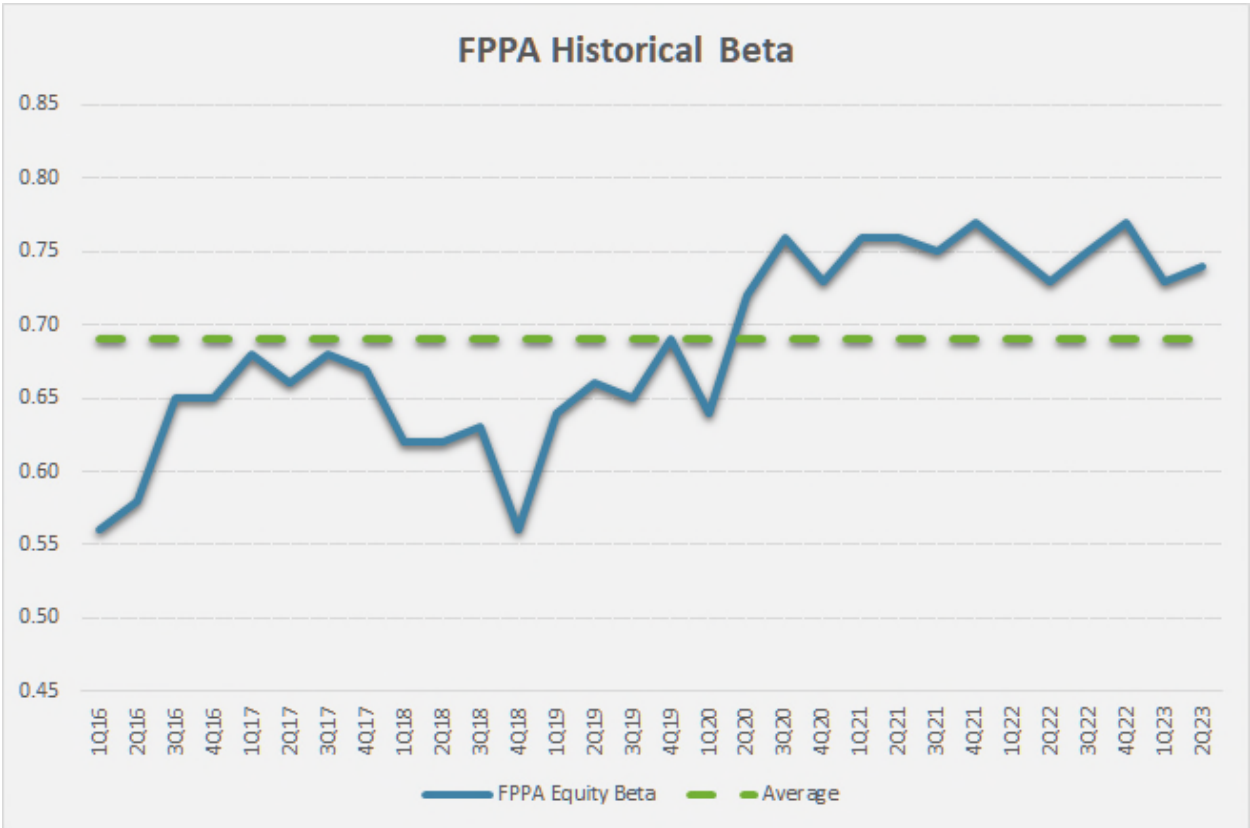


MEMORANDUM

To: Pension Review Commission
From: Executive Staff
Re: Follow Up to September 13, 2023, meeting
Date: October 24, 2023

- 1. Show support that a 70%/30% (equity/fixed income) portfolio is the most appropriate passive option for FPPA.**
- A primary metric we use to measure our investment portfolio risk is Equity Beta. Beta is a measure of volatility to the equity market as a whole. For example, a 100% equity portfolio will have a Beta of 1.0; a 70%/30% (equity/fixed income) will have a Beta of 0.7.
 - Utilizing our risk system, our average beta over the past eight years has been 0.69.



2. Provide more transparency of policy benchmarks utilized (primarily the private markets benchmarks – private equity, real assets, real estate).

Asset Class	Current Target	Benchmark
Global Public Equity	38.0%	MSCI ACWI IMI w/US Gross
Fixed Income - Rates	10.0%	Bloomberg Barclays US Aggregate Bond Index
Fixed Income - Credit	5.0%	Bloomberg Barclays US Credit Index
Equity Long Short	6.0%	HFRI Equity Hedge Index
Absolute Return	9.0%	HFRI FOF Diversified Index
Cash	1.0%	3-Month US T-Bill
Private Markets (31%)	6.7%	CA US Buyout
	3.3%	CA Credit Opportunities
	2.9%	CA US Growth Equity BM
	2.2%	CA US Venture Capital BM
	2.2%	NCREIF ODCE
	1.7%	CA Control Oriented Distressed
	1.7%	CA Ex US Private Equity BM
	1.6%	CA Subordinated Capital BM
	1.1%	CA Fund of Fund Cust BM
	1.1%	CA Secondary Funds
	1.0%	CA Opportunistic RE
	1.0%	CA Upstream E & R BM
	0.7%	CA Buyout
	0.7%	CA Developed Market Infra BM
	0.6%	CA Ex US Buyout
	0.5%	CA Value Add RE
	0.4%	CA Senior Debt
	0.4%	CA US Private Equity BM
	0.4%	CA PE Energy & Upstream Royal BM
	0.3%	CA Private Credit BM
0.3%	CA EM Infrastructure BM	
0.1%	CA Ex US Growth Equity BM	
0.0%	CA Growth Equity BM	
0.0%	CA PE Energy BM	

CA = Cambridge Associates

3. Provide the Investment Policy Statement. See attached.

4. Provide more transparency of investment fees and expenses comprising the 1.57% of assets.

Investment Fees & Expenses (2022)		
Management Fees	\$ 41,993,569	
Performance Fees / Carried Interest	\$ 43,366,341	
Partnership Expenses	\$ 11,614,341	
Consulting	\$ 1,527,180	
Bank Fees	\$ 640,372	
Computer Software	\$ 833,402	
Due Diligence	\$ 424,173	
Staff Salaries and Benefits	\$ 3,010,681	
Investment Fees & Expenses (2022)	\$ 103,410,060	1.57%
Assets (DB) 12/31/2021	\$ 6,865,906,413	
Assets (DB) 12/31/2022	\$ 6,287,039,758	
Average Assets	\$ 6,576,473,086	

5. Provide more transparency of the cash flows of the plan.

- Note FPPA’s largest investment pool (Long-Term Pool) was cash flow positive by \$75.6 million in 2022.

**Fire and Police Pension Association
Members' Benefit Investment Trust Fund
For the Twelve Months Ended 12/31/2022**

	<u>Long-Term Pool</u>	<u>Glide-Path Pool</u>	<u>Short-Term Pool</u>	<u>Total Fund</u>
Beginning Asset Pool Balance	\$5,445,024,750	\$1,406,209,846	\$14,671,817	\$6,865,906,413
Member & Employer Contributions	\$272,884,157	\$46,374,854	\$2,149,330	\$321,408,341
State Funding	\$9,468,372			\$9,468,372
Refunds	(\$7,984,787)			(\$7,984,787)
Benefit Payments	(\$198,779,157)	(\$149,486,554)	(\$2,606,264)	(\$350,871,975)
Contributions & Benefit Payments	\$75,588,585	(\$103,111,700)	(\$456,934)	(\$27,980,049)
Investment Income & Expense	(\$439,366,547)	(\$99,258,771)	(\$1,744,704)	(\$540,370,022)
Investment Expenses				
Other Expenses	(\$9,646,235)	(\$784,439)	(\$85,910)	(\$10,516,584)
Income and Expenses	(\$449,012,782)	(\$100,043,210)	(\$1,830,614)	(\$550,886,606)
Ending Asset Pool Balance	\$5,071,600,553	\$1,203,054,936	\$12,384,269	\$6,287,039,758