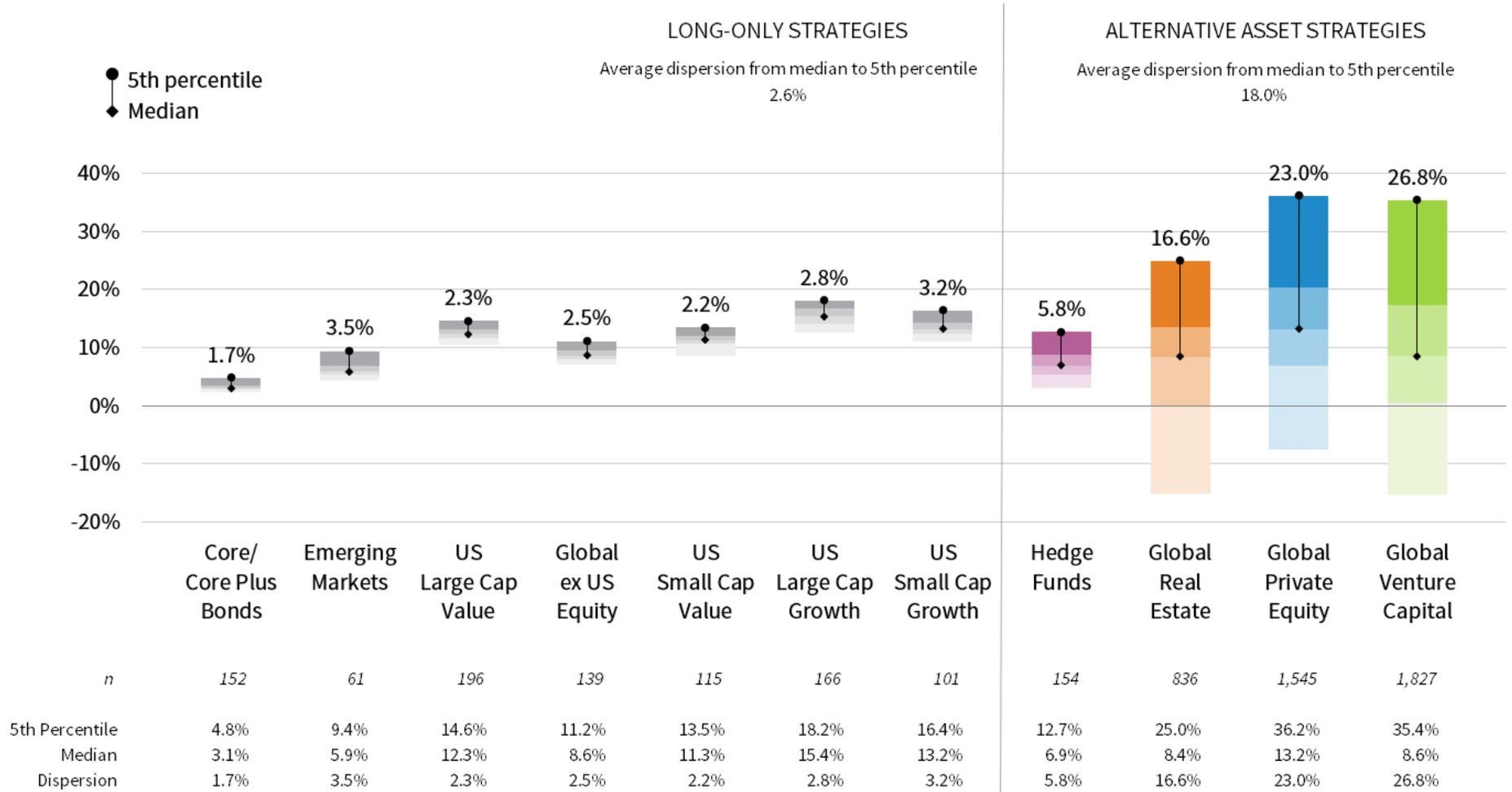
- Data for all funds in the universe are aggregated and the return is calculated on the single stream of aggregate cash flows and ending NAV
  - More like market-cap weighted index than other calculations
  - Returns skew toward the performance of larger funds, which tend to behave differently than small and mid-size funds

- Median return

- Performance of each fund in the universe is calculated and the median performing fund is selected
  - Treats all funds equally regardless of size, so less sensitive to outliers; larger funds do NOT skew the results
  - Quartile breakpoints can be calculated and incorporated into findings

# Manager selection alpha is a key driver in private markets

## Average Annual Manager Returns by Asset Class

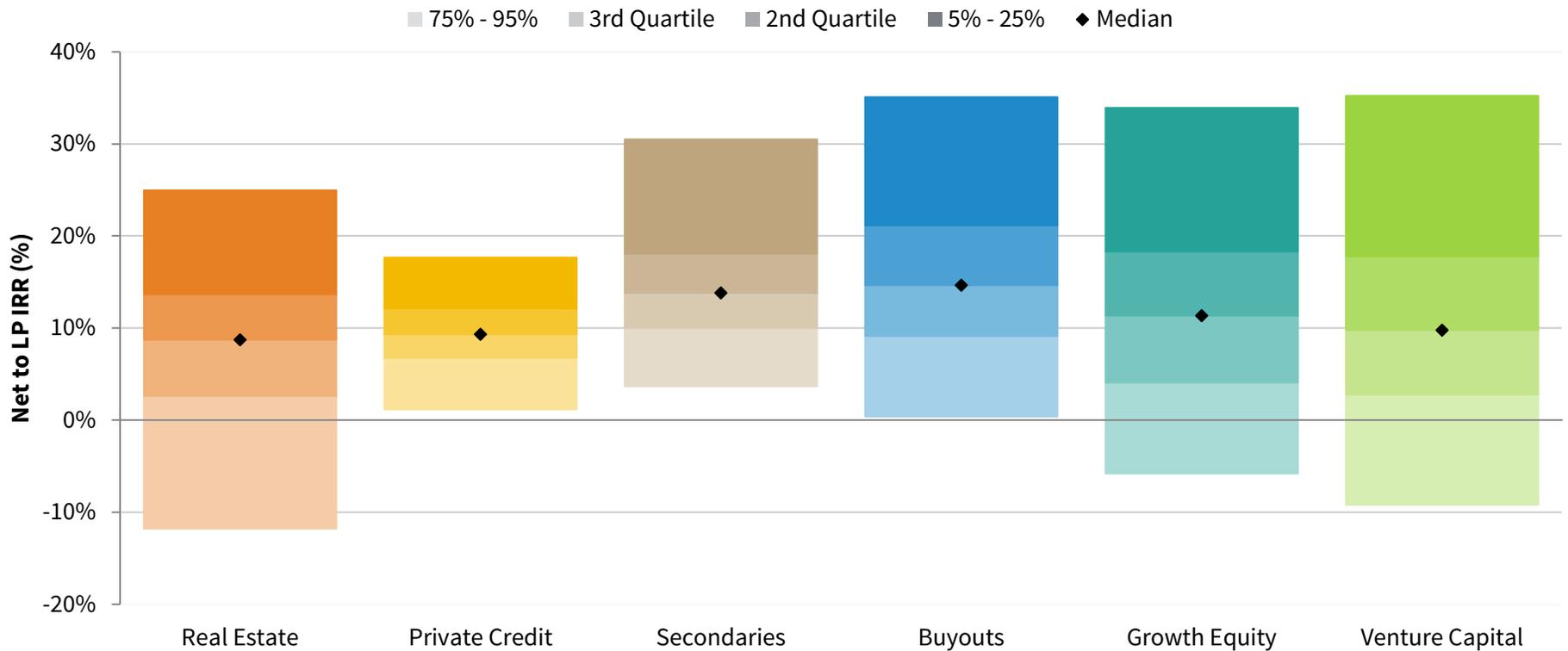


Sources: Cambridge Associates LLC and eVestment.

Notes: Returns for bond and equity managers are average annual compound returns (AACRs) for the fifteen years ended June 30, 2025, and only managers with performance available for the entire period are included. Returns for private investment managers are net internal rates of return (IRR) calculated since inception to June 30, 2025 for vintage years 2010-2024. Time-weighted returns (AACRs) and money-weighted returns (IRRs) are not directly comparable.

# Private manager selection is critical

## Return Dispersion by Asset Class



<b>5%</b>	25.0%	17.7%	30.5%	35.1%	33.9%	35.2%
<b>25%</b>	13.7%	12.1%	18.1%	21.1%	18.3%	17.8%
<b>MEDIAN</b>	8.7%	9.3%	13.8%	14.6%	11.3%	9.8%
<b>75%</b>	2.6%	6.8%	10.0%	9.1%	4.1%	2.8%
<b>95%</b>	-11.8%	1.2%	3.7%	0.4%	-5.8%	-9.2%

Sources: Cambridge Associates LLC

Notes: Returns are net internal rates of return (IRRs) calculated since inception to June 30, 2025 for vintage years 2010-2022.



# Benchmarks & Investment Staff Incentive Compensation

January 2026

## Private Markets Benchmarks

### Current Structure

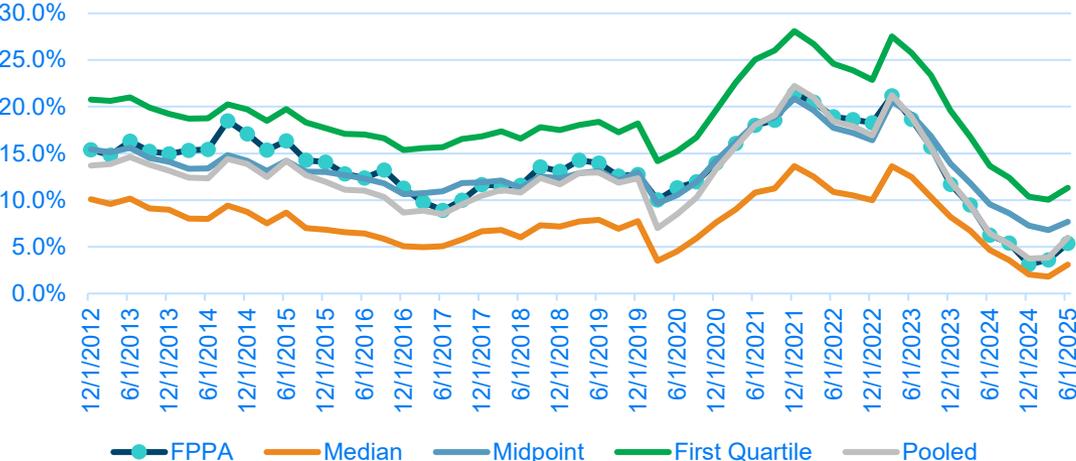
- FPPA Performance: BNY (custodian) calculates *time-weighted* performance
- Benchmarks:
  - Utilization of Cambridge Indexes
  - BNY utilizes quarterly point-to-point IRRs (Internal Rate of Return) as time-weighted performance
- Outperformance: measured as exceeding benchmark *Pooled* performance

### Proposed Structure

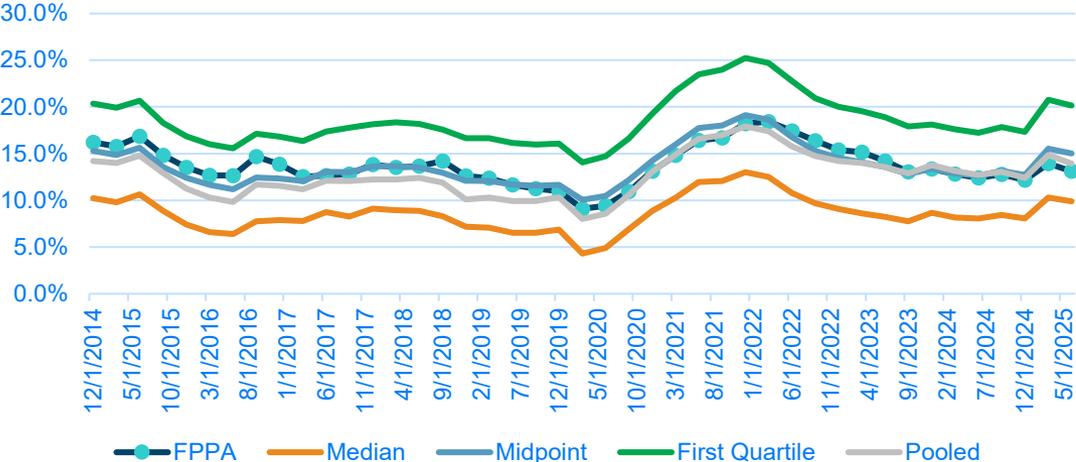
- FPPA Performance: Staff calculates annualized point-to-point **IRR**s from eFront (FPPA private markets data analytics system)
- Benchmarks:
  - Utilization of Cambridge Indexes
  - Utilization of Cambridge annualized point-to-point IRRs
- Outperformance: measured as exceeding benchmark *Median* (50<sup>th</sup> percentile) performance up through the mid-point of second quartile (37.5<sup>th</sup> percentile) performance

# Private Markets – Historical Performance

3 Year Rolling



5 Year Rolling



## Investment Staff Incentive Compensation (1/5)

### History

- 2014: the Board supported an incentive compensation program for the investment staff
    - Important tool in the recruitment and retention of quality investment professionals
    - Engaged compensation consultant (McLagan) to assist in designing FPPA's incentive compensation plan.
  - 2017: Resulting from a Board compensation study of the Executive Team, CIO incentive opportunity raised from 30% to 50% of base salary
  - 2021: Portfolio Team included in the program
  - 2025: Board approved the strategic objective to review the program
- ❖ Currently approximately half of public pension funds offer incentive compensation plans (up from one-third in 2014).

## Investment Staff Incentive Compensation (2/5)

### Current Structure

- An investment staff member must achieve a solid performer status or higher to be eligible for incentive compensation
- Incentive Opportunity Limits (based as a percentage of base salary)
  - Ranges from 10% to 50% depending on the position
- Weighting
  - 25% Qualitative
  - 75% Quantitative
    - Long-Term Pool Performance exceeding Long-Term Pool Benchmarks over various time periods (1, 3, 5-years)
    - Maximum incentive achieved at .40% outperformance

### Recommendations – Structural Changes

- Benchmarks
  - Discontinue Implementation Benchmarks (just utilize Policy Benchmarks)
  - Modification of Private Markets Benchmark
- Eliminate the 1-year performance measurement period, move to just 3-year and 5-year (weighted 40% and 60% respectively)
- Asset Class Specific Benchmarks and Thresholds
  - Private Markets – (see slide pg. 2)
  - Public Markets – weighted average of policy benchmarks for Global Public Equity, Fixed Income – Rates, Fixed Income – Credit, Long/Short Equity and Diversifiers. Threshold of 0.30%<sup>1</sup>
  - Total Fund – Total Fund ex-Private Markets Benchmark. Includes performance implications of the Liquidity Portfolio, Overlays (Russell and Currency) and Allocation effects. Threshold of 0.30%<sup>2</sup>

<sup>1</sup> Threshold derived from weighted average alpha expectations of asset classes: Global Public Equity (30 bps); Fixed Income – Rates (10 bps); Fixed Income – Credit (30 bps); Diversifiers (50 bps); Long/Short Equity (50 bps)

<sup>2</sup> Assumes no alpha expectations from Liquidity Portfolio, Overlays and Allocation effects

## Investment Staff Incentive Compensation (4/5)

### Recommendations – Structural Changes (cont.)

- Different weightings (quantitative vs. qualitative) for different teams
  - Public Markets and Private Markets teams, include a quantitative component of relative investment class performance
    - 50% Asset Class, 25% Total Fund, 25% Qualitative
  - Portfolio Team, increase qualitative weighting
    - 50% Total Fund, 50% Qualitative
  - Newer staff, 100% Qualitative for first 2 years
  - CIO, 75% Total Fund, 25% Qualitative

# Sample Incentive Calculation for a Public Markets Employee

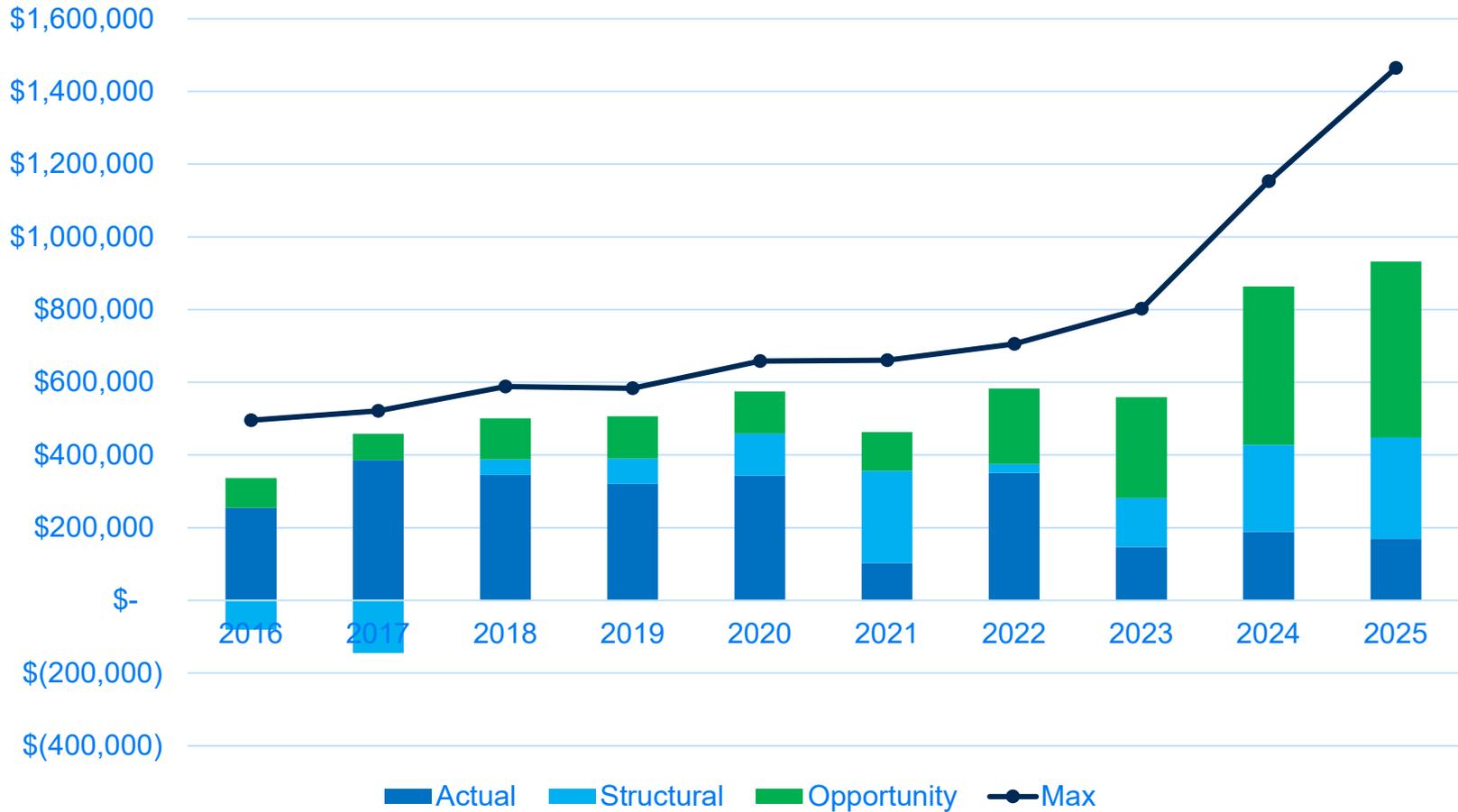
Sub Component	Weight	Performance		Excess (bps)	Max (bps)	% of Max	Total
		Portfolio	Benchmark				
Public Markets (3Y)	20.0%	7.5%	7.0%	50	30	100.0%	20.0%
Public Markets (5Y)	30.0%	6.3%	7.0%	-70	30	0.0%	0.0%
Asset Class	<b>50.0%</b>						<b>20.0%</b>
Total Fund ex-PM (3Y)	7.0%	7.2%	7.0%	20	30	66.7%	4.7%
Private Markets (3Y)	3.0%	13.0%	9.0%	400	500	80.0%	2.4%
Total Fund ex-PM (5Y)	10.5%	6.5%	7.0%	-50	30	0.0%	0.0%
Private Markets (5Y)	4.5%	13.0%	9.0%	283	300	94.3%	4.2%
Total Fund	<b>25.0%</b>						<b>11.3%</b>
Qualitative	<b>25.0%</b>					75.0%	<b>18.8%</b>
Total Possible	<b>100.0%</b>					% Max	<b>50.1%</b>
<b>Excess Performance</b>	Excess performance of Private Markets reduced for effect of Total Fund ex-PM underperformance						
<b>Max (bps)</b>	Range between 37.5% and 50% percentile private markets performance						
	Ranges are not static and will minimally fluctuate each quarter						

## Investment Staff Incentive Compensation (5/5)

### Recommendations

- Incentive Opportunity Limits
- Utilizing McLagan Data (Manager of Managers)
  - Moving from bottom quartile to Median of Peers
  - Jr. Analyst – unchanged at 10%
  - Analyst – increase to 25% from 15%
  - Sr. Analyst – increase to 30% from 17.5%
  - Associate – 50% (new position level)
  - Officer – increase to 65% from 20%
  - Sr. Officer – increase to 70% from 25%
  - Director – increase to 95% from 30%
  - CIO – increase to 65% from 50%

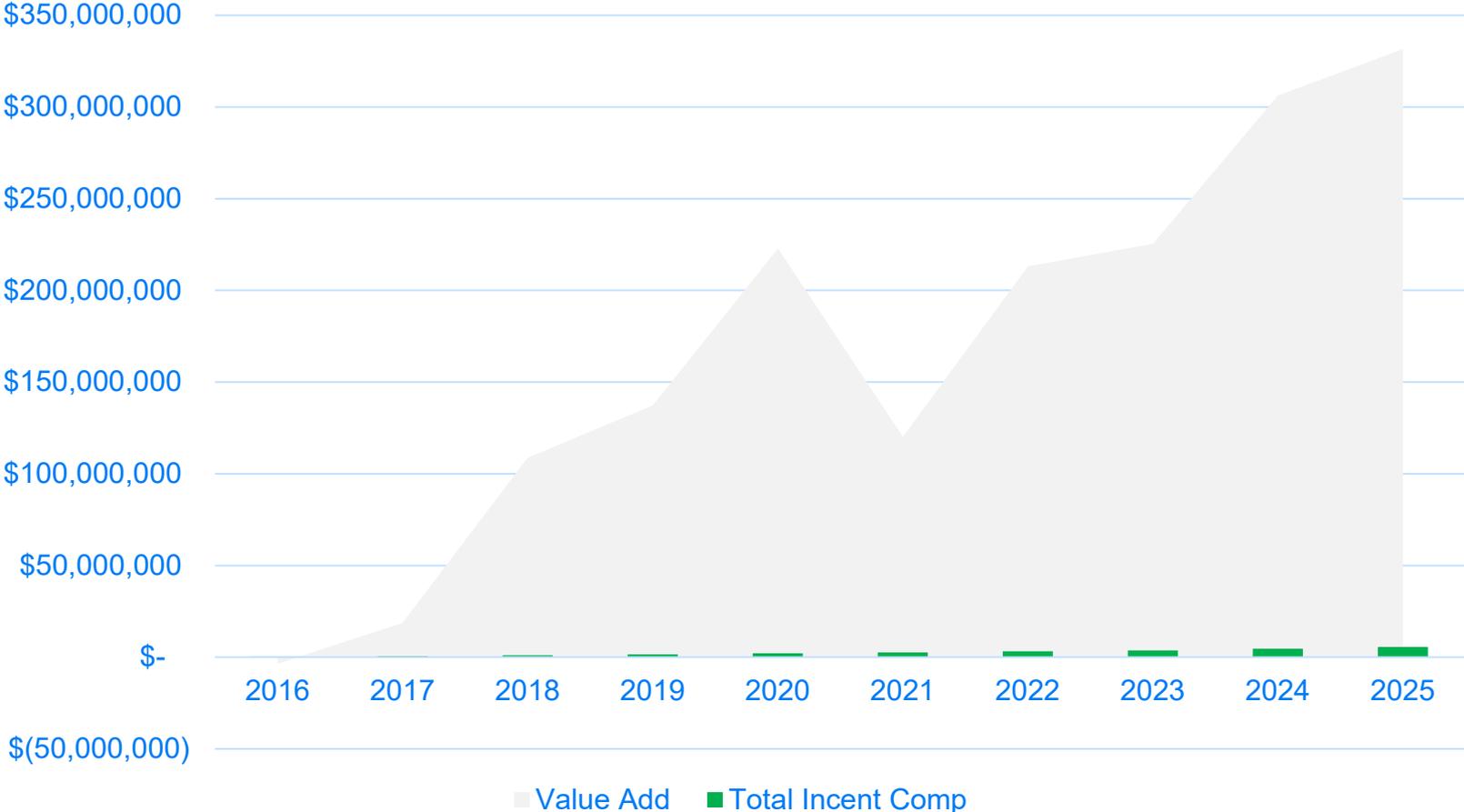
# Investment Staff Incentive Compensation – Historical (annual)



# Staff	8	8	9	8	10	11	11	9	11	13
Avg Incent Comp	\$ 32,069	\$ 39,176	\$ 55,688	\$ 63,309	\$ 57,497	\$ 42,086	\$ 52,964	\$ 62,168	\$ 78,548	\$ 71,687

**Actual:** Historical / Actual Incentive Compensation Paid  
**Structural:** Move solely to Policy Benchmark, Eliminate 1-Year Period, Team Specific Benchmarks, Change in PM Benchmark  
**Opportunity:** Increase in Opportunity Limits to match the Median of Peer Public Pension Plans (McLagan)  
**Max:** What would have been paid if 100% metrics were met (exceeding every performance hurdle, for all time periods and awarding full qualitative components)

# Investment Staff Incentive Compensation – Historical (cumulative)



Incent Comp \$M	\$	0.26	\$	0.57	\$	1.07	\$	1.58	\$	2.15	\$	2.62	\$	3.20	\$	3.76	\$	4.62	\$	5.55
% of Value Add		-7.2%		3.1%		1.0%		1.1%		1.0%		2.2%		1.5%		1.7%		1.5%		1.7%

**Value Add:**

**Total Incent Comp:**

**Performance above benchmarks in dollar terms**

**Incentive compensation incorporating structural changes and increased opportunity limits**

## 2026 Investment Professional Annual Incentive Program

The Fire & Police Pension Association of Colorado (FPPA) is committed to our members. We work on a daily basis to fulfill our mission:

*We will prudently invest our members' retirement funds, administer benefits fairly, and provide superior, cost-effective service.*

FPPA recognizes that our employees are our most important asset in fulfilling our responsibilities to our members. With the complexity of plans and services offered, retaining and motivating our employees is critical in our being able to fulfill our mission. We must attract, retain and engage a highly qualified work force to achieve our purpose. We reward employees who demonstrate capability and produce long-term results which support the association's goals and objectives.

We strive to fulfill our goals keeping our principles at the forefront:

- To act ethically and with integrity.
- To prudently manage the investment of fund assets for the benefit of the members.
- To provide timely and accurate information and benefits.
- To treat all people with respect.
- To encourage and support education and professional development for board and staff.
- To be receptive to, and an advocate for, improvement and innovation.

FPPA provides a comprehensive total rewards package which addresses our employees' health and welfare, growth opportunities, performance recognition, and capital accumulation needs or concerns. All programs are contributory in nature and designed in a flexible manner to enable employees to select those most consistent with their needs and circumstances.

All full-time staff members will be eligible for an annual pay increase based upon CIO discretion over the past year. Each staff member will be evaluated based upon their individual efforts in achieving overall Investment Department goals and will be eligible for a pay increase based upon those efforts. In keeping with our mission and guiding principles the performance management template will include definition around the following categories and employee efforts:

- (1) Distinguished – Individual results achieved far exceed **all** areas of responsibility. This individual is distinguished by skills and ability which have been repeated tested and proven despite obstacles. This individual is

capable of and looking to assume greater responsibility. This individual made certain unusually significant contributions resulting in major changes, i.e. new directions, new strategies and significant improvement.

- (2) Commendable – Individual results exceeded expectation in **most** areas of responsibility. This individual has exceeded the goals of the position and successfully met very difficult goals. Accomplishments exceed expectations in key areas but not necessarily in all areas. This individual is capable of assuming greater responsibility.
- (3) Solid Performer – Individual results and objectives have been met. In a few instances the individual may have exceeded some targets and missed some, but on balance the individual has competently performed the duties of the position. (This is not an average rating but an above average rating for a performer who has succeeded in mastering all, or nearly all facets of the job.) This consistent level of performance is a considerable achievement.
- (4) Developing Performer – Individual results have been reasonably adequate for most responsibilities. The individual has not been completely successful in achieving all the objectives of the position. The individual has met most goals, but on balance, has not completely reached the desired level of achievement. Performance is expected to improve over time.
- (5) Unsatisfactory – Individual results consistently fell below the positions objectives and requirements. Individual on balance has not been successful in performing position tasks and is in need of a Performance Improvement Plan.

Each employee who ranks as a Solid Performer or higher will also be eligible for incentive compensation. These incentives will be calculated prospectively and are subject to renewal by the Board annually. Target incentive levels may change in subsequent years due to economic and other factors. Target incentive levels will vary by position based on differing levels of accountability, responsibility and competitive pay requirements. Target incentive levels are expressed as a percentage of base salary at the end of the incentive fiscal year. For employees affected by a change to their position and base salary, the base salary will be prorated from the date of change. For new employees, the initial incentive period will be prorated from their first day of employment. Incentive payments will be made as soon as is practical after the fiscal year investment data becomes available. To account for the possibility of market swings and reduced capital, the Board may elect to defer all or a portion of the incentives owed. Any staff who voluntarily separates from service or is terminated for cause will not receive any incentive compensation. Appropriate performance measurement provides an important link between overall investment strategy and individual portfolio objectives. The Investment Consultant verifies all final performance calculations to ensure accuracy.

The Annual Incentive Program will be limited to the positions listed below:

<b>Investment Position</b>	<b>Target Incentive Level</b>
Executive Director	10%
Chief Investment Officer	65%
Investment Director	95%
Sr. Investment Officer	70%
Investment Officer	65%
Investment Associate	50%
Sr. Investment Analyst	30%
Investment Analyst	25%
Jr Investment Analyst	10%

Each participant is eligible for an incentive based on qualitative and quantitative components:

**Qualitative:** The qualitative component is based on each eligible staff’s overall contribution, considering results and behaviors, including professionalism, cooperation, teamwork, initiative, motivation as defined within the categories 1 – 5 above. This qualitative incentive for the Investment Staff is determined by the CIO. The qualitative incentive for the CIO is determined by the Executive Director.

**Quantitative:** Quantitative components are based on relative performance of asset classes and total Long-Term Pool performance (net of fees) relative to benchmarks. Benchmarks are approved by the Investment Committee and Board.

- **Time Periods:** Relative performance is measured and weighted against two time periods
  - 3-years (40% weight)
  - 5-years (60% weight)
- **Team Specific:** Quantitative components will be weighted specifically for a team or position
- **Thresholds:** A quantitative component is awarded for relative performance above a benchmark, pro-rated, up through a pre-determined threshold

The following table details specific qualitative and quantitative component weights comprising a total potential payout:

<b>Team / Position</b>	<b>Public Markets</b>	<b>Private Markets</b>	<b>Total Pool</b>	<b>Qualitative</b>	<b>Total</b>
Executive Director			100%		100%
Chief Investment Officer			75%	25%	100%
Public Markets Team	50%		25%	25%	100%
Private Markets Team		50%	25%	25%	100%
Portfolio Team			50%	50%	100%
Employees < 2 yrs				100%	100%

Asset Classes / Benchmarks / Thresholds

Public Markets: Team performance and benchmark performance (time-weighted returns) will be comprised of a weighted average (utilizing interim asset class weights) across the following classes. Threshold of 0.30%

<b>Asset Class</b>	<b>Benchmark</b>
Global Public Equity	MSCI ACWI IMI with USA (Gross) Index
Long/Short Equity	HFRI Equity Hedge Index
Diversifiers	HFRI FOF Diversified Index
Fixed Income - Rates	Bloomberg Barclays Capital US Aggregate Bond Index
Fixed Income - Credit	Bloomberg Barclays US Credit Index

Private Markets: Team performance will be comprised of a total private markets portfolio point-to-point internal rate of return (IRR). Benchmark performance will be comprised of a weighted average (utilizing actual asset class weights) of Median (50<sup>th</sup> percentile) point-to-point IRRs of various Cambridge Associates private markets indexes. The Threshold will be the same calculation for the 37.5<sup>th</sup> percentile of the indexes.

Total Fund: Outperformance will be determined from a weighted average of incentive payouts achieved from a Total Pool (excluding private markets) time-weighted rated return (Threshold of 0.30%) and the Private Markets payout.