


**Town of Concord
Finance Department
Memorandum**

TO: Retirement Board
FROM: Anthony T. Logalbo, Finance Director 
SUBJ: Asset allocation and market value @ September 30, 2014
DATE: October 22, 2014

Combined Assets: Retirement System and Town Pension Reserve Fund

For the month of September, the combined market value of system assets and the Town's Pension Reserve Fund **decreased 1.60% from the prior month-end.**

At September 30th, combined assets totaled \$139.87 million (\$130.68 million in the Retirement System and \$9.19 million in the Town's Pension Reserve account). The market value of combined assets **decreased** in September by **\$2,278,000.**

Compared to one year earlier, the market value of combined assets is **up 12.24%**. For the three-year period ending September 30, 2014, market value has increased at an average annual rate of 14.95%. For the calendar year to date (nine months), the market value of combined assets is up 7.13%.

Concord Retirement System performance

Asset Value at September 30, 2014: \$ 130,684,334

For the most recent 12-month period:

For the one-year period ended September 30, asset value of the Concord Retirement Fund has **increased 11.91%**. This compares to the state's Pension Reserve Investment Trust (PRIT) Core Fund investment performance of **11.04%** 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* | (1.60)% | 11.91% |
| State PRIT Core Fund | (1.64)% | 11.04% |

* The asset value increase of 11.91% for the 12-month period ending September 30th 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 September 30, 2014 are:

| | | <u>One month</u> | <u>One year</u> |
|----------------|------------------------|------------------|-----------------|
| S&P 500 | <i>Domestic equity</i> | minus 1.40 % | plus 19.73% |
| Barclays Govt. | <i>Fixed income</i> | minus 0.90 % | plus 4.08% |

40.43% of the Concord portfolio is invested with PRIT (34.33% in the Core Fund, 4.47% in the Core Real Estate Fund and 1.63% 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 September 30, 2014, 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 prior month</u> | <u>Change from year earlier</u> |
| Fixed Income | 23.48% | + 0.07% | + 2.29% |
| Equity | 44.20% | + 1.07% | - 2.14% |
| Other | 32.32% | - 1.14% | - 0.15% |

Concord Retirement Board assets were allocated as of September 30 as follows:

| | |
|--------------|---|
| Fixed Income | 28.45% |
| Equity | 49.47% |
| Real Estate | 4.47% |
| Other | 13.43% (alternative investments and PRIT Vintage Funds) |
| Cash | 4.18% |

The total allocation to "Equity, Real Estate and Other" at September 30, 2014 is 67.37%, 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:

| | Prior | New | Actual |
|-----------------------|--------------|------------|---------------------------|
| | | | <u>September 30, 2014</u> |
| Fixed income and cash | 40.0% | 35.0% | 32.63% |
| Real Estate | 2.5% | 5.0% | 4.47% |
| Equity and Other | 57.5% | 60.0% | 62.90% |

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

\$130.68 million Retirement Board assets only:

| | <u>% of portfolio</u> | <u>Month of</u> | | <u>Market INDEX</u> | |
|-------------------------|-----------------------|------------------|------------------|---------------------|------------------|
| | | <u>September</u> | <u>12 months</u> | <u>September</u> | <u>12 months</u> |
| FRT Equity I Fund | 13.14% | (1.24)% | 17.79% | Russell 1000: | (1.75)% 19.01% |
| FRT International | 5.62% | (3.18)% | 6.48% | S&P 500: | (1.40)% 19.73% |
| Total account, FRT | 18.76% | (1.78)% | 21.79% | EAFE/MSCI: | (3.84)% 5.22% |
| PRIT Core General | 34.33% | (1.64)% | 11.04% | | |
| PRIT Core Real Estate | 4.47% | (0.63)% | 10.50% | | |
| PRIT Vintage 2006 | 1.05% | 5.33 % | 24.12% | | |
| PRIT Vintage 2008 | 0.52% | 6.53 % | 30.37% | | |
| PRIT Vintage 2013 | 0.06% | (0.61)% | 8.67% | | |
| Columbia equity | 16.33% | (1.79)% | 22.92% | Russell 1000 Value: | (2.06)% 18.89% |
| Columbia - fixed income | 21.74% | (0.89)% | 5.05% | Barclays Gov't: | (0.90)% 4.08% |
| Cash - MMDT | 2.75% | 0.17 % | | | |

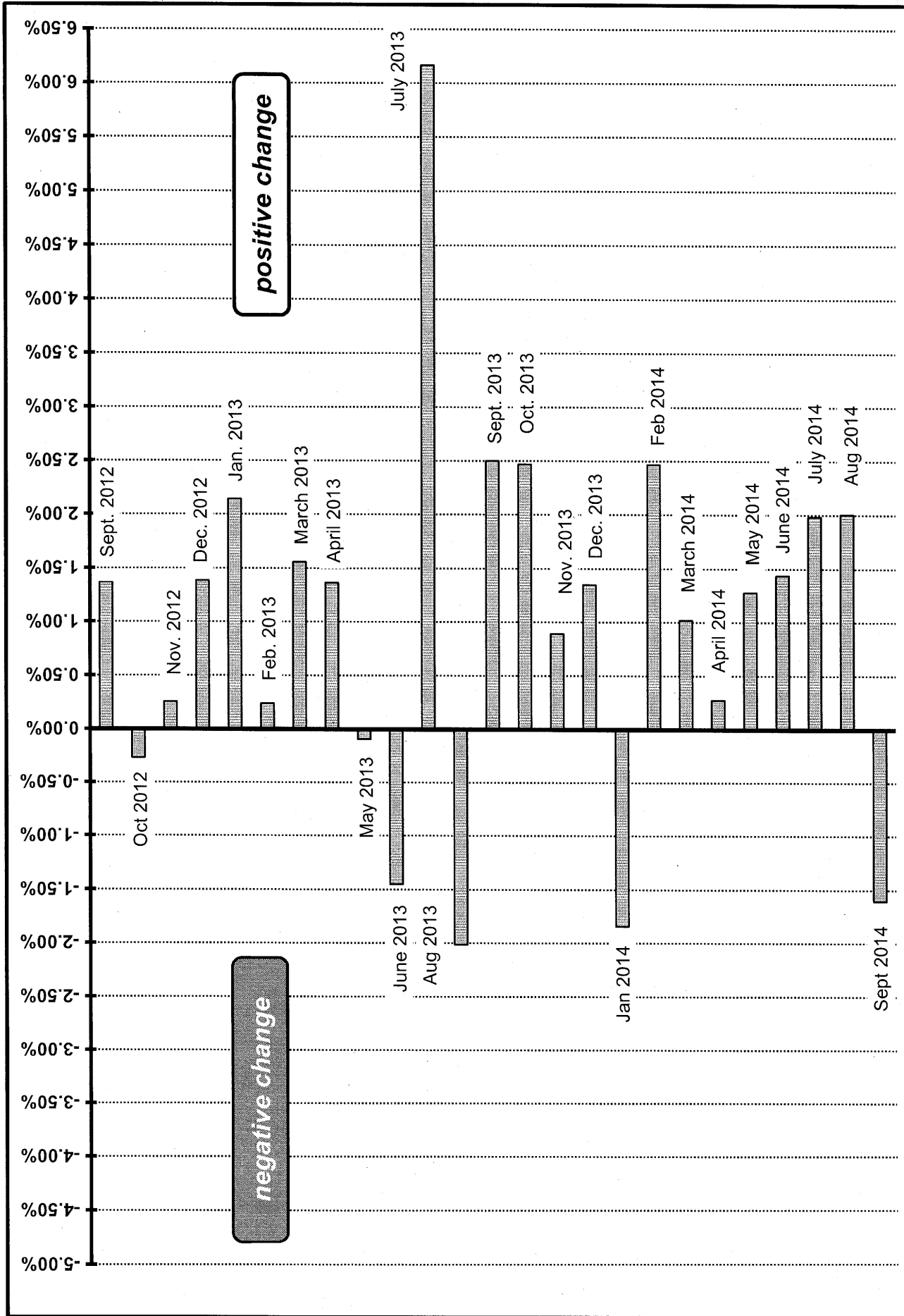
**CONCORD RETIREMENT SYSTEM
ASSET ALLOCATION REPORT**

MARKET VALUE AT: **9/30/2014**

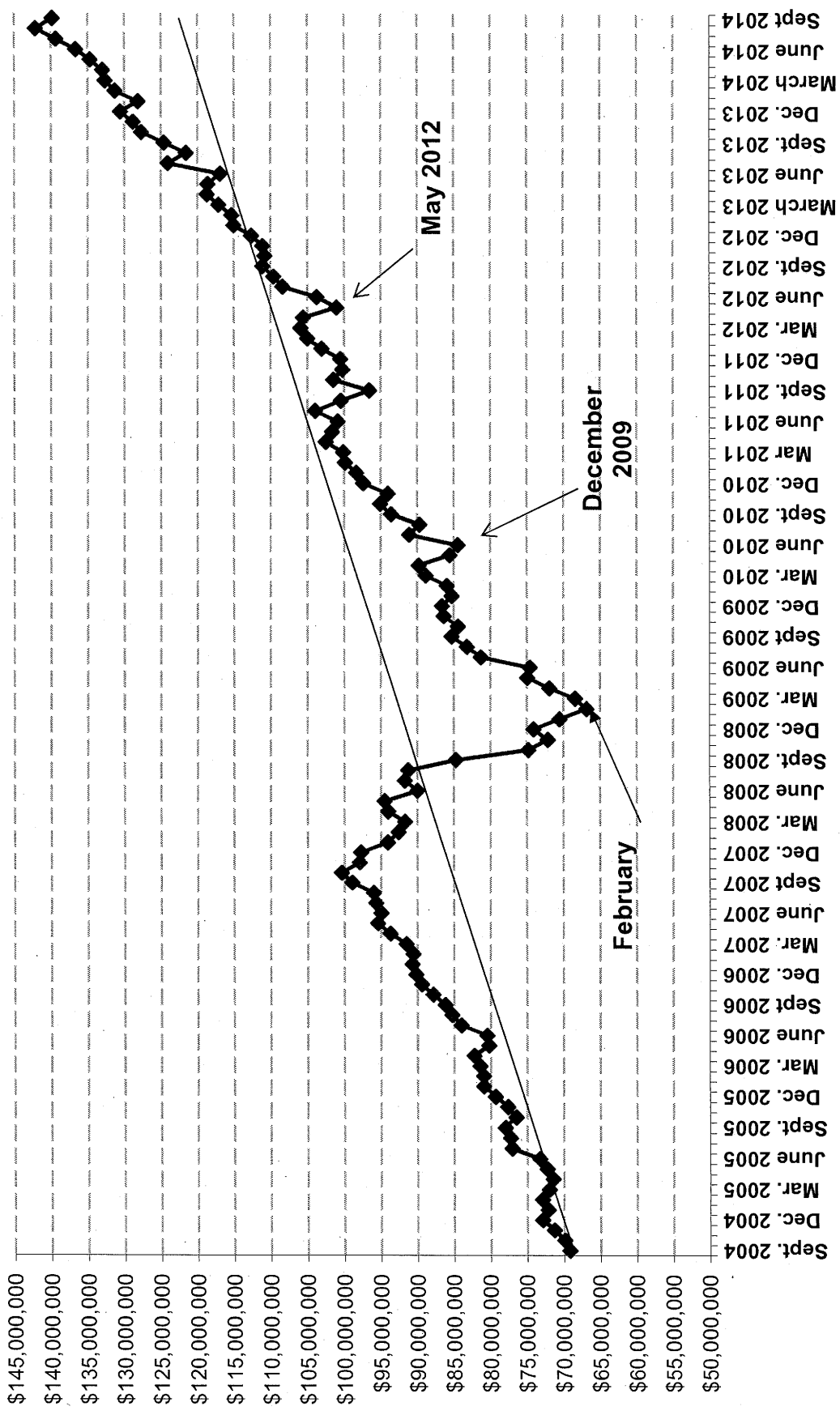
| | BONDS | STOCKS | REAL ESTATE | OTHER* | CASH | TOTAL |
|--------------------------------|-----------------|-----------------|----------------|-----------------|----------------|------------------|
| PENSION RESERVE | | | | | | |
| Columbia 80-16-200-8549595 | | \$5,942,494.96 | | \$271,691.44 | \$27,593.40 | \$6,241,779.80 |
| MMDT #44-001501 | | \$5,942,494.96 | \$0.00 | \$271,691.44 | \$2,946,161.90 | \$9,187,941.70 |
| TOTAL | \$0.00 | | | | \$2,973,755.30 | |
| RETIREMENT SYSTEM | | | | | | |
| Fixed Income 80-16-200-8553057 | \$26,640,594.88 | | | | \$1,768,301.40 | \$28,408,896.28 |
| Columbia 80-16-200-8549574 | | \$20,302,553.68 | | \$929,907.70 | \$108,966.32 | \$21,341,427.70 |
| Equity I (FRT) | | \$17,168,971.31 | | | | \$17,168,971.31 |
| International Fund | | \$7,346,688.29 | | | | \$7,346,688.29 |
| PRIT Core General | \$10,533,289.32 | \$19,828,423.68 | | \$14,498,974.06 | | \$44,860,687.06 |
| PRIT Core Real Estate | | | \$5,843,369.56 | | | \$5,843,369.56 |
| PRIT Vintage Fund 2006 | | | | \$1,367,889.89 | | \$1,367,889.89 |
| PRIT Vintage Fund 2008 | | | | \$677,077.47 | | \$677,077.47 |
| PRIT Vintage Fund 2013 | | | | \$81,918.18 | | \$81,918.18 |
| MMDT #44-002079 | \$37,173,884.20 | \$64,646,636.96 | \$5,843,369.56 | \$17,555,767.30 | \$3,587,408.60 | \$130,684,334.34 |
| TOTAL | \$37,173,884.20 | \$70,589,131.92 | \$5,843,369.56 | \$17,827,458.74 | \$8,438,431.62 | \$139,872,276.04 |
| PERCENT OF TOTAL | 26.58% | 50.47% | 4.18% | 12.75% | 6.03% | 100.00% |
| Retirement system ONLY | 28.45% | 49.47% | 4.47% | 13.43% | 4.18% | 100.00% |

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

25-month Asset Change
Concord Retirement System



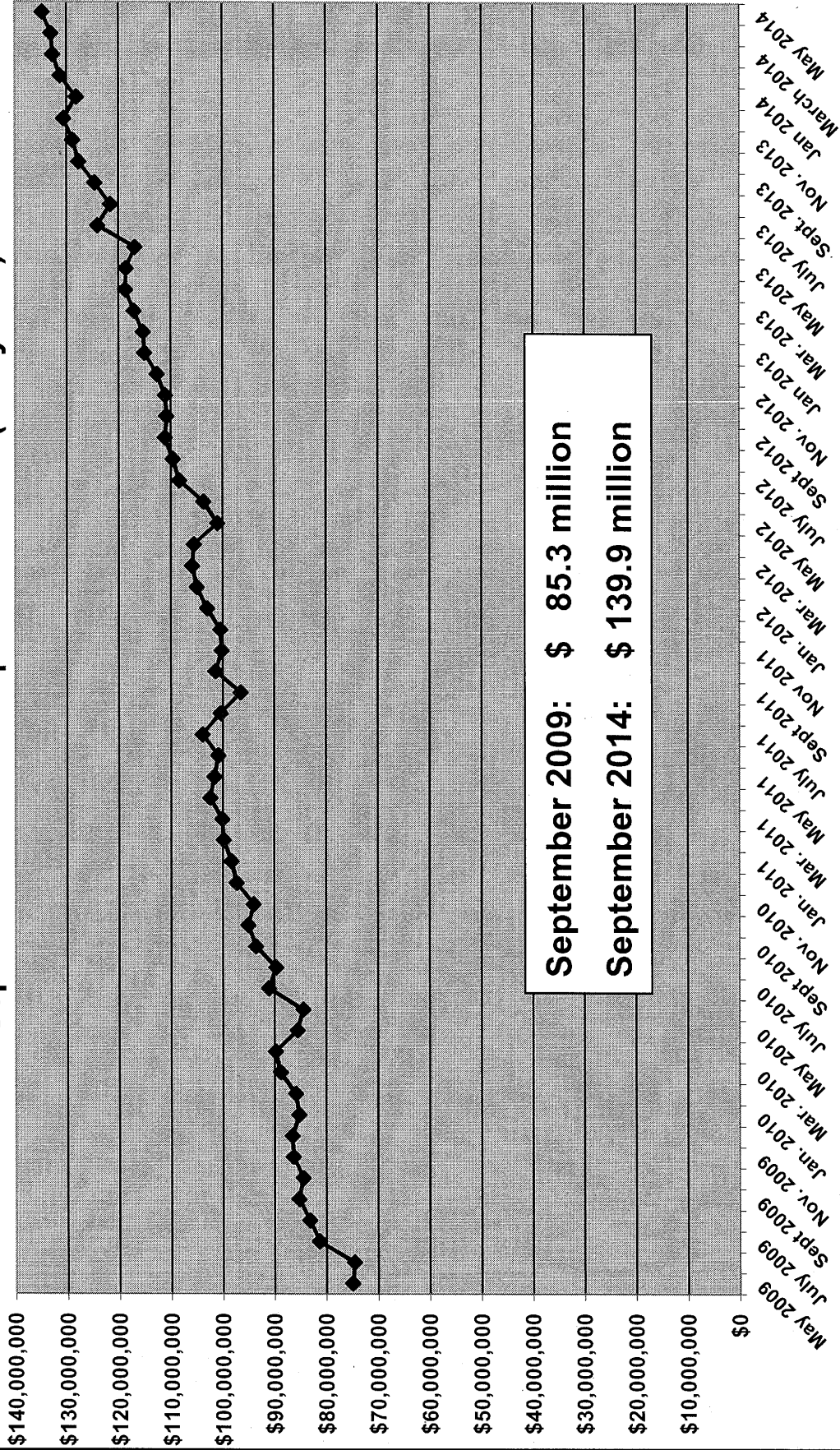
Concord Retirement Fund Assets, from September 2004 (including Town's Pension Reserve Account)



Retirement Fund Assets

(including Town Pension Reserve Fund)

September 2009 to September 2014 (five years)



**PENSION RESERVES INVESTMENT TRUST
SUMMARY OF PLAN PERFORMANCE
RATES OF RETURN (GROSS OF FEES)
Periods Ending September 30, 2014**

| | Long Term | | | | | | | | | | Since Inception |
|---|-------------------|---------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-----------------|
| | NAV \$(M) | Target Allocation % | Actual Allocation % | Month | QTR/FY '15 | Calendar YTD | 1 Year | 3 Year | 5 Year | 10 Year | |
| GLOBAL EQUITY | 25,281,477 | 43.0% | 42.2% | -3.90 | -3.22 | 2.78 | 10.19 | 17.04 | 10.97 | 7.58 | 5.67 |
| CORE FIXED INCOME | 8,919,530 | 13.0% | 14.9% | -1.89 | 1.71 | 7.16 | 6.76 | 4.06 | 5.36 | 4.86 | 7.73 |
| VALUE-ADDED FIXED INCOME | 5,149,502 | 10.0% | 8.6% | -1.13 | -1.37 | 5.10 | 6.69 | 7.71 | 10.61 | 8.74 | 9.44 |
| PRIVATE EQUITY | 6,722,609 | 10.0% | 11.2% | 4.75 | 3.73 | 17.77 | 24.93 | 17.27 | 18.91 | 17.82 | 14.56 |
| REAL ESTATE | 5,208,835 | 10.0% | 8.7% | -0.50 | 0.75 | 8.42 | 11.10 | 13.09 | 11.31 | 9.82 | 6.20 |
| TIMBER/NATURAL RESOURCES | 2,428,823 | 4.0% | 4.1% | 0.20 | -0.29 | 5.51 | 10.15 | 6.93 | 3.51 | 7.84 | 8.70 |
| HEDGE FUNDS (NET OF FEES) | 5,678,016 | 10.0% | 9.5% | -0.16 | -0.11 | 4.40 | 8.66 | 8.68 | 6.15 | 5.10 | 5.04 |
| PORTABLE ALPHA WIND DOWN (NET OF FEES) | 47,164 | 0.0% | 0.1% | 1.04 | 1.04 | -0.84 | -4.24 | -2.83 | 0.14 | | -5.52 |
| OVERLAY | 482,889 | 0.0% | 0.8% | -2.37 | -1.13 | 3.94 | 8.28 | | | | 8.28 |
| TOTAL CORE | 59,918,846 | 100% | 100% | -1.64 | -0.83 | 5.95 | 11.04 | 12.98 | 10.24 | 7.72 | 9.65 |
| <i>INTERIM BENCHMARK (target allocation without private equity benchmark)¹</i> | | | | <i>-1.57</i> | <i>-0.94</i> | <i>5.71</i> | <i>10.28</i> | <i>12.42</i> | <i>9.35</i> | <i>7.56</i> | <i>10.22</i> |
| <i>TOTAL CORE BENCHMARK (actual allocation with private equity benchmark)²</i> | | | | <i>-1.98</i> | <i>-1.09</i> | <i>4.64</i> | <i>8.75</i> | <i>11.49</i> | <i>8.29</i> | <i>7.24</i> | <i>10.11</i> |
| PARTICIPANTS CASH | 29,297 | | | 0.01 | 0.03 | 0.08 | 0.11 | 0.14 | 0.17 | 1.72 | 4.12 |
| TEACHERS' AND EMPLOYEES' CASH | 22,028 | | | 0.01 | 0.03 | 0.08 | 0.11 | 0.14 | 0.17 | 1.45 | 2.90 |
| TOTAL FUND | 59,970,171 | | | -1.64 | -0.83 | 5.93 | 11.01 | 12.93 | 10.20 | 7.70 | 9.71 |

PRIT

Performance Report
Town of Concord Retirement System
 As of September 30, 2014

| | Market Value | One Month | Three Months | Year to Date | One Year | Annualized | | | | | Inception Date |
|--|---------------|-----------|--------------|--------------|----------|-------------|------------|-----------|-----------------|------------|----------------|
| | | | | | | Three Years | Five Years | Ten Years | Since Inception | | |
| Total Assets | \$ 24,515,660 | -1.78 % | -0.80 % | 4.71 % | 14.44 % | 20.76 % | 12.72 % | 7.88 % | 9.63 % | 07/01/1986 | |
| Custom Benchmark ¹ | -- | -2.38 | -1.33 | 5.11 | 14.42 | 20.36 | 13.10 | 7.71 | 9.09 | -- | |
| Custom Benchmark ² | -- | -2.47 | -1.33 | 5.36 | 14.73 | 20.31 | 13.04 | 7.86 | 9.26 | -- | |
| Total Equity | 24,515,660 | -1.78 | -0.80 | 4.71 | 14.44 | 20.76 | 12.72 | 8.02 | 10.08 | 07/01/1986 | |
| RTC Equity I Fund | 17,168,971 | -1.24 | 1.07 | 7.03 | 17.79 | 23.13 | 15.03 | 8.45 | 10.47 | 07/01/1986 | |
| Russell 1000 Index | -- | -1.75 | 0.65 | 7.97 | 19.01 | 23.23 | 15.90 | 8.46 | 10.10 | -- | |
| S&P 500 Index | -- | -1.40 | 1.13 | 8.34 | 19.73 | 22.99 | 15.70 | 8.11 | 10.07 | -- | |
| RTC International Fund | 7,346,688 | -3.18 | -5.39 | -0.93 | 6.48 | 15.06 | 7.24 | 6.90 | 6.68 | 03/01/1996 | |
| Russell Dev ex-US LC Idx Net (Linked) ³ | -- | -4.14 | -5.88 | -0.57 | 5.22 | 13.51 | 6.39 | 6.23 | 4.93 | -- | |
| MSCI EAFE Index Net Dividend | -- | -3.84 | -5.88 | -1.38 | 4.25 | 13.65 | 6.56 | 6.32 | 4.98 | -- | |

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.

FRANK RUSSELL TRUST

For more information contact the RFI team by e-mail at RFI@columbiamanagement.com or call either Ting Jen at 617-747-0427 or Yuri Zbitnoff at 617-747-0453.



ColumbiaManagement

Account Name Concord Retirement Trust Equity Inception Date March 31, 1993
 As of September 30, 2014

| Market Value | September return | 3-Month return | YTD return | 1-Year return | 3-Year return | 3-Year return | ITD return |
|--------------------|------------------|----------------|------------|---------------|---------------|---------------|------------|
| Cash & Equivalents | 0.00 | 0.01 | 0.05 | 0.07 | 0.10 | 0.11 | 3.03 |
| Equity | -1.81 | 1.31 | 10.17 | 22.65 | 25.14 | 16.50 | 9.59 |
| Total Account | -1.79 | 1.34 | 10.54 | 22.92 | 25.12 | 16.53 | 9.64 |
| Russell 1000 Value | -2.06 | -0.19 | 8.07 | 18.89 | 23.93 | 15.26 | 9.77 |
| S&P 500 | -1.40 | 1.13 | 8.34 | 19.73 | 22.99 | 15.70 | 9.22 |

NOTE: All values are gross of fees, unless otherwise stated.
 Past performance is no guarantee of future results.

For more information contact the RFI team by e-mail at RFI@columbiamanagement.com or call either Ting Jen at 617-747-0427 or Yuri Zblinoff at 617-747-0453.



Columbia Management

Account Name

Concord Retirement Trust Fixed

As of

September 30, 2014

Inception Date

September 30, 1987

| | Market Value | September return | 3-Month return | YTD return | 1-Year return | 3-Year return | 5-Year return | ITD return |
|--------------------------------|--------------|------------------|----------------|------------|---------------|---------------|---------------|------------|
| Cash & Equivalents | 1,128,012 | 0.00 | 0.01 | 0.05 | 0.07 | 0.10 | 0.11 | --- |
| Fixed Income | 27,177,888 | -0.95 | 0.24 | 4.95 | 5.16 | 3.65 | 5.44 | 5.86 |
| Total Account | 28,305,900 | -0.89 | 0.24 | 4.85 | 5.05 | 3.54 | 5.23 | 6.08 |
| Barclays Gov/Credit Bond Index | | -0.90 | 0.17 | 4.12 | 4.08 | 2.54 | 4.27 | 6.99 |

NOTE: All values are gross of fees, unless otherwise stated. Past performance is no guarantee of future results.

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