

MEMORANDUM

DATE: July 11, 2011

TO: City Council

FROM: Mike Cherry, Executive Director

SUBJECT: Investment Performance of the Pension System

On behalf of the Pension Board we are pleased to announce the preliminary investment performance for the pension system for the fiscal year ending June 30, 2011 is expected to be above twenty percent (20%), which is well above the fund's annual actuarial investment return assumption of eight percent (8%). Final returns will be available at a later date once the valuations of our less liquid investments are finalized. The fund was able to participate in the continuing improvement of the financial markets during this period by maintaining the Board's investment discipline with long term investment goals. The Board took action to replace underperforming managers and did make some reallocations during the period to further diversify the portfolio with investments in: private equity, Treasury Inflation Protected Securities (TIPS), Master Limited Partnerships and the energy/commodities sectors. All of these investments were aimed at reducing risk, and increasing the fund's performance. Summit Strategies Group, the fund's investment consultant, has advised the Board this performance relative to other similar sized public pension systems ranks in the top quartile of performance. The Pension Board has also been recently advised by Summit Strategies that the fund's one year and ten year performance returns for the period ending March 2011 placed the pension system in the third and first percentiles, respectively, of public pension systems in our peer group (first percentile being best and 100th percentile being worst).

Pension System assets at June 30, 2011 are estimated to be \$470M. At June 2010 assets were \$399M.