

PAPERS Conference Pittsburgh

Trustee Panel:

Just the facts Ma'm

Moderator: Sean McShea, *Ryan Labs*

Speaker(s): Tim Johnson, *Allegheny County Retirement*
Scott Kunka, *City of Pittsburgh*

Presented on: Friday September 13, 2013

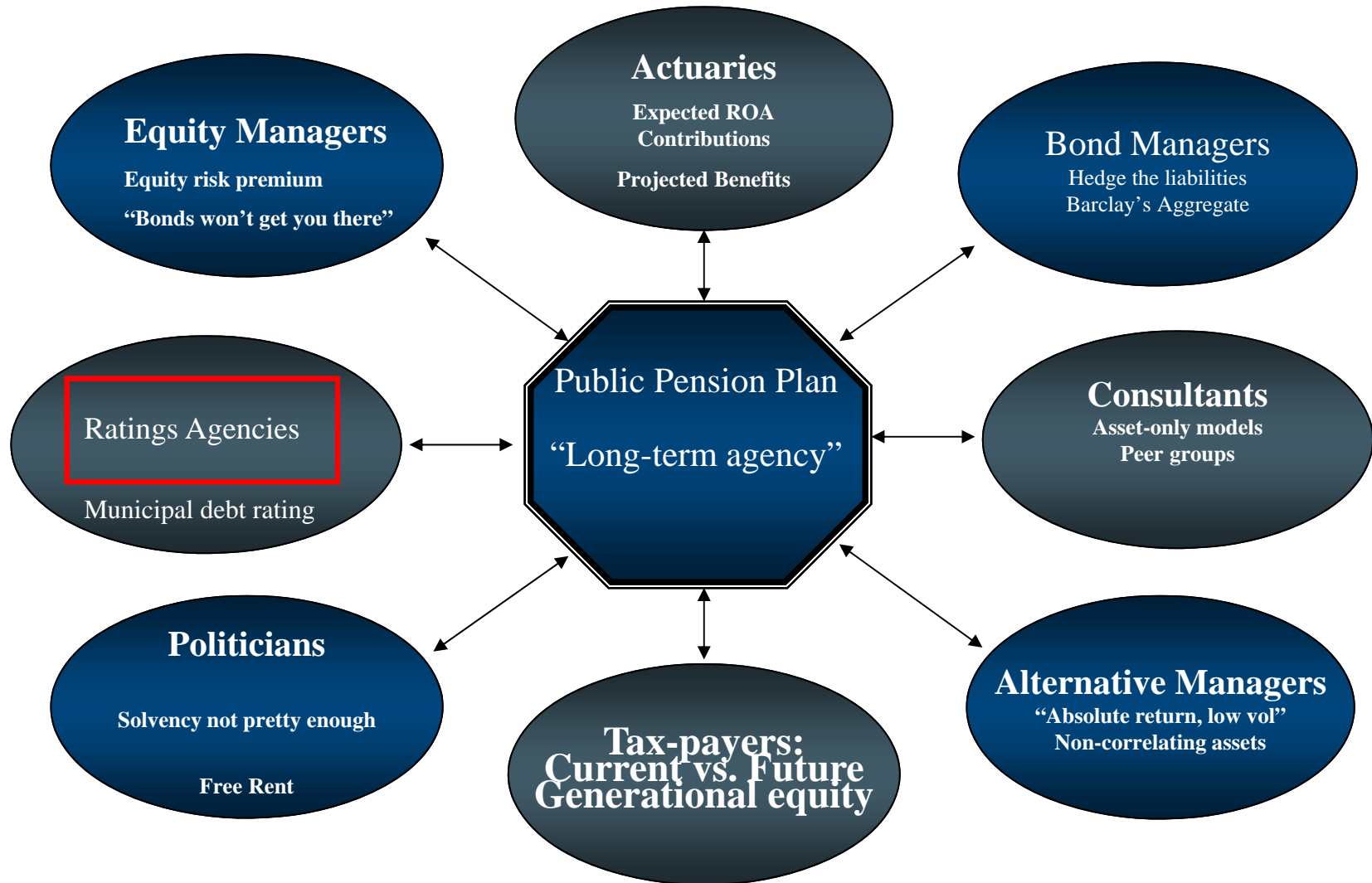
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Blind Monks & The Elephant



“The story is used to indicate that reality may be viewed differently depending upon one's perspective, suggesting that what seems an absolute truth may be relative due to the deceptive nature of half-truths.”

The Players: Alignment of Interest



Just the Facts Ma'm



“My name is Friday—I’m a cop, I carry a badge“

FACTS: Anywhere USA Pension Plan

	CAFR				Pension & OPEB
	General Fund (Million \$)	Government (Million \$)			
Revenue	100	150			125
Operating Expense	99	147		8.0%	250
Net Change	<u>1</u>	<u>3</u>			<u>(125)</u>
Cash	2	12			50%
Net Assets	2	100			
OPEB @Mkt		-80			
Pension Deficit @Mkt, Includes one time contr		-81			
Total Net Assets @Mkt		<u>(61)</u>			
Population	100,000				
Deficit Per Current Tax Payer	(610)				
Assets					300
Liabilities				3.5%	400
Market Difference					<u>(100)</u>
Market Funding					75%
Normal Cost @ Actuari			8.0%		3.5
Normal Cost @ Market			4.0%		5.6
Benefit Payments					20
Contributions (Cons)					<u>13</u>
Cash Flow					<u>(7)</u>
Exp. Cons. above Normal Cos					10.0

Data Source:

Anywhere CAFR, Anywhere Website, Public Actuary, Public Consultant
Ryan Labs Asset Management

Disclosures

The information contained herein employs proprietary projections of expected returns of assets and liabilities, as well as estimates of their future volatility. The relative relationships and forecasts contained herein are based upon proprietary research and are developed through analysis of historical data and capital markets theory. These estimates have certain inherent limitations, and unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. Performance results represent the investment performance record for a size-weighted composite of similarly managed, unconstrained discretionary accounts.

Performance results are gross of investment management fees. The deduction of an advisory fee reduces an investor's return. Actual account performance will vary depending on individual portfolio security selection and the applicable fee schedule. Past performance is not a guarantee of comparable future results. Fees are described in Part II of the Advisor's ADV which is available upon request.

The following is an example of the effect of compounded advisory fees over a period of time on the value of a client's portfolio: A portfolio with a beginning value of \$100 million, gaining an annual return of 10% per annum would grow to \$259 million after 10 years, assuming no fees have been paid out. Conversely, a portfolio with a beginning value of \$100 million, gaining an annual return of 10% per annum, but paying a fee of 1% per annum, would only grow to \$235 million after 10 years. The annualized returns over the 10 year time period are 10.00% (gross of fees) and 8.91% (net of fees). If the fee in the above example was 0.25% per annum, the portfolio would grow to \$253 million after 10 years and return 9.73% net of fees. The fees were calculated on a monthly basis, which shows the maximum effect of compounding. The investment strategy described in this presentation is managed by Ryan Labs Asset Management's opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions.

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