AGENDA ITEM SUMMARY

1. NAME OF ITEM: Asset Allocation Study and Recommendations

2. INITIATED BY: James H. Page, Chancellor

3. BOARD INFORMATION: BOARD ACTION: X

4. BACKGROUND:

Kelly Regan with New England Pension Consultants (NEPC) provided an overview of NEPC’s 2014 capital market observations, including investment opportunities and related reallocation recommendations at the February 27, 2014 Investment Committee meeting. Recommendations were as follows:

**Managed Investment Pool**
NEPC reviewed two asset allocation options (Mix A and Mix B). After an in depth discussion, the Investment Committee supported the adoption of Mix B which includes:
- Reallocating 5% from High Yield Bonds to Global Multi-Sector Fixed Income.
- Splitting the Emerging Market allocation to include a new allocation to Emerging Market Small Cap Equity.
- Allocating 2% to private equity managed by Landmark Partners.

**Pension**
NEPC led a discussion of the Plan’s liabilities, goals and objectives, and asset allocation options (Moderate, Conservative and Liability Driven). After an in depth discussion, the Investment Committee supported the Conservative Asset Allocation which includes:
- Reducing the Equity allocation from 40% to 20%.
- Increasing the allocation to Core Bonds from 13% to 27%.
- Issuing a search to determine options for core fixed income.
- Reallocating 5% from High Yield Bonds to Global Multi-Sector Fixed Income.
- Issuing a search for an Emerging Market Equity Small Cap Manager for a 3% allocation.

**Operating Fund**
Given projected cash needs, no reallocation or rebalancing recommendations were made.

Lacking a quorum, this item is being forwarded for Board of Trustee approval in March.

5. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees approve the Asset Allocations based on the recommendations presented above.

03/13/2014