

# Carpenters Retirement Plan of Western Washington Carpenters of Western Washington Individual Account Pension Plan

## Asset Allocation and Investment Manager Assignments

The assets of the Carpenters Retirement Plan and the Carpenters Individual Account Pension Plan are invested together in a combined Trust which was valued at \$1.764 billion as of December 31, 2016. The Carpenters Retirement Plan accounts for approximately \$1.337 billion of the total and the Carpenters Individual Account Pension Plan accounts for approximately \$426 million. The chart below outlines the present asset allocation for the Trust as of December 31, 2016.

Asset Category	% of Assets
Bonds	14%
Commercial mortgages	9%
Real estate equity	14%
International stocks	17%
Domestic small cap stocks	7%
Domestic mid-cap and large-cap stocks	21%
Private equity	6%
Absolute return	12%
Cash and short term bonds	0%
<b>Total</b>	<b>100%</b>

Listed below are the money manager assignments by asset category.

### **Bonds**

Our fixed income managers are PIMCO and Dodge & Cox. PIMCO manages both a core bond portfolio and an open-end fund designed to provide maximum real return, consistent with the preservation of real capital and prudent investment management. Dodge & Cox employs a bottom-up security selection process expected to produce a high-quality diversified portfolio with above-market returns over a three- to five-year period.

### **Commercial Mortgages**

The Trust participates in a pooled mortgage fund which serves small to mid-size commercial new construction in the Pacific Northwest. The fund is composed of short to intermediate term commercial mortgages with laddered maturities. The effective duration of the commercial mortgage portfolio is well below that of the broader fixed income market.

### **Real Estate Equity**

The Trust holdings are comprised of our participation in a number of pooled funds which invest primarily in new construction. The portfolio has a northwest orientation along with a participation in

a nationally administered pooled fund. Our equity real estate investments provide union construction jobs.

### **International Stocks**

International stocks were added to this portfolio to improve its diversification and long-term expected rate of return. The Trustees are very mindful of the potential for international investing to work against the interests of organized labor. The AFL-CIO is supportive of foreign investments in pension portfolios when they can be achieved without direct negative impact on domestic union employment. The Trustees adopted an international investment policy that is consistent with the AFL-CIO guidelines. Value oriented international investments are assigned to Mondrian and Lazard. Artisan manages a growth oriented international portfolio for the fund.

### **Domestic Small Cap Stocks**

Small cap responsibilities are assigned to Wellington Management Company for value and Washington Capital Management for the growth style.

### **Domestic Mid-Cap and Large-Cap Stocks**

There is broad diversification and equal weighting in the portfolio between value style managers and growth style managers. Managers for the value style are SKBA and CS McKee. Growth stock management is assigned to Atlanta Capital, RCM, and Washington Capital Management. Another recent addition to the large cap stock assignments is an S&P 500 Index fund, managed by PIMCO.

### **Private Equity**

The fund uses two “fund of fund” managers in order to diversify broadly in this class. The managers are Hamilton Lane and Pantheon Partners. Funds are invested in direct private equity, venture capital, mezzanine financing, corporate finance and buyouts.

### **Absolute Return**

The fund uses two “fund of fund” managers in order to diversify broadly in this class. The managers are Larch Lane and Permal. Funds are invested in a variety of hedge fund activities.

### **Returns**

Listed below are the annual returns for the Carpenters Individual Account Pension Plan for the past ten years.

<b>Year</b>	<b>Rate of Return</b>
2007	10.2%
2008	-20.4%
2009	10.8%
2010	11.6%
2011	1.4%
2012	11.7%
2013	14.5%
2014	6.8%
2015	2.0%
2016	6.3%

Compound rate of return for the 10 years ending December 31, 2016 is 5.07%. The Callan 10 year total fund standard deviations of returns is 9.0%.

### **Plan Expenses**

Our relationships with the money managers discussed above are primarily in the form of separate accounts. Separate account fee levels at our investment size typically are much lower than fees available through the mutual fund universe. Total expenses for the plan, including custodial, money manager fees, and administration average just under 0.4% of assets.

As you may know, the Carpenters Retirement Plan has a five-year vesting requirement. The Carpenters Individual Account Pension Plan has a three-year vesting requirement. This means that contributions for individuals who leave the trade prior to becoming vested may eventually be forfeited. Forfeitures are used first to provide benefits for carpenters who work for delinquent employers who fail to make the required contributions. A second use of forfeitures is to pay plan administrative expenses.

### **Ongoing Investment Activities**

The Trustees meet quarterly to review each manager's performance in relation to benchmarked expectations. The Trustees are assisted in investment matters by a national consulting firm specializing in the retirement plan investment process. This plan's asset strategy is moderately conservative when compared to other plans of its type.

### **Questions?**

Please contact Retirement Services at Carpenters Trusts if you have questions about the Carpenters Retirement Plan or the Carpenters Individual Account Pension Plan: (800) 552-0635 Nationwide