

PERA Executive Summary

January 2016

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	1/31/2016	Prev. Month's Chg
Total Equities	6,166	-485
Domestic Equity	3,014	-273
International Equity	3,152	-212
Total Fixed Income	4,571	43
Core Fixed Income	3,870	48
Fixed Income Plus	700	-5
Total Alternatives	2,342	-41
Absolute Return	648	-67
Private Equity	715	4
Real Estate	546	25
Real Assets	432	-3
STIF/STO/ Overlay Cash Balances	353	50
TOTAL FUNDS	13,432	-433

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	45.9%	45.9%	0.0%	47.1%	-	1.3	155.5
Domestic Equity	22.4%	21.1%	1.3%	21.4%	16.1 - 26.1%	180.4	38.7
International Equity	23.5%	24.8%	-1.3%	25.7%	19.8 - 29.8%	-179.1	116.8
Total Fixed Income	34.0%	31.1%	2.9%	35.0%	-	393.2	526.7
Core Fixed Income	28.8%	26.1%	2.7%	29.8%	23.1 - 29.1%	364.8	498.3
Fixed Income Plus	5.2%	5.0%	0.2%	5.2%	3 - 7%	28.5	28.5
Total Alternatives	17.4%	23.0%	-5.6%	17.4%	-	-747.2	-747.2
Absolute Return	4.8%	4.0%	0.8%	4.8%	2 - 6%	111.0	111.0
Private Equity	5.3%	7.0%	-1.7%	5.3%	5 - 9%	-225.1	-225.1
Real Estate	4.1%	5.0%	-0.9%	4.1%	3 - 7%	-125.3	-125.3
Real Assets	3.2%	7.0%	-3.8%	3.2%	5 - 9%	-507.8	-507.8
STIF/STO/ Overlay Cash Balances	2.6%	0.0%	2.6%	0.5%	-	352.7	65.0

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	1/31/2016	Fiscal YTD	1 Year	3 Year
TOTAL FUND	-2.79%	-5.49%	-3.64%	4.71%
Policy Index	-2.23%	-4.93%	-2.29%	4.61%
<i>Value Added</i>	<i>-0.56%</i>	<i>-0.56%</i>	<i>-1.35%</i>	<i>0.10%</i>
Total Domestic Equity	-5.89%	-7.59%	-2.65%	10.56%
Russell 3000 Index	-5.64%	-7.00%	-2.48%	10.55%
<i>Value Added</i>	<i>-0.25%</i>	<i>-0.59%</i>	<i>-0.17%</i>	<i>0.01%</i>
International Equity	-6.29%	-14.37%	-10.84%	-1.17%
MSCI ACWI ex-US Index	-6.92%	-15.10%	-11.04%	-1.71%
<i>Value Added</i>	<i>0.63%</i>	<i>0.73%</i>	<i>0.20%</i>	<i>0.54%</i>
Fixed Income Plus	-0.84%	-4.30%	-3.46%	N/A
Policy Index	-2.93%	-8.84%	-8.00%	N/A
<i>Value Added</i>	<i>2.09%</i>	<i>4.54%</i>	<i>4.54%</i>	<i>N/A</i>
Core Fixed Income	1.36%	2.16%	0.09%	2.22%
85/15 Barclays Index	1.39%	2.17%	-0.04%	2.17%
<i>Value Added</i>	<i>-0.03%</i>	<i>-0.01%</i>	<i>0.13%</i>	<i>0.05%</i>
Alternative Assets	-1.06%	-2.05%	-0.30%	7.22%
Policy Index	-2.00%	1.13%	6.63%	8.51%
<i>Value Added</i>	<i>-3.06%</i>	<i>-3.18%</i>	<i>-6.93%</i>	<i>-1.29%</i>
Cash (STIF)	0.01%	0.14%	0.93%	2.13%

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Market Value & Asset Allocation:

The Total Fund market value decreased by \$433 million in January and finished the month at \$13.4 billion. The PERA Board updated the strategic asset allocation in 2014. PERA's target strategic asset allocation (SAA) is 21.1% US Equity, 24.8% Non-US Equity, 26.1% Core Fixed Income, 5% Fixed Income Plus, 7% Private Equity, 4% Absolute Return, 5% Real Estate and 7% Real Assets. Based on current market values, excluding the cash overlay, US Equity is 1.3% overweight and the Non-US Equity allocation is underweight by 1.3%, which is within policy range. Core Fixed Income is within policy range at a 2.7% variance as well as Fixed Income Plus, which is overweight by 0.2%. The Real Assets and Private Equity portfolios are underweight 3.8% and 1.7%, respectively. Absolute Return is overweight by 0.8% and Real Estate is underweight by 0.9%. The Board and Staff are working on an implementation plan for the new SAA. Per section V. A., Asset Allocation, of the Investment Policy "The Board recognizes that the long-term target allocation may take an extended period to implement."

Asset Transfers:

PERA transferred \$44 million at month-end from the cash account to the PERA STO account for beneficiary payments and operating expenses. For the fiscal year, PERA has transferred \$302 million to the PERA fund, \$1.3 million to the Magistrates account, \$2.2 million to the Judicial account and \$183 thousand to the Volunteer Fire Fighter account. Private partnerships called \$67 million and distributed \$20 million during the month. For last fiscal year capital calls averaged \$27 million per month and totaled \$291 million while distributions averaged \$30 million per month and totaled \$361 million.

Fund Returns & Performance:

The Total Fund returned -2.79%, net of fees, for the month with the Russell 3000 Index returning -5.64% and the MSCI ACWI ex-US IMI Index returning -6.92%; PERA's custom Core Fixed Income benchmark returned 1.39% and the custom benchmark for Fixed Income Plus returned -2.93%. The Fund has returned -5.49% for the fiscal year and 4.71% for the 3-year.

Watch List Update:

None of PERA's active Domestic Equity, International Equity, or Fixed Incomes managers are on the Watch List. Four of PERA's alternative investments are also on Cliffwater's Watch List.