FELRA and UFCW Pension

Comparison of Expected Risk / Reward of Various Asset Allocations

Presented by:
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April 15, 2014

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Introduction:

The Investment Committee, at the April 3, 2014 meeting, requested that IPS provide an update on the expected risk and reward of the FELRA / UFCW Pension Fund current policy targets, actual allocation, look-through or effective allocation and recommended allocation. The information that was requested is provided on the following slides.

Based on the discussions during the Investment Committee we have also provided the expected risk reward of an additional asset allocation that has a 10% lower equity allocation than the IPS recommended allocation.

Several other questions were raised by the Investment Committee and those are addressed by the accompanying memo “Road Map for Asset Allocation Materials” dated April 15, 2014.

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Current vs. Recommended Asset Allocation as of December 31, 2013

	Policy Targets	Actual Plan Assets		Risk Parity +GTAA "Look Through"	Effective Plan Asset Allocation		Recommended Policy Allocation	10% Lower Equity
Total Equity	**32%**	**$204,340,366**	**34.4%**	**$74,158,635**	**$278,499,001**	**46.8%**	**40.0%**	**30.0%**
US Equity	23%	$148,210,260	24.9%	$31,323,495	$179,533,755	30.2%	30.0%	30.0%
Non-US Equity	9%	$56,130,106	9.4%	$32,046,782	$88,176,888	14.8%	5.0%	0.0%
EM Equity	0%	$0	0.0%	$10,788,359	$10,788,359	1.8%	5.0%	0.0%
Total Bonds	**14%**	**$49,998,713**	**8.4%**	**$86,365,685**	**$136,364,398**	**22.9%**	**19.5%**	29.5%
Global TIPS	0%	$0	0.0%	$15,927,409	$15,927,409	2.7%	0.0%	0.0%
US Inv Grade	10%	$30,019,588	5.0%	$23,386,108	$53,405,696	9.0%	5.0%	10.0%
Non-US Inv Grade*	0%	$0	0.0%	$19,511,062	$19,511,062	3.3%	10.0%	10.0%
HY Bonds	4%	$19,979,125	3.4%	$20,544,914	$40,524,039	6.8%	4.5%	9.5%
EM Bonds	0%	$0	0.0%	$6,996,191	$6,996,191	1.2%	0.0%	0.0%
Real Estate	**10%**	**$88,804,807**	**14.9%**	**$2,203,944**	**$91,008,751**	**15.3%**	**15.0%**	15.0%
Hedge FOFs	**9%**	**$68,457,280**	**11.5%**	**--------**	**$68,457,280**	**11.5%**	**10.0%**	10.0%
GTAA	**20%**	**$94,026,688**	**15.8%**	**--------**	**--------**		**15.0%**	15.0%
Risk Parity	**15%**	**$87,161,101**	**14.7%**	**--------**	**--------**		0.0%	0.0%
Commodities	**0%**	--------		**$10,324,545**	**$10,324,545**	**1.7%**	0.0%	0.0%
Currency	**0%**	--------		**$4,634,238**	**$4,634,238**	**0.8%**	0.0%	0.0%
Cash	**0%**	**$2,004,846**	**0.3%**	**$3,500,741**	**$5,505,587**	**0.9%**	0.5%	0.5%
Plan Total	**100.0%**	**$594,793,801**	**100.0%**	**$181,187,789**	**$594,793,801**	**100.0%**	**100.0%**	**100.0%**
Return	**7.82%**		**8.01%**			**7.64%**	**7.78%**	**7.33%**
Risk (Std Dev)	**10.88%**		**10.96%**			**10.04%**	**10.60%**	**8.86%**

* Recommended Policy Allocation is for a Global Opportunistic Bond allocation

Risk / Reward Graph of Alternative Asset Allocations