

**Town of Concord
Finance Department
Memorandum**

TO: Retirement Board
FROM: Anthony T. Logalbo, Finance Director *AR*
SUBJ: Asset allocation and market value @ August 31, 2015
DATE: September 22, 2015

Combined Assets: Retirement System and Town Pension Reserve Fund

For the month of August, the combined market value of system assets and the Town's Pension Reserve Fund decreased 3.84% from the prior month-end.

At August 31st, combined assets totaled \$141.86 million (\$132.83 million in the Retirement System and \$9.03 million in the Town's Pension Reserve account). The market value of combined assets decreased in August by \$5,658,000. This reflects a 6% drop in the S&P 500 index and a 7.4% decline in the MSCI EAFE International Equity index for the month. The PRIT Core return for August was negative 3.48%.

Compared to one year earlier, the market value of combined assets is down 0.20%. For the three-year period ending August 31, 2015, market value has increased at an average annual rate of 9.81%.

The one-year statistic is below the actuarially assumed earnings rate of 7.50%. The three-year statistic has been above the actuarially assumed earnings rate for 47 consecutive months.

Since January 1, 2015, the market value change of assets, exclusive of the FY16 employer assessment payments, has been minus 3.6%.

Concord Retirement System performance

Asset Value at August 31, 2015: \$ 132,830,589

For the most recent 12-month period:

For the one-year period ended August 31, 2015, asset value of the Concord Retirement Fund has decreased 0.01%. This compares to the state's Pension Reserve Investment Trust (PRIT) Core Fund investment performance of *minus 0.07%* over the same 12-month period.

***Comparative asset value change, most recent year and month
(Retirement System assets only, excluding Pension Reserve):***

	<u>One month</u>	<u>One year</u>
Concord Retirement Fund*	(3.84)%	(0.01)%
State PRIT Core Fund	(3.48)%	(0.07)%

* The asset value decrease of (0.01)% for the 12-month period ending August 31st is not precisely the investment return; rather, it reflects the difference between income (employer and employee contributions, investment earnings) and disbursements (pensions, refunds, expenses). It is, however, a close approximation of investment return for this comparative purpose.

The **market indexes** for the period ending August 31, 2015 are:

		<u>One month</u>	<u>One year</u>
S&P 500	<i>Domestic equity</i>	minus 6.03 %	plus 0.48 %
Barclays Govt.	<i>Fixed income</i>	minus 0.23 %	plus 1.09 %

40.75% of the Concord portfolio is invested with PRIT (34.49% in the Core Fund, 4.87% in the Core Real Estate Fund and 1.39% in venture capital funds).

Comparative asset allocation:

The accompanying Asset Allocation Report includes a line at the bottom to show the asset allocation for Concord Retirement System assets only, allocating the PRIT Core investment among its component categories. As of August 31, 2015, the PRIT Core Fund was allocated as follows:

	PRIT CORE FUND	
	<u>Share of portfolio asset value</u>	
	<u>this month</u>	<u>Change from year earlier</u>
Fixed Income	22.48%	- 0.93%
Equity	41.94%	- 1.19%
Other	35.58%	+ 2.12%

Concord Retirement Board assets were allocated as of August 31st as follows:

Fixed Income	28.83%
Equity	48.94%
Real Estate	4.87%
Other	13.66% (alternative investments and PRIT Vintage Funds)
Cash	3.70%

The total allocation to "Equity, Real Estate and Other" at August 31, 2015 is 67.47%, with a target of 65%, as adjusted by vote at the March 2012 board meeting. At that meeting, the Board set a target allocation as follows:

	<u>Target</u>	<u>August 31, 2015</u>
Fixed income and cash	35.0%	32.53%
Real Estate	5.0%	4.87%
Equity and Other	60.0%	62.60%

Components of investment performance for August and for the most recent 12-month period (with reference to available benchmarks) are as follows:

\$132.83 million Retirement Board assets only:

	<u>% of portfolio</u>	<u>Month of</u>		<u>Market INDEX</u>		
		<u>August</u>	<u>12 months</u>		<u>August</u>	<u>12 months</u>
FRT Equity I Fund	13.18%	(6.21)%	0.74 %	Russell 1000:	(6.02)%	0.40 %
FRT International	<u>5.38%</u>	<u>(6.98)%</u>	<u>(5.86)%</u>	S&P 500:	(6.03)%	0.48 %
Total account, FRT	18.56%	(6.43)%	(1.22)%	EAFE/MSCI:	(7.36)%	(7.47)%
PRIT Core General	34.49%	(3.48)%	(0.07)%			
PRIT Core Real Estate *	4.87%					
PRIT Vintage 2006*	0.76%					
PRIT Vintage 2008*	0.48%					
PRIT Vintage 2013*	0.15%					
Columbia equity	16.01%	(5.66)%	(2.13)%	Russell 1000 Value:	(5.96)%	(3.48)%
Columbia - fixed income	21.71%	(0.27)%	0.99 %	Barclays Gov't:	(0.23)%	1.09 %
Cash - MMDT	3.70%	0.27 %				

* PRIT real estate and vintage fund returns are net of fees

**CONCORD RETIREMENT SYSTEM
ASSET ALLOCATION REPORT**

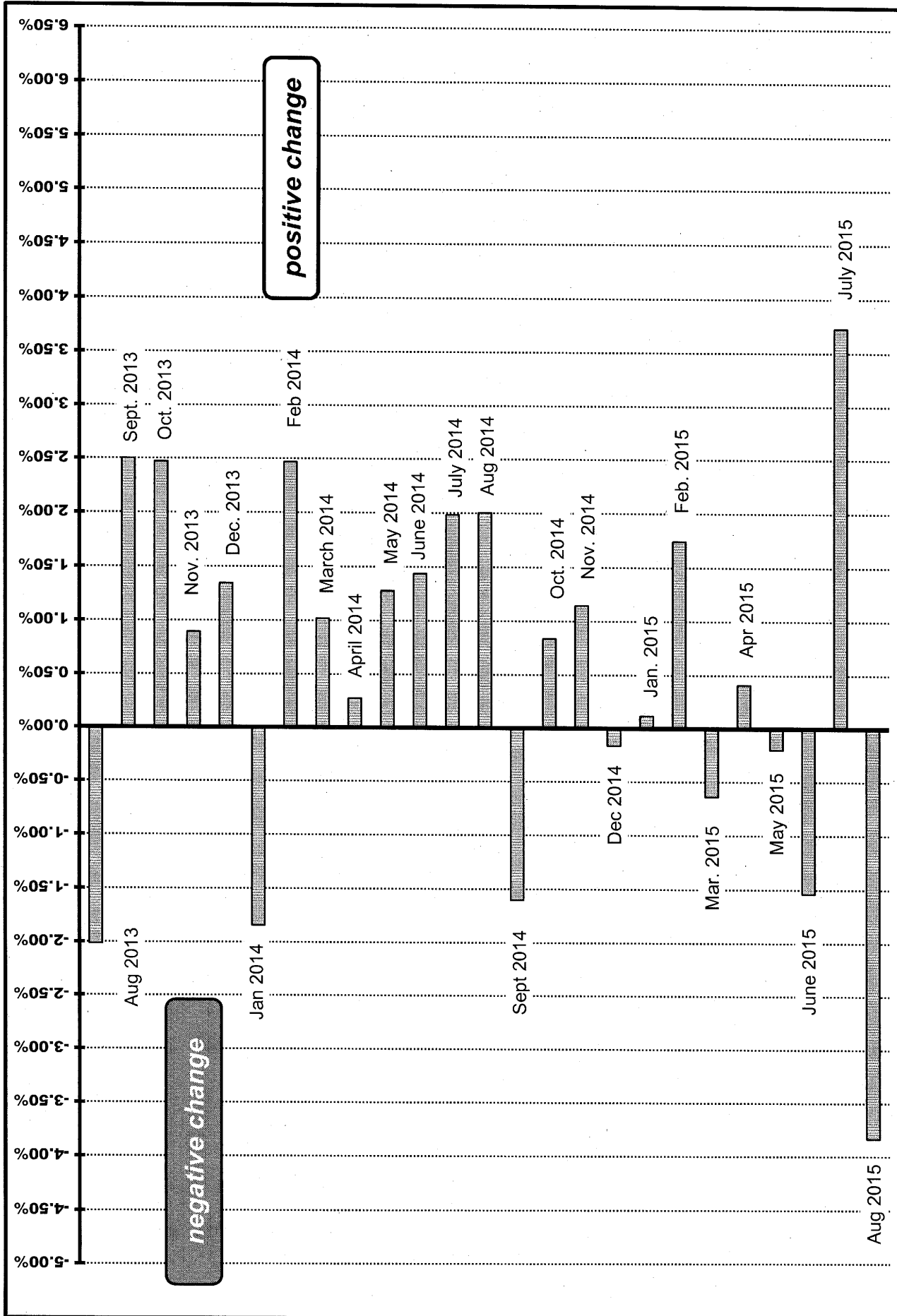
MARKET VALUE AT: **8/31/2015**

	BONDS	STOCKS	REAL ESTATE	OTHER*	CASH	TOTAL	
PENSION RESERVE							
Columbia 80-16-200-8549595		\$6,180,735.27			\$39,604.87	\$6,220,340.14	
MMDT #44-001501	\$0.00	\$6,180,735.27	\$0.00	\$0.00	\$2,809,619.19	\$2,809,619.19	
TOTAL							
RETIREMENT SYSTEM							
Fixed Income 80-16-200-8553057	\$28,001,871.15					\$28,842,101.69	21.71%
Columbia 80-16-200-8549574		\$21,133,067.25			\$840,230.54	\$21,267,634.84	16.01%
Equity I (FRT)		\$17,513,105.61			\$134,567.59	\$17,513,105.61	13.18%
International Fund		\$7,143,642.33				\$7,143,642.33	5.38%
PRIT Core General	\$10,298,055.81	\$19,212,653.94		\$16,299,147.05		\$45,809,856.80	34.49%
PRIT Real Estate (segmented)			\$6,470,428.08			\$6,470,428.08	4.87%
PRIT Vintage Fund 2006				\$1,015,313.84		\$1,015,313.84	0.76%
PRIT Vintage Fund 2008				\$631,720.54		\$631,720.54	0.48%
PRIT Vintage Fund 2013				\$199,677.14		\$199,677.14	0.15%
MMDT #44-002079				\$18,145,858.57	\$3,937,108.01	\$3,937,108.01	2.96%
TOTAL	\$38,299,926.96	\$65,002,469.13	\$6,470,428.08	\$18,145,858.57	\$4,911,906.14	\$132,830,588.88	100.00%
GRAND TOTAL	\$38,299,926.96	\$71,183,204.40	\$6,470,428.08	\$18,145,858.57	\$7,761,130.20	\$141,860,548.21	
PERCENT OF TOTAL	27.00%	50.18%	4.56%	12.79%	5.47%	100.00%	
Retirement system ONLY	28.83%	48.94%	4.87%	13.66%	3.70%	100.00%	

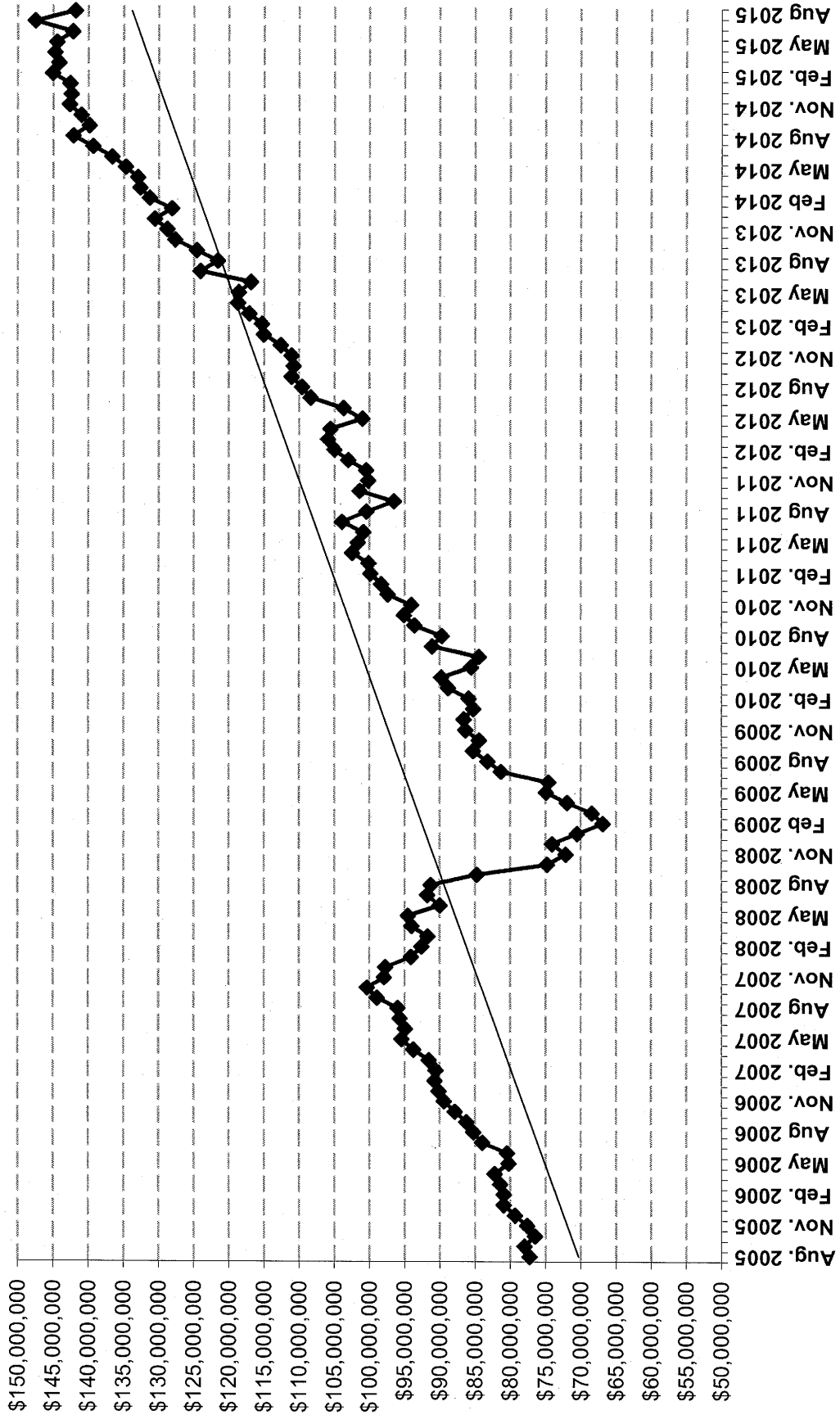
*"other": PRIT FUND - alternative investments, real estate, timber, absolute value (hedge); COLUMBIA - real estate

141

25-month Asset Change
Concord Retirement System



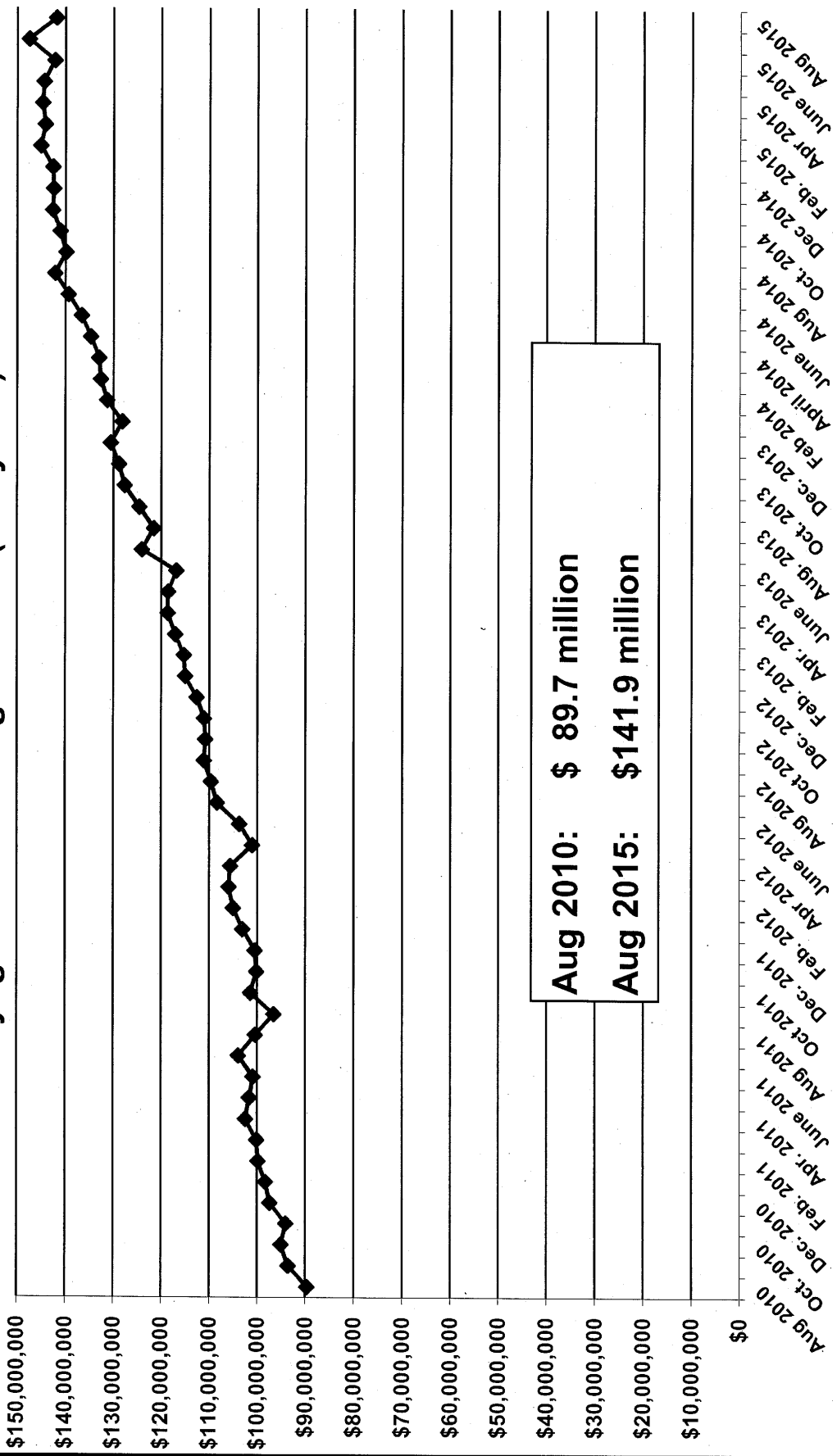
Concord Retirement Fund Assets, 10 years from August 2005 (including Town's Pension Reserve Account)



Retirement Fund Assets

(including Town Pension Reserve Fund)

August 2010 to August 2015 (five years)



Aug 2010: \$ 89.7 million
 Aug 2015: \$ 141.9 million

PENSION RESERVES INVESTMENT TRUST
SUMMARY OF PLAN PERFORMANCE
RATES OF RETURN (GROSS OF FEES)
Periods Ending August 31, 2015

	NAV \$ (M)	Target Allocation %	Actual Allocation %	Month	FY '16	Calendar YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
GLOBAL EQUITY	24,926,618	42.8%	41.9%	-6.72	-6.46	-3.09	-6.30	9.89	10.28	5.56	5.13
CORE FIXED INCOME	8,314,710	13.0%	14.0%	-0.29	2.53	-1.87	3.53	3.61	4.64	4.97	7.68
VALUE-ADDED FIXED INCOME	5,043,157	10.0%	8.5%	-1.76	-2.31	-1.57	-4.62	3.38	5.95	7.25	8.53
PRIVATE EQUITY	6,699,371	10.0%	11.3%	0.18	-0.30	8.95	16.34	18.75	18.28	16.79	14.48
REAL ESTATE	6,105,539	10.0%	10.3%	-0.88	0.08	5.28	10.69	12.25	13.13	8.34	6.38
TIMBER/NATURAL RESOURCES	2,251,895	4.0%	3.8%	-0.74	-2.57	-3.63	-3.42	4.78	4.82	6.09	7.80
HEDGE FUNDS (NET OF FEES)	5,104,041	10.0%	8.6%	-2.53	-2.08	0.45	1.47	7.35	5.72	4.39	4.76
PORTFOLIO COMPLETION STRATEGIES	293,636	0.2%	0.5%	-1.57	1.81	-3.37					-3.37
PORTABLE ALPHA WIND DOWN (NET OF FEES)	27,634	0.0%	0.0%	-0.99	-1.95	-7.22	-6.15	-3.24	-2.47		-5.75
OVERLAY	665,345	0.0%	1.1%	-2.85	-2.38	-1.71	-1.59				4.67
TOTAL CORE	59,431,947	100%	100%	-3.48	-3.01	-0.47	-0.07	9.30	9.68	6.38	9.40
INTERIM BENCHMARK (target allocation without private equity benchmark) ¹				-3.66	-3.37	-0.53	-0.90	8.31	8.94	6.23	9.92
TOTAL CORE BENCHMARK (target allocation with private equity benchmark) ²				-3.58	-3.15	-0.66	-1.39	7.40	7.99	5.91	9.81
PARTICIPANTS CASH	50,555			0.02	0.03	0.10	0.15	0.14	0.15	1.50	4.00
TEACHERS' AND EMPLOYEES' CASH	26,892			0.02	0.03	0.10	0.14	0.14	0.15	1.24	2.77
TOTAL FUND	59,509,393			-3.47	-3.00	-0.47	-0.07	9.27	9.64	6.36	9.46

181

Performance Report

Town of Concord Retirement System

As of August 31, 2015

	Market Value	One Month	Three Months	Year to Date	One Year	Annualized					Inception Date
						Three Years	Five Years	Ten Years	Since Inception		
Town of Concord Retirement System Investment Account - QU2Y											
Total Assets	\$ 24,656,748	-6.43 %	-6.57 %	-1.59 %	-1.22 %	12.96 %	13.37 %	6.23 %	9.33 %		07/01/1986
Custom Benchmark ¹	--	-6.42	-6.64	-1.84	-1.97	12.87	13.37	6.28	8.81		--
Custom Benchmark ²	--	-6.33	-6.69	-2.18	-2.37	12.67	13.23	6.34	8.96		--
Total Equity	24,656,748	-6.43	-6.57	-1.59	-1.22	12.96	13.37	6.31	9.77		07/01/1986
RTC Equity I Fund											
Russell 1000 Index	17,513,106	-6.21	-6.08	-2.64	0.74	14.27	15.76	7.02	10.20		07/01/1986
S&P 500 Index	--	-6.02	-6.00	-2.57	0.40	14.68	16.07	7.35	9.85		--
	--	-6.03	-5.92	-2.88	0.48	14.31	15.87	7.15	9.81		--
RTC International Fund											
Russell Dev ex-US LC Idx Net (Linked) ³	7,143,642	-6.98	-7.74	1.10	-5.86	9.78	7.83	4.50	6.20		03/01/1996
MSCI EAFE Index Net Dividend	--	-7.06	-8.30	-1.36	-8.72	7.93	6.65	3.77	4.43		--
	--	-7.36	-8.11	-0.21	-7.47	8.53	7.05	3.96	4.53		--

Please read the endnotes included with the report.

Endnotes:

- 1 Custom Benchmark currently consists of: 70.0% R1000, 30.0% MSCI EAFE Net.
- 2 Custom Benchmark currently consists of: 70.0% R1000, 30.0% Russell Dev Ex-US LC Net.
- 3 Historical performance prior to January 1, 2011 is linked to the MSCI EAFE Index Net.

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PERFORMANCE SUMMARY

Category	1 Month	3 Month	Year-to-Date	1 Year	3 Year	5 Year	Since Inception	Inception Date
<u>Total Fund</u>								
TOTAL	-5.66	-7.07	-5.70	-2.13	15.81	16.49	9.21	03/31/1993
<u>Index</u>								
Russell 1000 Value Index	-5.96	-7.43	-6.12	-3.48	13.93	14.68	9.28	03/31/1993
S&P 500 Index	-6.03	-5.92	-2.88	0.48	14.32	15.87	8.93	03/31/1993

Past performance does not guarantee future results. Results are for the client's own account and are not composite results. The portfolio may be comprised of separately managed accounts and/or mutual funds. Performance is based on time-weighted, daily calculation using values that are determined in good faith by Columbia Management Investment Advisers, LLC. The portion of the portfolio based on the separately managed securities is calculated on a gross performance basis and does not reflect the deduction of management fees. The portion of the portfolio based on mutual funds reflects the net asset value of the fund. If you have any questions regarding the above information, or if there are any changes in your investment objectives or guidelines, please contact your Relationship Manager.

Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

Returns less than one year are cumulative. Returns greater than one year are annualized.

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PERFORMANCE SUMMARY

Category	1 Month	3 Month	Year- to-Date	1 Year	3 Year	5 Year	Since Inception	Inception Date
Total Fund								
TOTAL	-0.27	-0.87	0.16	0.99	1.84	3.58	5.95	09/30/1987
Index								
Barclays Aggregate Bond Index	-0.14	-0.55	0.45	1.56	1.53	2.98	6.83	09/30/1987
Barclays Gov/Credit Bond Index	-0.23	-0.75	0.20	1.09	1.38	3.01	6.84	09/30/1987
Barclays Int Gov/Credit Bond Idx	-0.08	-0.33	1.09	1.47	1.30	2.38	6.24	09/30/1987

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