

PERA Executive Summary

March 2016

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	3/31/2016	Prev. Month's Chg
Total Equities	6,711	467
Domestic Equity	3,318	200
International Equity	3,393	267
Total Fixed Income	4,445	-94
Core Fixed Income	3,722	-115
Fixed Income Plus	723	21
Total Alternatives	2,383	42
Absolute Return	605	-10
Private Equity	751	-2
Real Estate	586	37
Real Assets	442	17
STIF/STO/ Overlay Cash Balances	423	160
TOTAL FUNDS	13,962	574

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	48.1%	45.9%	2.2%	51.3%	-	302.5	757.7
Domestic Equity	23.8%	21.1%	2.7%	23.6%	16.1 - 26.1%	371.9	343.3
International Equity	24.3%	24.8%	-0.5%	27.8%	19.8 - 29.8%	-69.4	414.4
Total Fixed Income	31.8%	31.1%	0.7%	31.3%	-	102.3	25.5
Core Fixed Income	26.7%	26.1%	0.6%	26.1%	23.1 - 29.1%	77.9	1.1
Fixed Income Plus	5.2%	5.0%	0.2%	5.2%	3 - 7%	24.4	24.4
Total Alternatives	17.1%	23.0%	-5.9%	17.1%	-	-828.1	-828.1
Absolute Return	4.3%	4.0%	0.3%	4.3%	2 - 6%	46.1	46.1
Private Equity	5.4%	7.0%	-1.6%	5.4%	5 - 9%	-226.4	-226.4
Real Estate	4.2%	5.0%	-0.8%	4.2%	3 - 7%	-112.5	-112.5
Real Assets	3.2%	7.0%	-3.8%	3.2%	5 - 9%	-535.3	-535.3
STIF/STO/ Overlay Cash Balances	3.0%	0.0%	3.0%	0.3%	-	423.3	44.9

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	3/31/2016	Fiscal YTD	1 Year	3 Year
TOTAL FUND	4.42%	-1.33%	-1.60%	5.45%
Policy Index	4.13%	-0.73%	-0.40%	5.44%
<u>Value Added</u>	<u>0.29%</u>	<u>-0.60%</u>	<u>-1.20%</u>	<u>0.01%</u>
Total Domestic Equity	7.21%	-0.83%	-0.81%	11.13%
Russell 3000 Index	7.04%	-0.48%	-0.34%	11.15%
<u>Value Added</u>	<u>0.17%</u>	<u>-0.35%</u>	<u>-0.47%</u>	<u>-0.02%</u>
International Equity	8.52%	-7.91%	-7.35%	1.33%
MSCI ACWI ex-US Index	8.21%	-8.99%	-8.08%	0.76%
<u>Value Added</u>	<u>0.31%</u>	<u>1.08%</u>	<u>0.73%</u>	<u>0.57%</u>
Fixed Income Plus	2.97%	-1.23%	-1.13%	N/A
Policy Index	7.82%	-0.84%	0.29%	N/A
<u>Value Added</u>	<u>-4.85%</u>	<u>-0.39%</u>	<u>-1.42%</u>	<u>N/A</u>
Core Fixed Income	0.92%	3.82%	1.94%	2.48%
85/15 Barclays Index	0.90%	3.86%	2.03%	2.62%
<u>Value Added</u>	<u>0.02%</u>	<u>-0.04%</u>	<u>-0.09%</u>	<u>-0.14%</u>
Alternative Assets	1.41%	-1.05%	-0.67%	6.83%
Policy Index	2.10%	6.33%	9.09%	9.61%
<u>Value Added</u>	<u>-0.69%</u>	<u>-7.38%</u>	<u>-9.76%</u>	<u>-2.78%</u>
Cash (STIF)	0.02%	0.18%	0.85%	1.84%

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Market Value & Asset Allocation:

The Total Fund market value increased by \$574 million in March and finished the month at \$13.9 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 2.2% overweight and the Non-US Equity allocation is underweight by 0.5%, which is within policy range. Core Fixed Income is within policy range at a 0.6% 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 1.6%, respectively. Absolute Return is overweight by 0.3% and Real Estate is underweight by 0.8%. 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 \$40 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 \$374 million to the PERA fund, \$1.7 million to the Magistrates account, \$2.8 million to the Judicial account and \$495 thousand to the Volunteer Fire Fighter account. Private partnerships called \$35 million and distributed \$24 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 4.42%, net of fees, for the month with the Russell 3000 Index returning 7.04% and the MSCI ACWI ex-US IMI Index returning 8.21%; PERA's custom Core Fixed Income benchmark returned 0.90% and the custom benchmark for Fixed Income Plus returned 7.82%. The Fund has returned -1.33% for the fiscal year and 5.45% 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.