

City of Omaha Police & Fire Pension

DeMarche Associates, Inc. is the Investment Consultant retained by Omaha Police & Fire Pension Fund. In March 2009, their presentation to the Police & Fire Task Force showed that The Omaha Police & Fire Pension Fund was meeting its objective of 8.0% annualized return.

- ✓ Today, the pension fund's long term return objective is 8.0%. The secular expected return estimated by DeMarche Associates for the current asset mix is 8.3%
- ✓ The fund's total return has been 9.4% annualized since 4/1/80 (as of 9/30/12)
- ✓ The expected return is "Long-Term," which covers multiple market cycles (20-50 years). The fund may fail to meet its objective in a specific 5-, 10-, or 25-year period, but it is expected to meet or exceed 8% "long-term."

Below, left, is an excerpt from the presentation to the Police & Fire Task Force from March 2009. At that time, based on the Fund's asset allocation, the long-term estimated geometric return was 8.1%. Since 1980 the Fund had achieved an annualized return of 9.1%.

On the right, we roll forward to 9/30/12, and we see the objective again has been met long-term:

2009 TASK FORCE

D MARCH

2) Is the Omaha Police & Fire Pension Fund achieving its investment goal?

- > Omaha Police & Fire Pension Fund has exceed its return objective of 8%. Annualized return since 4/1/80 is 9.1%.
- > However, for the last five years the fund return was 1.0%, and for the last ten years the return was 1.6% annualized.

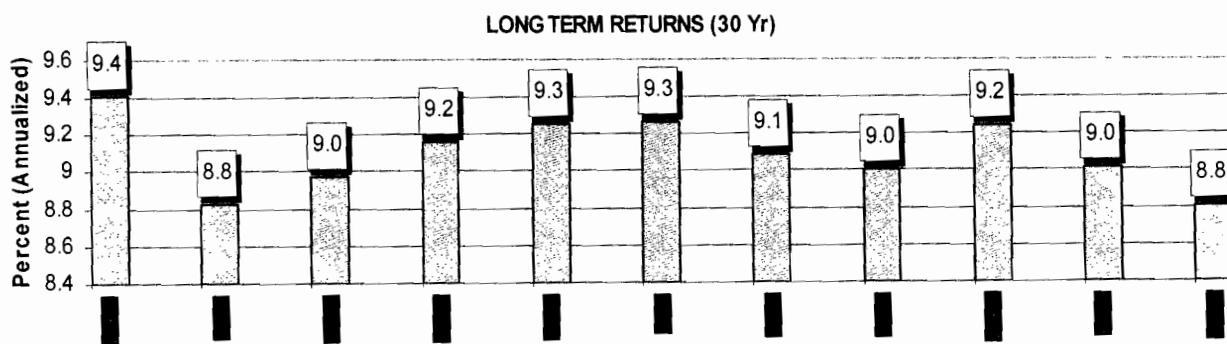
Performance	Omaha P&F Pension Fund	Stocks (S&P 500)
1-Year	-27.9%	-37.0%
3-Year	-4.9%	-8.4%
5-Year	1.0%	-2.2%
10-Year	1.6%	-1.4%
Since Inception (4/1/80)	9.1%	11.0%

March 25, 2009 13 DeMarche Associates, Inc

TODAY (as of 9/30/12)

Performance	Omaha P&F Pension Fund	Stocks (S&P 500)
1-Year	16.2%	30.2%
3-Year	9.9%	13.2%
5-Year	1.0%	1.1%
10-Year	7.3%	8.0%
Since Inception (4/1/80)	9.4%	11.5%

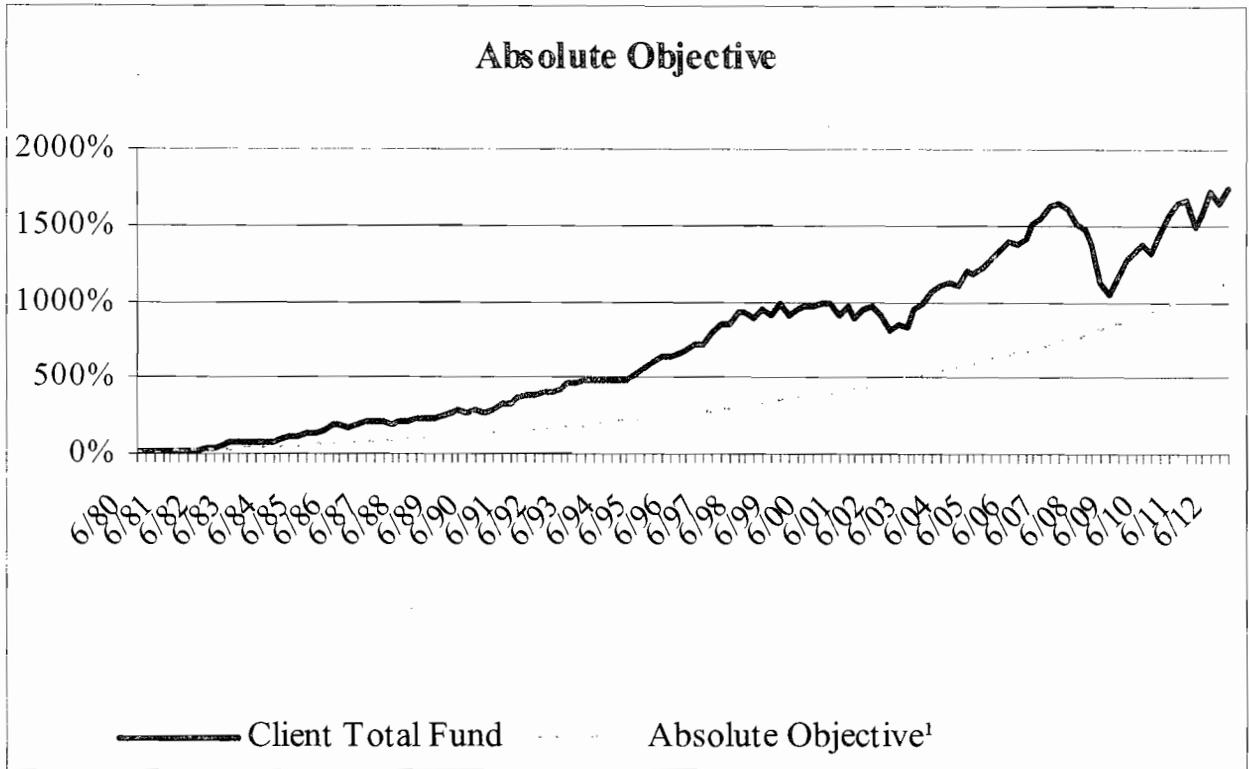
Note that the variability in 10-year returns can be dramatic (see charts above). Even over 25 years, there is a chance that on any given date, the 8% objective might not be met, but the "Since Inception" period is a representative Long-Term time horizon on which the Long-Term return assumption is based. Below are trailing 30-year returns of the fund:



During 2009, the Fund's Investment Committee worked with DeMarche Associates to re-assess its asset mix. The allocation that was developed has been in place since then. The asset mix is reviewed every three to five years at a minimum. It is shown below. **The estimated Secular Geometric Return is 8.3%. This is an estimate for the long-term (20-50 year) return that takes into account the volatility of the asset mix and encompasses multiple market cycles.**

Current Asset Allocation

Asset Class (as of 9/30/12)	Percentage
<i>Stocks:</i>	
U.S. Large Cap Stocks	20
U.S. Small Cap Stocks	10
International Large Cap Stocks	7
International Small Cap Stocks	10
Emerging Market Large Cap Stocks	5
<i>Bonds:</i>	
Intermediate Term Bonds	10
High Yield Bonds	10
Cash	3
Inflation Protected Bonds (TIPS)	2
<i>Alternative Investments:</i>	
Private Real Estate	15
Timberland	5
Commodities	3
Secular Geometric Return Expectation (Long Term, 20-50 Years)	8.30
Standard Deviation	10.93



The chart above shows the actual performance of the fund (solid line) versus the absolute objective (dotted line) since 1980.

¹ 8%