

# Discussion Materials

## City of Allentown

Presented by

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Managing Partner

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# Laddered Bonds

# Proposal

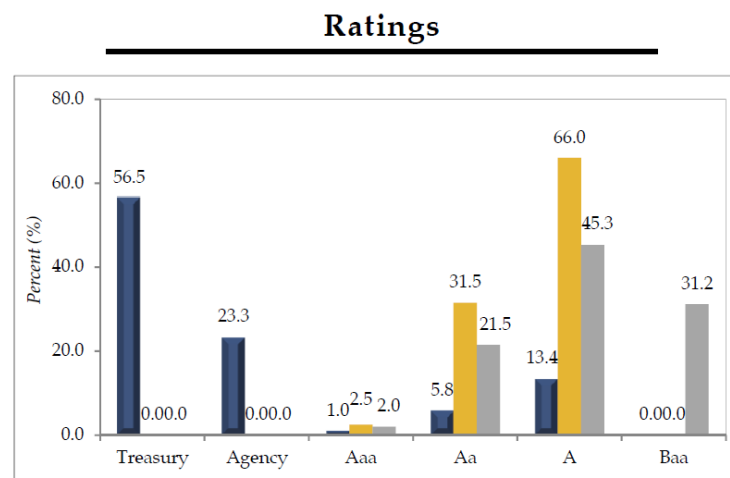
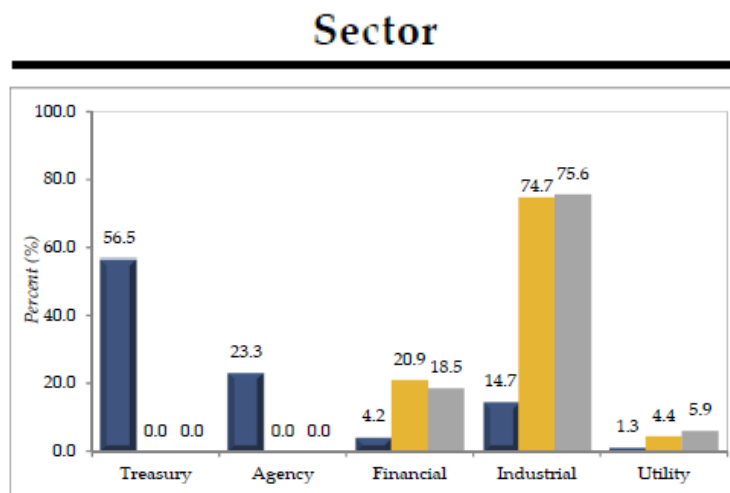
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- Given the low level of interest rates, future fixed income returns are likely to be well below historical averages
- Consider changing Sterling Capital mandate to increase income and returns, while still matching cash flows
  - Current: 67% 1-3 Gov't and 33% 90-Day T-Bill
  - Proposed: 67% **1-3 Credit A+** and 33% 90-Day T-Bill

OR

67% **1-3 Credit BBB+** and 33% 90-Day T-Bill

# Sterling Capital Analysis



<div style="background-color: #003366; width: 20px; height: 10px; display: inline-block; margin-right: 5px;"></div> <b>Current Portfolio</b>	<div style="background-color: #FFCC00; width: 20px; height: 10px; display: inline-block; margin-right: 5px;"></div> <b>Corporate Only Portfolio 1</b>	<div style="background-color: #999999; width: 20px; height: 10px; display: inline-block; margin-right: 5px;"></div> <b>Corporate Only Portfolio 2</b>
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# Sterling Capital Analysis (cont'd)

	Current Portfolio	Corporate Only Portfolio 1	Corporate Only Portfolio 2
Duration	1.39	1.35	1.35
Maturity	1.41	1.38	1.38
Yield	0.21%	0.40%	0.47%

## Current Fee Schedule

0.08% (8 bps) on all assets under management

## Proposed Fee Schedule

0.15% (15 bps) on the first \$25,000,000 in assets under management

0.125% (12.5 bps) on the next \$25,000,000 in assets under management

0.10% (10 bps) on all assets above \$50,000,000

# Pros and Cons of Short-term Fixed Income

	Pros	Cons
<b>1-3 Govt/Credit</b>	<ul style="list-style-type: none"><li>▪ Default risk is insignificant</li><li>▪ Larger universe of available investments</li></ul>	<ul style="list-style-type: none"><li>▪ Lower yields and return expectations</li></ul>
<b>1-3 Credit A+ or 1-3 Credit BBB+</b>	<ul style="list-style-type: none"><li>▪ Default risk is insignificant</li><li>▪ Higher yields and higher return expectations</li></ul>	<ul style="list-style-type: none"><li>▪ Slightly higher volatility</li><li>▪ More expensive</li></ul>



# Next Steps

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- If the Board chooses to change the mandate, we will work with Sterling to draft the appropriate amendment to the contract
  - Recommend instructing Sterling to reposition bond maturities post-2021
- The change will also require an amendment to the Investment Policy Statement
  - We will draft the amendment and send back to the Board for signature(s)

# Cash-Flow Update

# Cash Flow Projection Assumptions\*

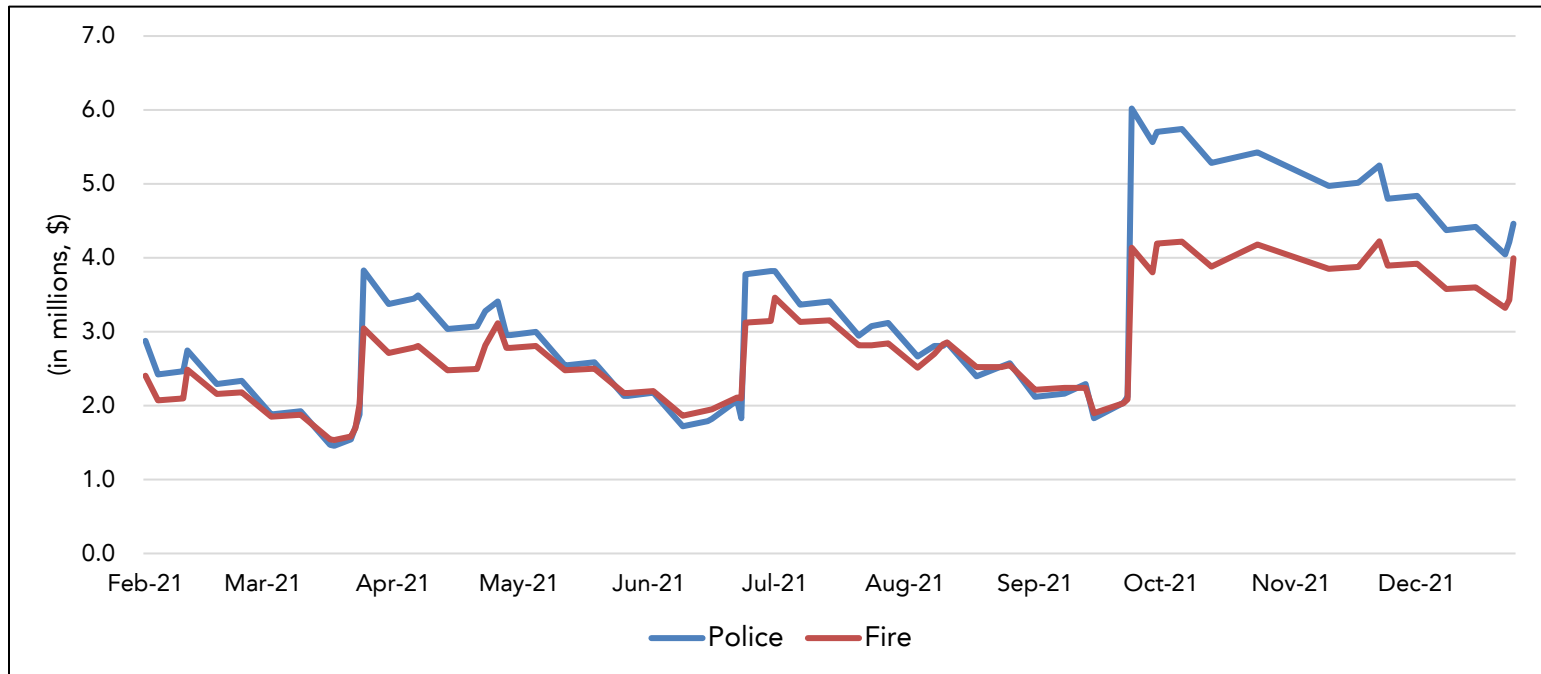
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- Bi-weekly withdrawals
  - Police: \$453,846
  - Fire: \$330,769
  - Officers & Employees: \$65,385
- Bi-weekly contributions
  - Police: \$42,308
  - Fire: \$24,615
  - Officers & Employees: \$0
- Projected 2021 MMO payments\*\*:
  - Police: \$7.8M
  - Fire: \$4.1M
  - Officers & Employees: \$200,000
- Bond maturities
- Fees are deducted

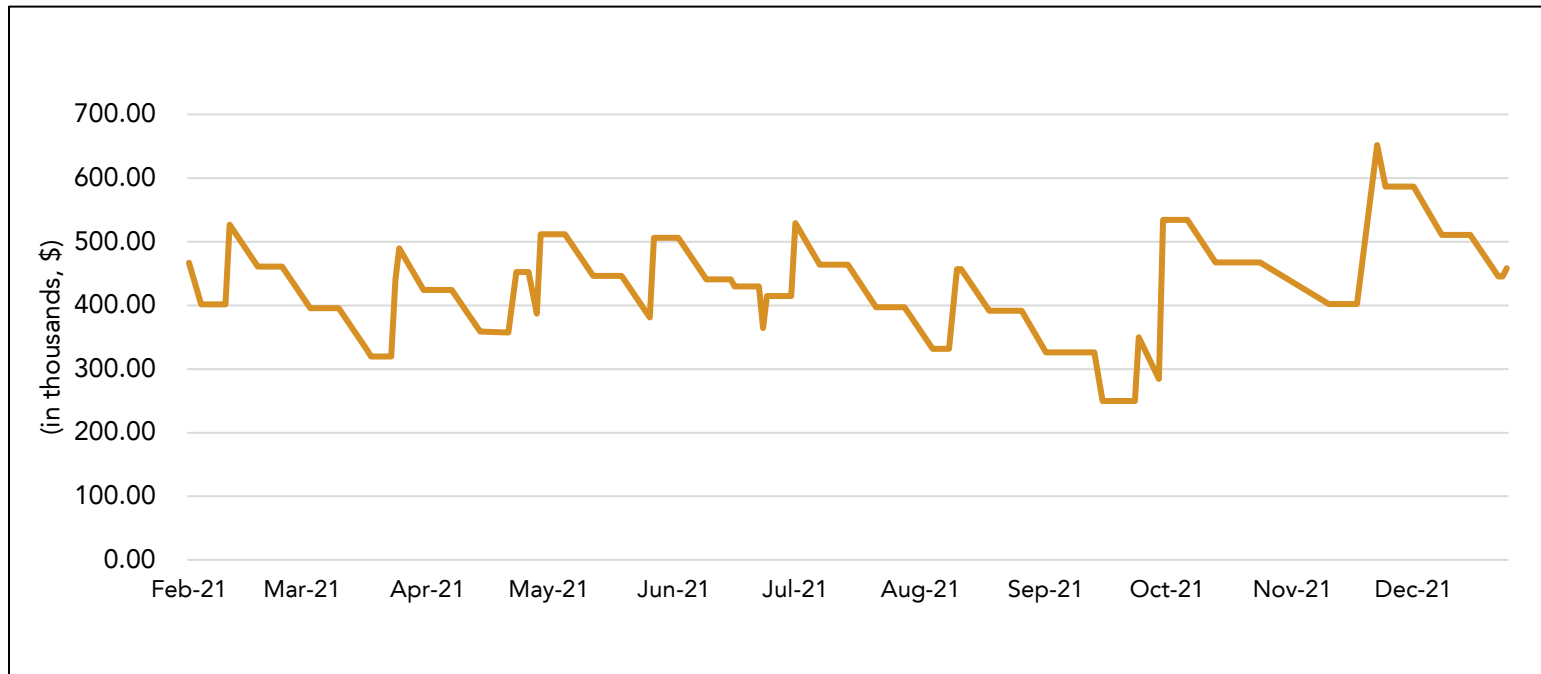
\*Employee contribution, benefit payment and MMO estimates provided by Cheiron.

\*\*Like past years, assumes deposits are made in April and July, while Q3 and Q4 MMOs are deposited together in October.

# Police & Fire: Cash Projections



# Officers & Employees: Cash Projections



# Options

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1. Rebalance into cash (Current MM yield: 0.01%)
2. Rebalance into core fixed income (Current yield: 1.20%)
3. Cover 2022 and 2023 cash outflows

## Treasury Yield Curve

	6 Mo.	1 Yr.	2 Yr.	3 Yr.	5 Yr.
08/12/20	0.12	0.13	0.16	0.19	0.30
11/10/20	0.11	0.12	0.19	0.26	0.46
02/09/21	0.06	0.07	0.11	0.19	0.48

# Police Projections<sup>1</sup>

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities
2021	11,800,000	140,000	1,100,000	7,800,000	(3,040,000)	2,532,000
2022	12,000,000	150,000	1,150,000	7,600,000	(3,400,000)	2,418,000
2023	12,100,000	150,000	1,200,000	7,700,000	(3,350,000)	1,921,000
2024	12,400,000	160,000	1,260,000	6,900,000	(4,400,000)	-
2025	13,100,000	170,000	1,310,000	7,100,000	(4,860,000)	-

<sup>1</sup>Provided by Cheiron.

# Police Rebalancing

	<u>TICKER</u>	<u>TOTAL ASSETS</u>	<u>ALLOCATIONS</u>	<u>REBALANCING</u>	<u>TOTAL ASSETS</u>	<u>ALLOCATIONS</u>	<u>TARGET</u>
<b>Police Pension Plan</b>		<b>203,093,768</b>	<b>100.0%</b>	<b>0</b>	<b>203,093,768</b>	<b>100.0%</b>	<b>100.0%</b>
<b>U.S. Equity</b>							
Vanguard Equity Income Fund Admiral	VEIRX	11,548,637	5.7%	0	11,548,637	5.7%	6.0%
Vanguard Mid Cap Value Index	VMVAX	11,478,916	5.7%	0	11,478,916	5.7%	6.0%
Vanguard Total Stock Market Index	VITSX	57,088,879	28.1%	(2,500,000)	54,588,879	26.9%	38.0%
Vanguard Total Stock Market Index ETF	VTI	24,643,425	12.1%	0	24,643,425	12.1%	
<b>Total U.S. Equity</b>		<b>104,759,857</b>	<b>51.6%</b>	<b>(2,500,000)</b>	<b>102,259,857</b>	<b>50.4%</b>	<b>50.0%</b>
<b>Global Equity</b>							
Dodge & Cox Global	DODWX	8,041,877	4.0%	0	8,041,877	4.0%	4.0%
<b>Total Global Equity</b>		<b>8,041,877</b>	<b>4.0%</b>	<b>0</b>	<b>8,041,877</b>	<b>4.0%</b>	<b>4.0%</b>
<b>Non-U.S. Equity</b>							
American Funds Int'l Growth & Income	RIGGX	12,841,314	6.3%	0	12,841,314	6.3%	6.0%
MFS Int'l Intrinsic Value Equity	MINJX	11,964,969	5.9%	0	11,964,969	5.9%	6.0%
<b>Total Non-U.S. Equity</b>		<b>24,806,283</b>	<b>12.2%</b>	<b>0</b>	<b>24,806,283</b>	<b>12.2%</b>	<b>12.0%</b>
<b>Real Estate</b>							
Morgan Stanley PRIME Property Fund (as of 12/31/20) -		17,239,973	8.5%	0	17,239,973	8.5%	10.0%
<b>Total Real Estate</b>		<b>17,239,973</b>	<b>8.5%</b>	<b>0</b>	<b>17,239,973</b>	<b>8.5%</b>	<b>10.0%</b>
<b>U.S. Fixed Income</b>							
Vanguard Total Bond Market Index Inst	VBPIX	37,354,153	18.4%	0	37,354,153	18.4%	17.0%
BB&T Inst'l Investment Advisers - Short-Term Bonds -		8,014,754	3.9%	2,500,000	10,514,754	5.2%	6.0%
<b>Total U.S. Fixed Income</b>		<b>45,368,907</b>	<b>22.3%</b>	<b>2,500,000</b>	<b>47,868,907</b>	<b>23.6%</b>	<b>23.0%</b>
<b>Cash &amp; Equivalents</b>							
Federated Govt. Obligations MM Fund	GOIXX	2,876,872	1.4%	0	2,876,872	1.4%	1.0%
<b>Total Cash &amp; Equivalents</b>		<b>2,876,872</b>	<b>1.4%</b>	<b>0</b>	<b>2,876,872</b>	<b>1.4%</b>	<b>1.0%</b>

Market Values as of February 5, 2021.

		Pre-Rebalancing Allocations					Post-Rebalancing Allocations		
		Portfolio	Target	Difference			Portfolio	Target	Difference
U.S. Equity		53.76%	52.0%	1.76%	U.S. Equity		52.53%	52.0%	0.53%
Non-U.S. Equity		14.00%	14.0%	0.00%	Non-U.S. Equity		14.00%	14.0%	0.00%
Real Estate		8.49%	10.0%	-1.51%	Real Estate		8.49%	10.0%	-1.51%
Fixed Income		22.34%	23.0%	-0.66%	Fixed Income		23.57%	23.0%	0.57%
Cash		1.42%	1.0%	0.42%	Cash		1.42%	1.0%	0.42%
<b>Total</b>		<b>100.00%</b>	<b>100.0%</b>	<b>-</b>	<b>Total</b>		<b>100.00%</b>	<b>100.0%</b>	<b>-</b>



# Fire Projections<sup>1</sup>

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities
2021	8,600,000	80,000	640,000	4,100,000	(3,940,000)	4,302,000
2022	8,700,000	90,000	670,000	3,500,000	(4,620,000)	3,647,000
2023	8,900,000	90,000	700,000	3,500,000	(4,790,000)	3,536,000
2024	9,100,000	90,000	730,000	2,600,000	(5,860,000)	-
2025	9,400,000	100,000	760,000	2,700,000	(6,040,000)	

<sup>1</sup>Provided by Cheiron.

# Fire Rebalancing

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
<b>Firemen Pension Plan</b>		<b>128,122,094</b>	<b>100.0%</b>	<b>0</b>	<b>128,122,094</b>	<b>100.0%</b>	<b>100.0%</b>
<b>U.S. Equity</b>							
Vanguard Equity Income Fund Admiral	VEIRX	7,363,407	5.7%	0	7,363,407	5.7%	6.0%
Vanguard Mid Cap Value Index	VMVAX	7,272,510	5.7%	0	7,272,510	5.7%	6.0%
Vanguard Total Stock Market Index	VITSX	37,091,535	29.0%	(2,300,000)	34,791,535	27.2%	38.0%
Vanguard Total Stock Market Index ETF	VTI	14,721,026	11.5%	0	14,721,026	11.5%	
<b>Total U.S. Equity</b>		<b>66,448,478</b>	<b>51.9%</b>	<b>(2,300,000)</b>	<b>64,148,478</b>	<b>50.1%</b>	<b>50.0%</b>
<b>Global Equity</b>							
Dodge & Cox Global	DODWX	5,121,495	4.0%	0	5,121,495	4.0%	4.0%
<b>Total Global Equity</b>		<b>5,121,495</b>	<b>4.0%</b>	<b>0</b>	<b>5,121,495</b>	<b>4.0%</b>	<b>4.0%</b>
<b>Non-U.S. Equity</b>							
American Funds Int'l Growth & Income	RIGGX	8,138,788	6.4%	0	8,138,788	6.4%	6.0%
MFS Int'l Intrinsic Value Equity	MINJX	7,602,023	5.9%	0	7,602,023	5.9%	6.0%
<b>Total Non-U.S. Equity</b>		<b>15,740,811</b>	<b>12.3%</b>	<b>0</b>	<b>15,740,811</b>	<b>12.3%</b>	<b>12.0%</b>
<b>Real Estate</b>							
Morgan Stanley PRIME Property Fund (as of 9/30/20)	-	11,577,476	9.0%	0	11,577,476	9.0%	10.0%
<b>Total Real Estate</b>		<b>11,577,476</b>	<b>9.0%</b>	<b>0</b>	<b>11,577,476</b>	<b>9.0%</b>	<b>10.0%</b>
<b>U.S. Fixed Income</b>							
Vanguard Total Bond Market Index Inst	VBPIX	15,044,964	11.7%	0	15,044,964	11.7%	12.0%
BB&T Inst'l Investment Advisers - Short-Term Bonds	-	11,785,937	9.2%	2,300,000	14,085,937	11.0%	11.0%
<b>Total U.S. Fixed Income</b>		<b>26,830,901</b>	<b>20.9%</b>	<b>2,300,000</b>	<b>29,130,901</b>	<b>22.7%</b>	<b>23.0%</b>
<b>Cash &amp; Equivalents</b>							
Federated Govt. Obligations MM Fund	GOIXX	2,402,932	1.9%	0	2,402,932	1.9%	1.0%
<b>Total Cash &amp; Equivalents</b>		<b>2,402,932</b>	<b>1.9%</b>	<b>0</b>	<b>2,402,932</b>	<b>1.9%</b>	<b>1.0%</b>

Market Values as of February 5, 2021.

Pre-Rebalancing Allocations			
	Portfolio	Target	Difference
U.S. Equity	54.06%	52.0%	2.06%
Non-U.S. Equity	14.08%	14.0%	0.08%
Real Estate	9.04%	10.0%	-0.96%
Fixed Income	20.94%	23.0%	-2.06%
Cash	1.88%	1.0%	0.88%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

Post-Rebalancing Allocations			
	Portfolio	Target	Difference
U.S. Equity	52.27%	52.0%	0.27%
Non-U.S. Equity	14.08%	14.0%	0.08%
Real Estate	9.04%	10.0%	-0.96%
Fixed Income	22.74%	23.0%	-0.26%
Cash	1.88%	1.0%	0.88%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

# O&E Projections<sup>1</sup>

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities
2021	1,700,000	60,000	0	200,000	(1,560,000)	1,463,000
2022	1,600,000	60,000	0	200,000	(1,460,000)	1,239,000
2023	1,400,000	50,000	0	200,000	(1,250,000)	1,088,000
2024	1,300,000	50,000	0	200,000	(1,150,000)	280,000
2025	1,200,000	40,000	0	200,000	(1,040,000)	

<sup>1</sup>Provided by Cheiron.

# O&E Rebalancing

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
<b>Officers &amp; Employee Pension Plan</b>		<b>10,050,390</b>	<b>100.0%</b>	<b>0</b>	<b>10,050,390</b>	<b>100.0%</b>	<b>100.0%</b>
<b>U.S. Equity</b>							
Vanguard Equity Income Fund Admiral	VEIRX	435,174	4.3%	0	435,174	4.3%	4.0%
Vanguard Mid Cap Value Index	VMVAX	427,973	4.3%	0	427,973	4.3%	4.0%
Vanguard Total Stock Market Index	VITSX	2,908,892	28.9%	(375,000)	2,533,892	25.2%	25.5%
<b>Total U.S. Equity</b>		<b>3,772,039</b>	<b>37.5%</b>	<b>(375,000)</b>	<b>3,397,039</b>	<b>33.8%</b>	<b>33.5%</b>
<b>Global Equity</b>							
Dodge & Cox Global	DODWX	322,072	3.2%	0	322,072	3.2%	3.0%
<b>Total Global Equity</b>		<b>322,072</b>	<b>3.2%</b>	<b>0</b>	<b>322,072</b>	<b>3.2%</b>	<b>3.0%</b>
<b>Non-U.S. Equity</b>							
American Funds Int'l Growth & Income	RIGGX	573,385	5.7%	(75,000)	498,385	5.0%	5.0%
MFS Int'l Intrinsic Value Equity	MINJX	478,595	4.8%	0	478,595	4.8%	4.5%
<b>Total Non-U.S. Equity</b>		<b>1,051,980</b>	<b>10.5%</b>	<b>(75,000)</b>	<b>976,980</b>	<b>9.7%</b>	<b>9.5%</b>
<b>U.S. Fixed Income</b>							
BB&T Inst'l Investment Advisers - Short-Term Bonds -		4,437,245	44.1%	450,000	4,887,245	48.6%	52.0%
<b>Total U.S. Fixed Income</b>		<b>4,437,245</b>	<b>44.1%</b>	<b>450,000</b>	<b>4,887,245</b>	<b>48.6%</b>	<b>52.0%</b>
<b>Cash &amp; Equivalents</b>							
Federated Govt. Obligations MM Fund	GOIXX	467,054	4.6%	0	467,054	4.6%	2.0%
<b>Total Cash &amp; Equivalents</b>		<b>467,054</b>	<b>4.6%</b>	<b>0</b>	<b>467,054</b>	<b>4.6%</b>	<b>2.0%</b>

Market Values as of February 5, 2021.

Pre-Rebalancing Allocations			
	Portfolio	Target	Difference
U.S. Equity	39.29%	35.0%	4.29%
Non-U.S. Equity	11.91%	11.0%	0.91%
Fixed Income	44.15%	52.0%	-7.85%
Cash	4.65%	2.0%	2.65%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

Post-Rebalancing Allocations			
	Portfolio	Target	Difference
U.S. Equity	35.56%	35.0%	0.56%
Non-U.S. Equity	11.16%	11.0%	0.16%
Fixed Income	48.63%	52.0%	-3.37%
Cash	4.65%	2.0%	2.65%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>	<b>-</b>

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# Private Infrastructure

# The “Backbone” of an Economy

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**The physical assets and networks necessary to operate a society – a prerequisite for sustainable economic, industrial, and social growth & development**

**Common attributes of infrastructure assets:**

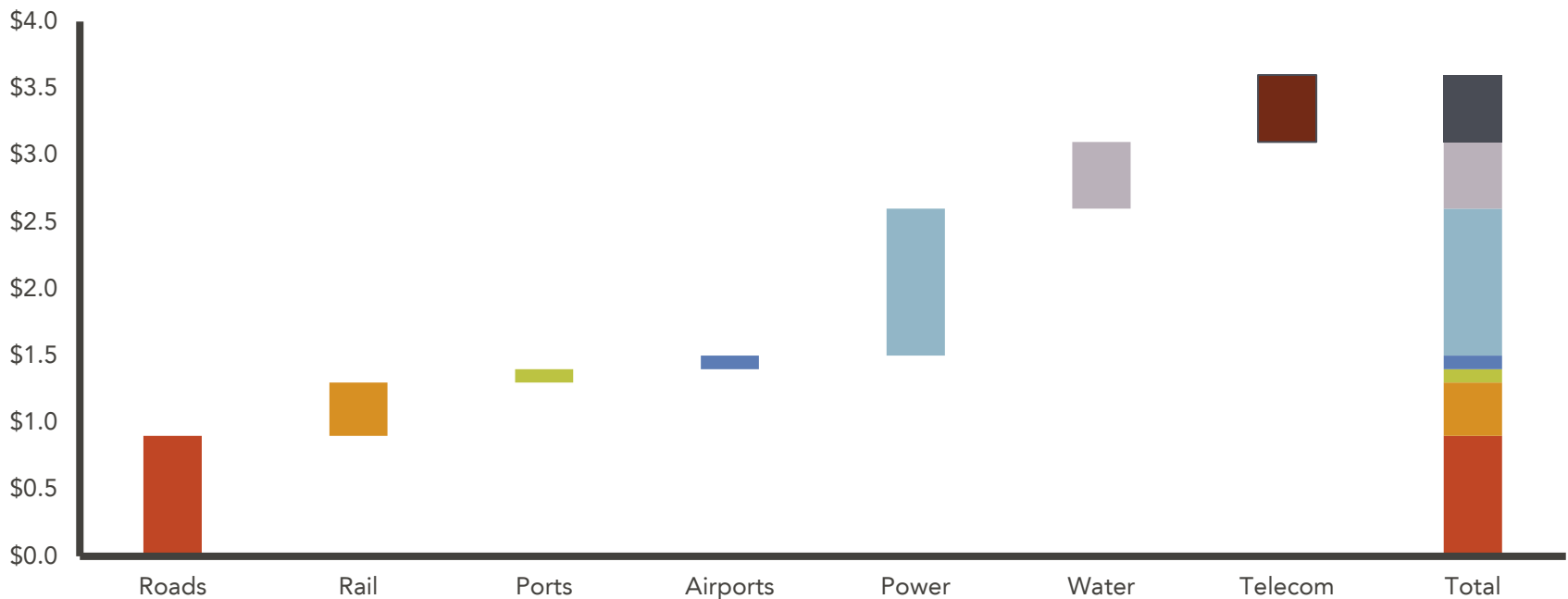
- Essential service to society
- Monopoly/quasi-monopoly
- Regulatory oversight
- Stable and predictable cash flows



# Need for Infrastructure Investments

The long term need for infrastructure investments globally continues to drive demand

▣ Average Annual Infrastructure Need (\$ Trillions)







Source: McKinsey Global Institute. Data is based on available information as of February 29, 2020.



# Infrastructure Sectors

**Infrastructure assets are commonly defined by their physical characteristics and grouped into two main categories: economic and social infrastructure**

Economic Infrastructure			Social Infrastructure
Transportation	Energy & Utility	Communications	
Airports Bridges Rail Roads Seaports Tunnels	Electricity Gas Oil Pipelines Water/wastewater Solar/wind	Broadcast towers Cable networks Mobile towers Satellite networks	Municipalities Universities Schools Hospitals
			

# Infrastructure Characteristics

## Economic Infrastructure Assets

### Throughput assets

- Derive income per usage
- Prices determined by operator/owner

Ex: roads, airports, rail



### Regulated assets

- Derive income per usage
- Prices determined by regulatory body
- Asset owner typically has some pricing power protection

Ex: utilities, water, gas



### Contracted assets

- Operated by a contract between operator and entity
- Contract determines pricing system and identifiable revenues

Ex: schools, satellite networks, broadcast towers



## Infrastructure Maturity States

### Greenfield

New construction or development

### Brownfield

Existing, established asset

### Rehabilitated Brownfield

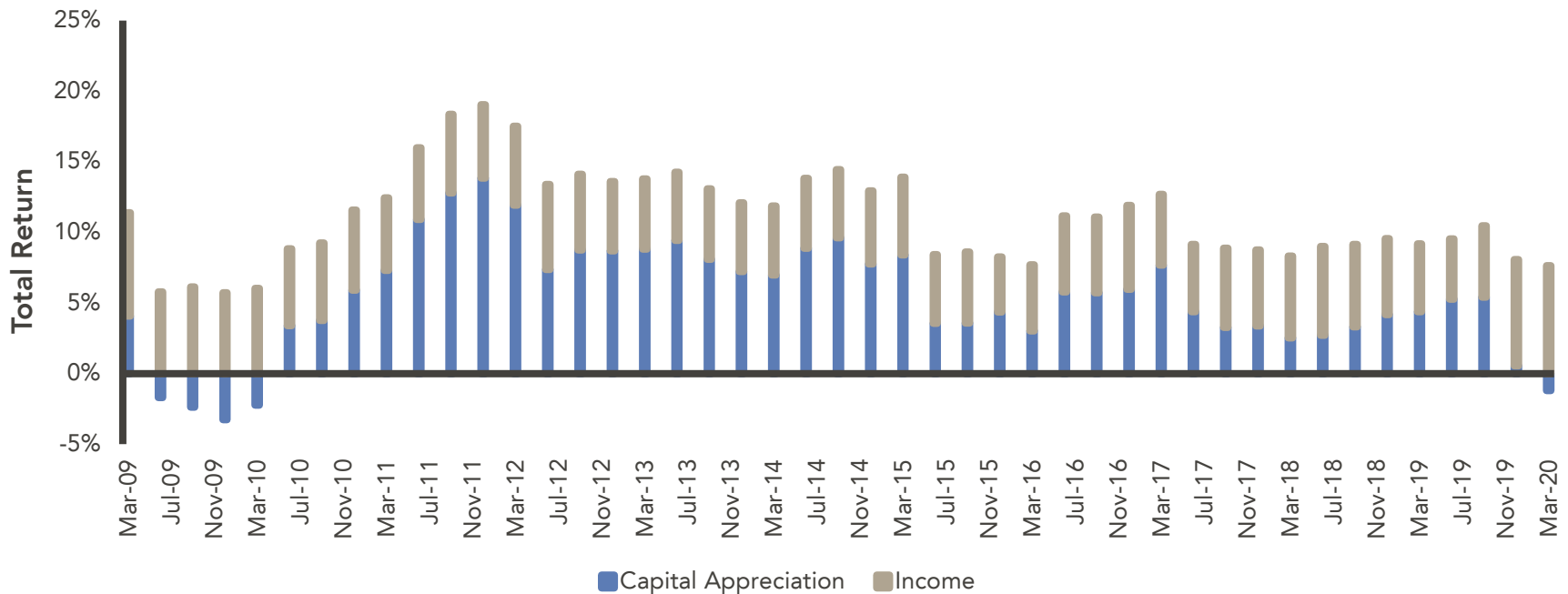
Redevelopment



# Sources of Global Infrastructure Returns

Return from income is expected to remain high in 2020, similar to the trend seen in the past decade.

▣ Rolling 4-quarter returns from income and capital appreciation (1Q 2009 – 1Q 2020)



Source: MSCI. Infrastructure returns represented by the “low risk” category of the MSCI Global Quarterly Infrastructure Asset Index. Data show rolling 1-year returns from income and capital appreciation. The chart shows the full index history, beginning in the first quarter of 2009.

# Infrastructure Benefits vs. Risks

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## Infrastructure Benefits

- Growing opportunity set
- Stable predictable cash flows
- Potential hedge against inflation
- Strong and consistent performance
- Low correlation to other asset classes

## Infrastructure Risks

### Fund Level:

- Concentration
- Currency
- Liquidity

### System Level:

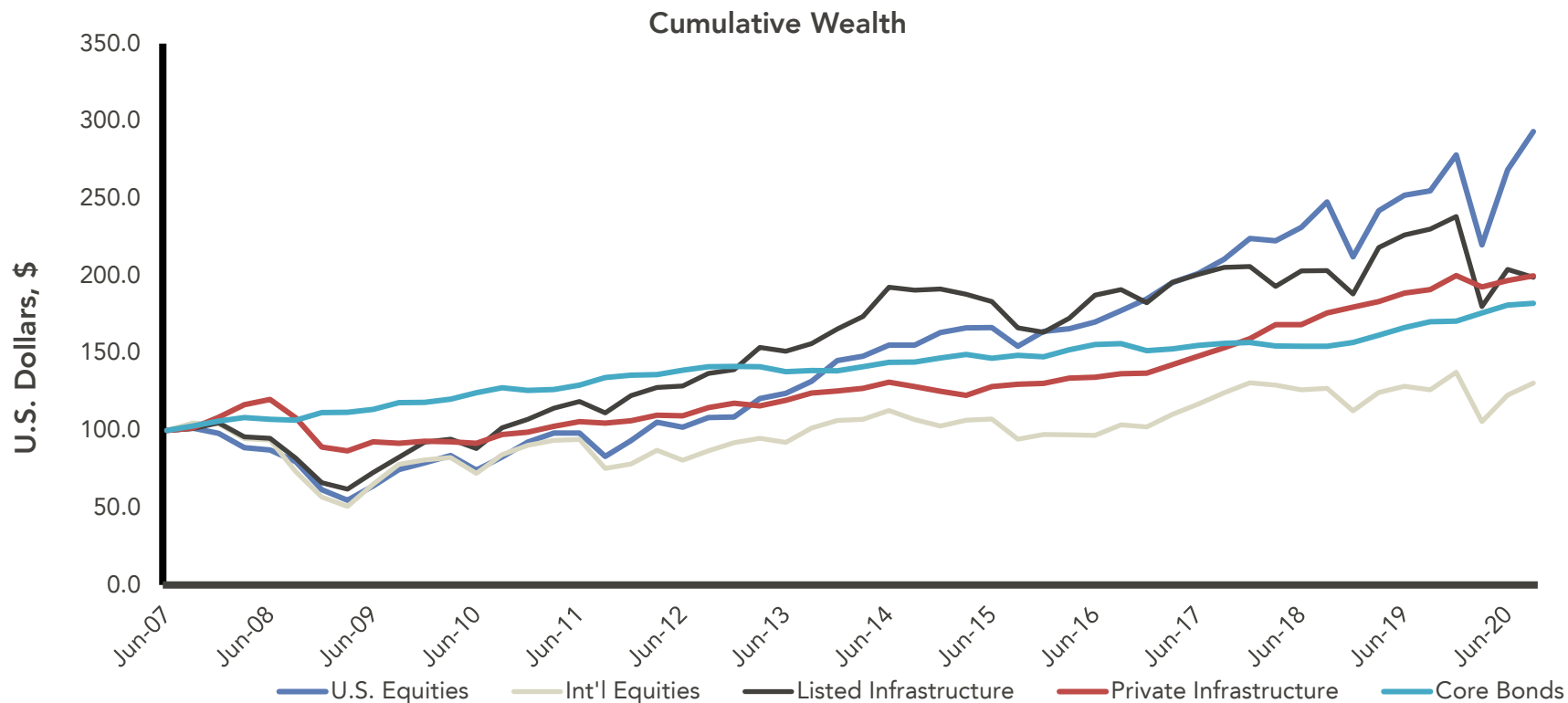
- Demand
- Political
- Regulatory

### Unsystematic

- Disaster
- Environmental
- Obsolescence

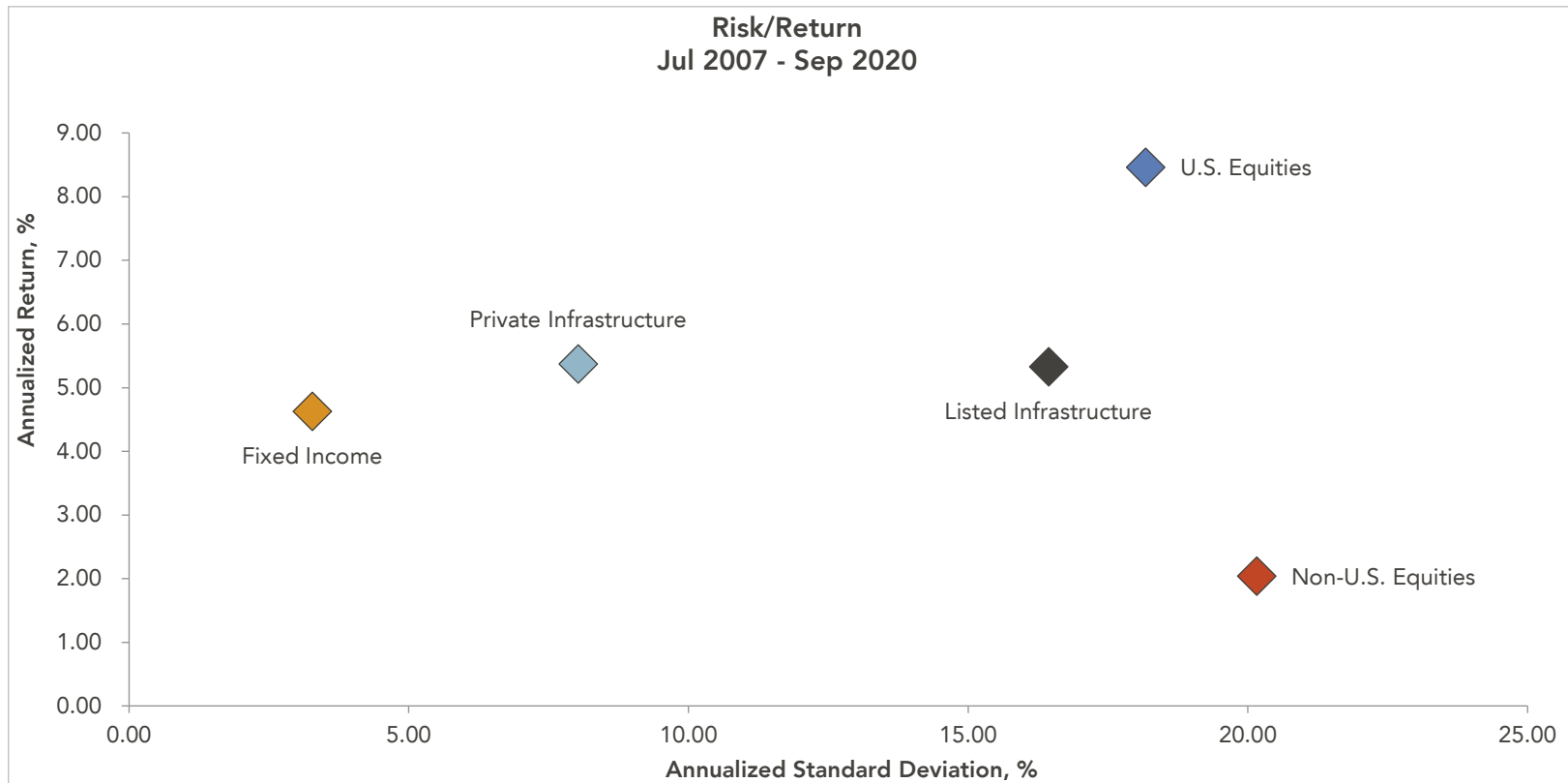
# Returns

## Cumulative wealth, common period July 2007 – September 2020



Source: Markov Processes International. Listed Infrastructure represented by Dow Jones Brookfield Global Infrastructure Index; U.S. Equities represented by Russell 3000 Index; Int'l Equities represented by MSCI ACWI ex-U.S.; Core Bonds represented by Barclays Aggregate; Private Infrastructure represented by the equal-weighted returns of the two largest open-ended core infrastructure funds since the first inception date of the two (July 2007).

# Risk/Return Characteristics



Source: Markov Processes International. Listed Infrastructure represented by Dow Jones Brookfield Global Infrastructure Index; U.S. Equities represented by Russell 3000 Index; Int'l Equities represented by MSCI ACWI ex-U.S.; Core Bonds represented by Barclays Aggregate; Private Infrastructure represented by the equal-weighted returns of the two largest open-ended core infrastructure funds since the first inception date of the two (July 2007).

# Correlations

**The asset class also provides key diversification relative to traditional asset classes**

(common period 3Q07-3Q20)

	Private Infrastructure*	Public Infrastructure	U.S. Equities	Non-U.S. Equities	Fixed Income	Core Real Estate
Private Infrastructure*	1.00					
Public Infrastructure	0.51	1.00				
U.S. Equities	0.47	0.85	1.00			
Non-U.S. Equities	0.60	0.85	0.91	1.00		
Fixed Income	-0.15	0.04	-0.21	-0.05	1.00	
Core Real Estate	0.45	0.13	0.16	0.06	-0.22	1.00

Exhibit uses quarterly data. \*Private Infrastructure represents the equal-weighted returns of the two largest open-ended core infrastructure funds since the first inception date of the two (July 2007).

# Manager Summaries

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## Industry Funds Management

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IFM was formed in 1994 and is owned by 29 Australian pension funds. The firm is headquartered in Melbourne and has a global team located in Sydney, New York, London, Berlin, and Tokyo. The firm's infrastructure team is led by Kyle Mangini, Global Head of Infrastructure, and consists of 56 individuals based in Melbourne, London, Berlin, and New York. IFM Global Infrastructure (U.S.), L.P. (the Fund) is a core, open-ended fund with an inception date of January 6, 2009. The Fund invests in developed-market infrastructure with a primary focus on Europe and the Americas. The Fund's assets are split across a variety of sectors including toll roads, airports, gas, water, electricity, and telecom. The Fund targets a net portfolio return of 10% per year over a rolling three-year period and a cash yield of 6% - 8% over the long term.

## JPMorgan

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The JPMorgan Infrastructure Investments Fund is an open-ended Fund that focuses on core-plus infrastructure assets with the flexibility to invest in value-added assets over time. The fund's assets are split across a variety of sectors with the majority in utilities and renewable power. From a geographical perspective, the assets are invested across the U.S., UK and Continental Europe. Typically the Fund will seek to be the majority (or largest) investor in order to have appropriate governance rights, control and influence over the strategic direction of the investment. As a mature portfolio, the Fund is increasingly targeting platform investments, where there is an opportunity for cost-efficient investment in, or through, the portfolio company. This also allows for enhanced insight into sector trends at an operating level.

## ULLICO Investment Advisors

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The Ullico Infrastructure Fund is a labor-friendly open-ended core fund that focuses on infrastructure businesses that provide essential services to communities, governments and businesses in North America. The Fund typically takes minority positions while obtaining control rights. The Fund targets up to 30% of the portfolio to be comprised of development assets. The Fund's assets are split across a variety of sectors with majority exposure in electricity assets. From a geographical perspective, the Fund is currently 100% invested in the United States.



# Manager Summaries (cont'd)

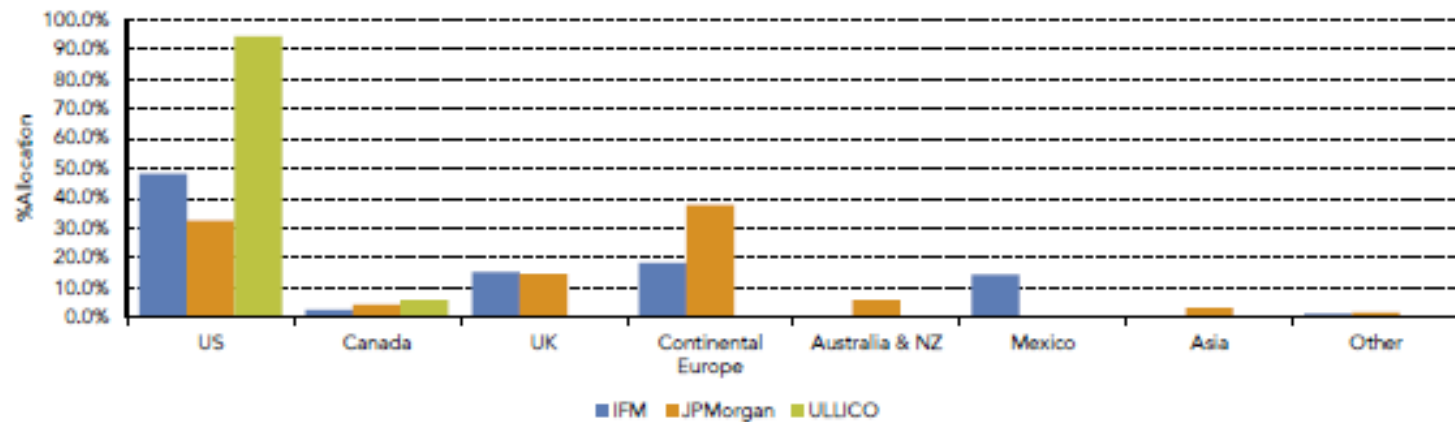
Firm Name	Firm Assets (\$MM)	Product GAV / NAV (\$MM)	Vehicle	Product Style	Queue In / Out (\$MM)
IFM	\$108,506.4	\$48,359.0	Limited Partnership	Core/Core-Plus	\$2,674.2
		\$30,512.5			\$0.0
JPMorgan	\$2,129,309.0	\$27,373.1	Limited Partnership	Core/Core-Plus	\$5,811.2
		\$12,414.4			\$5.0
ULLICO*	\$3,628.5	\$3,918.7	Limited Partnership	Core/Core-Plus	\$754.0
		\$2,129.4			\$0.0

## Product Look-Through

Product	# of Investors	# of Investments	# of OECD Countries	% Top 10 Assets	Since Inception Cash Yield	Cash Balance % of NAV	Fund Inception Date
IFM	409	17	16	79.6%	6.4%	8.2%	1/6/2009
JPMorgan	692	17	22	78.8%	5.8%	0.1%	7/1/2007
ULLICO	133	16	2	85.9%	5.7%	7.3%	11/28/2012

# Regional Allocations

Geographic Distribution

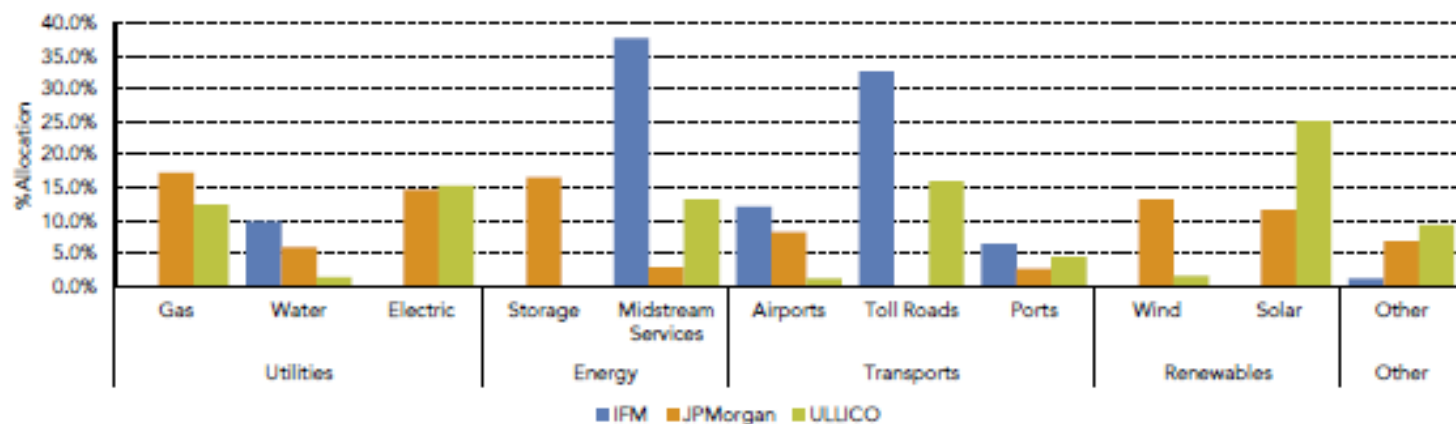


# of Investments

Product		US	Canada	UK	Continental Europe	Australia & NZ	Mexico	Asia	Other*
IFM	#	4	1	4	6	---	1	---	1
JPMorgan	#	5	1	4	4	1	---	1	1
ULLICO	#	14	2	---	---	---	---	---	---

# Sector Allocations

Portfolio Diversification Sub-Sector

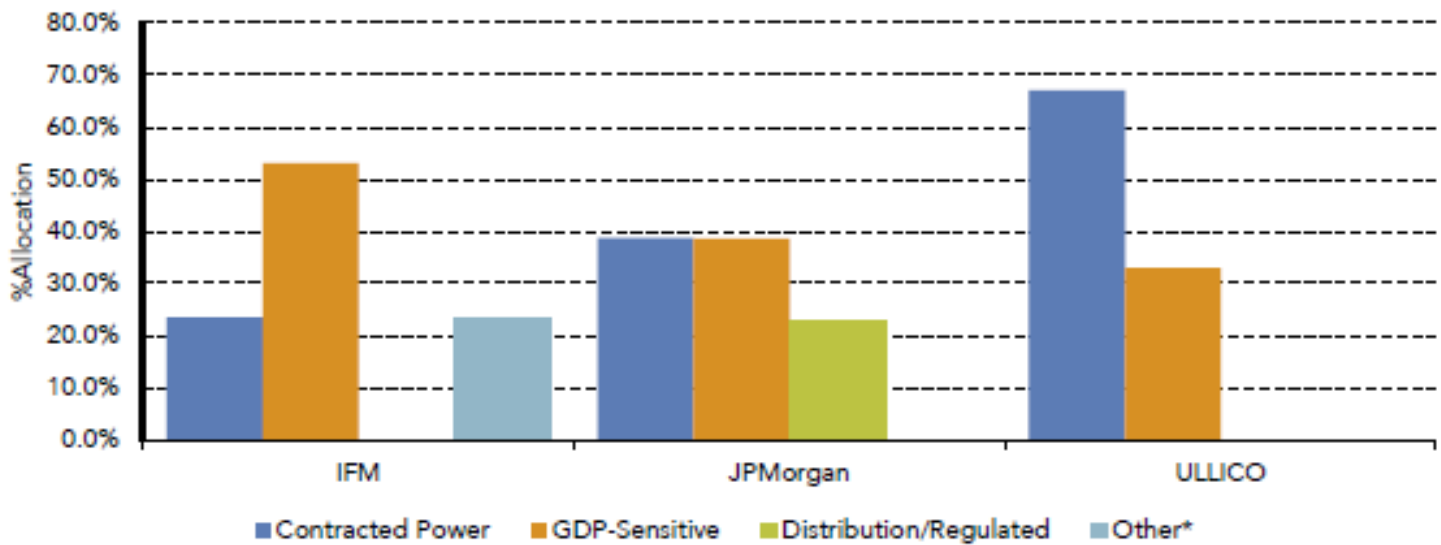


# of Investments

Product		Utilities	Energy	Trans	Renewables	Other
IFM	#	3	5	8	--	1
JPMorgan	#	5	3	3	4	2
ULLICO	#	5	1	3	6	1

# Revenue Distribution

Portfolio Diversification Revenue



# Top Holdings

Name: IFM			% In Top 10:	79.6%
Rank #	Investment Name	Sector	Location	% of NAV
1	Buckeye Partners	Midstream Services	United States	19.6%
2	Indiana Toll Road	Toll Roads	United States	16.4%
3	Aleatica	Toll Roads	Mexico	14.3%
4	Freeport Train 2	Midstream Services	United States	9.5%
5	Manchester Airport Group	Airports	United Kingdom	1.0%
6	Aqualia	Water	Spain	5.2%
7	VTTI	Midstream Services	The Netherlands	4.5%
8	Vienna	Airports	Austria	3.4%
9	Anglian Water Group	Water	United Kingdom	2.9%
10	Colonial Pipeline	Midstream Services	United States	2.8%

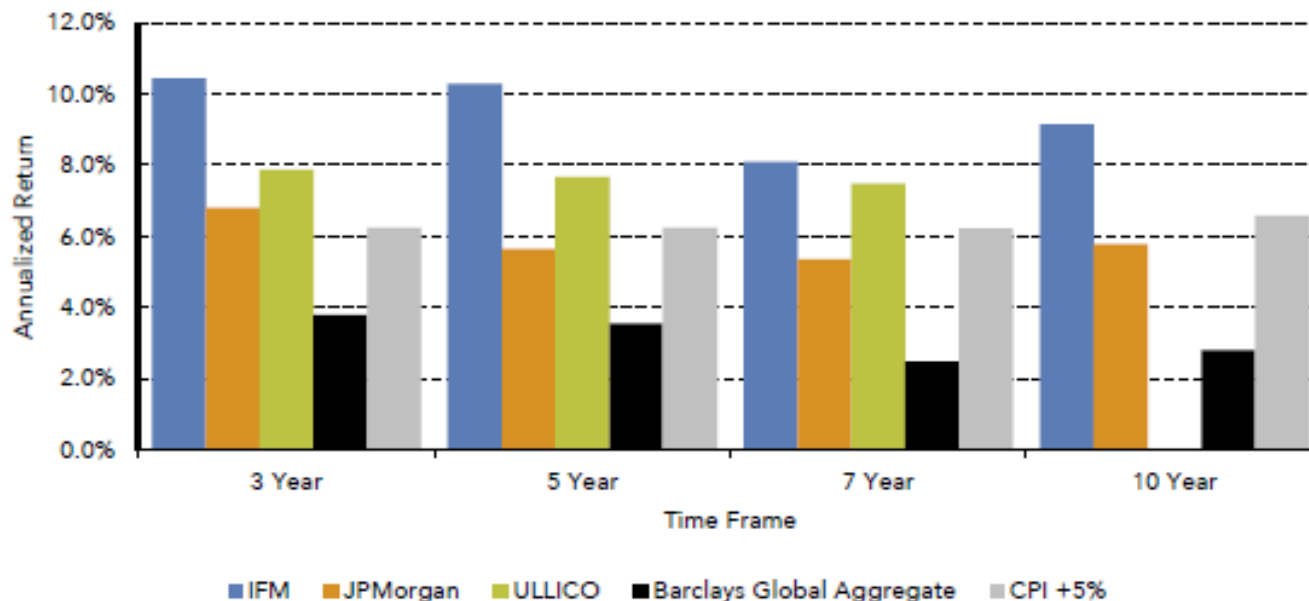
Name: JPMorgan			% In Top 10:	78.8%
Rank #	Investment Name	Sector	Location	% of NAV
1	Koole Terminal	Storage	Various	12.9%
2	Sonnex	Solar	Various	12.7%
3	Ventient Energy/Vortex	Wind	Various	9.1%
4	Summit Utilities	Gas	United States	7.6%
5	Novatus Energy	Wind	United States	7.5%
6	BW Terminals/Contenda	Storage	United States	7.1%
7	Beacon Rail	Other	Various	5.6%
8	North Queensland Airports	Airports	Australia	5.5%
9	Southwest Generation	Electric	United States	5.5%
10	NorteGas	Gas	Spain	5.3%

Name: ULLICO			% In Top 10:	85.9%
Rank #	Investment Name	Sector	Location	% of NAV
1	Autopistas Metropolitanas de Puerto Rico	Toll Roads	United States	16.0%
2	Neptune Regional Transmission System	Electric	United States	15.3%
3	Southern Star Central Gas Pipeline	Midstream Services	United States	13.2%
4	sPower Renewables	Solar	United States	10.1%
5	Student Transportation	Other	United States	9.3%
6	Renewable Energy AssetCo I	Solar	United States	5.0%
7	Tidewater Transportation Terminals	Ports	United States	4.5%
8	Renewable Energy AssetCo II	Solar	United States	4.2%
9	Carroll County Energy	Gas	United States	4.2%
10	West Deptford Energy	Gas	United States	4.1%

# Returns

Trailing Returns - Net of Fees



Trailing Returns and Risk - Net of Fees - Unhedged

	3 Year		5 Year		7 Year		10 Year	
	Ret.	StDev	Ret.	StDev	Ret.	StDev	Ret.	StDev
IFM	10.4%	8.8%	10.3%	7.1%	8.1%	6.8%	9.1%	6.4%
JPMorgan	6.8%	4.6%	5.7%	4.3%	5.4%	4.9%	5.8%	4.7%
ULLICO	7.9%	3.3%	7.7%	2.6%	7.5%	2.6%	--	--
Barclays Global Aggregate	3.8%	3.5%	3.6%	5.3%	2.5%	5.1%	2.8%	5.1%
CPI +5%	6.2%	0.9%	6.2%	1.0%	6.2%	1.3%	6.6%	1.4%

# Fund Terms

Fund Terms & Liquidity

Firm	Minimum Account Size (\$MM)	Redemptions	Subscriptions	Notice Period	Operating Expenses*	Investor Restrictions
IFM	\$10.0	Quarterly	Quarterly	90	0.2%	--
JPMorgan	\$10.0	Semi-Annual	Monthly	90	--	4-year soft lock; 4% redemption holdback**
ULLICO	\$5.0	Quarterly	Monthly	45	0.1%	4-year hard lock

\*Operating expenses represent last year's annual operating expenses which may vary year-to-year.

\*\*JPM: Redemptions may be made on March 31 or September 30 during the 4-year soft lock-up period. For March 31 redemptions, requests must be received between November 15 and December 31 of the previous year. For September 30 redemptions, requests must be received between May 15 and June 30 of the same year. The Fund intends to accept an Investor's redemption request unless the Fund determines, in its absolute discretion, that it would not be in the best interest of the Fund to do so. The Fund may determine that it is in the best interest of the Fund, and of those Investors who have not submitted Repurchase Requests, to establish a queue to pay Repurchase Requests out over more than one Repurchase Date. Redemptions made during the 4-year soft lock-up will be made at 94% of NAV. Redemptions made after the 8-year hard lock-up will be made at 100% of NAV.

# Fees

Fee Schedule and Expense Ratios

Firm	Fee Schedule	Performance Fee	Hurdle Rate	Expense Ratio*	Fee For \$5,000,000
IFM	77 bps on the first \$300 million 65 bps on the Balance	10.00%	8%; 33.3% GP catch-up**	0.77%	\$38,500
JPMorgan	95 bps on the first \$100 million***	15.00%	7%; hard hurdle/no catch-up****	0.95%	\$47,500
ULLICO	175 bps on the first \$50 million 165 bps on the next \$25 million 150 bps on the next \$25 million 140 bps on the next \$25 million 125 bps on the next \$125 million 100 bps on the Balance	--	--	1.75%	\$87,500

\*Expense ratio represents the management fee only and does not include the performance fee.

\*\*IFM: 50% held back each year to cover future performance deficits; calculated over rolling three-year periods.

\*\*\*JPM: The 15% performance fee over 7% hurdle is subject to a 13.5% performance cap. The new fee schedule includes changes in the incentive fee measurement period from 3-years to 1-year with a deferred payment of 50% paid at the end of each of years 2 and 3 contingent on sustained performance.

\*\*\*\*JPM recently revised the Fund's fee structure from 1.00% to 0.95% management fee for allocations under \$100 million which will decrease further (5%) when the Fund NAV reaches \$20 billion and again by 5% after NAV reaches \$30 billion.



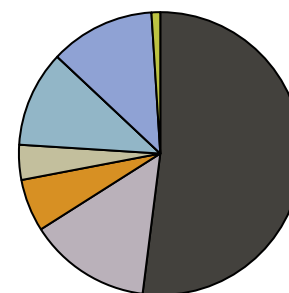
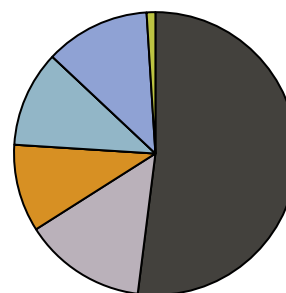
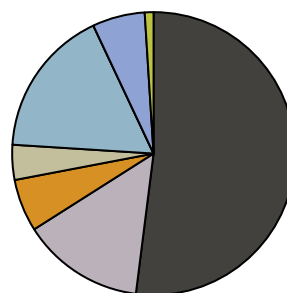
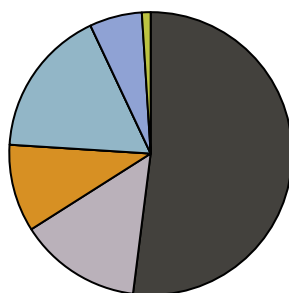
# Portfolio Examples

**Police: Current**

**Police: w/INF**

**Fire: Current**

**Fire: w/INF**



■	U.S. Equities	52%	52%	52%	52%
■	Non-U.S. Equities	14%	14%	14%	14%
■	Core Real Estate	10%	6%	10%	6%
■	Private Infrastructure	-	4%	-	4%
■	U.S. Core Fixed Income	17%	17%	11%	11%
■	Laddered Bonds	6%	6%	12%	12%
■	Cash	1%	1%	1%	1%

	<b><u>Police: Current</u></b>	<b><u>Police: w/INF</u></b>	<b><u>Fire: Current</u></b>	<b><u>Fire: w/INF</u></b>
Avg. Annualized Return	6.0%	6.1%	6.0%	6.1%
Avg. Annualized Volatility	11.8%	12.0%	11.8%	12.0%

Source: Marquette Associates Asset Allocation Software

# Next Steps

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- If the Board wishes to explore further, we recommend having two investment managers present at the May meeting
- If the Board ultimately decides to make an allocation to Private Infrastructure, we will work with the selected manager on the subscription documents
  - The change will also require an amendment to the Investment Policy Statement
  - We will draft the amendment and send back to the Board for signature(s)

# Disclosures

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The sources of information used in this report are believed to be reliable. Marquette Associates, Inc. has not independently verified all of the information and its accuracy cannot be guaranteed. Opinions, estimates, projections and comments constitute our judgment and are subject to change without notice. References to specific securities are for illustrative purposes only and do not constitute recommendations. Past performance does not guarantee future results.

## **About Marquette Associates**

Marquette Associates is an independent investment consulting firm that guides institutional investment programs with a focused three-point approach and careful research. For more than 30 years Marquette has served this mission in close collaboration with clients – enabling institutions to be more effective investment stewards. Marquette is a completely independent and 100% employee-owned consultancy founded with the sole purpose of advising institutions. For more information, please visit [www.marquetteassociates.com](http://www.marquetteassociates.com).